FERRO CORP
Form DEF 14A
March 16, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by**
Rule 14a-6(e)(2)) þ Definitive Proxy Statement o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Ferro Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3) Filing Party:

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March 16, 2007

Dear Shareholder:

I cordially invite you to attend the 2007 Annual Meeting of Shareholders of Ferro Corporation, which will be held on Friday, April 27, 2007. The meeting will be held at the Intercontinental Hotel and Conference Center located at 9801 Carnegie Avenue in Cleveland, Ohio, and will begin at 10:00 a.m. (Cleveland time). (Complimentary valet parking will be provided.)

At the 2007 Annual Meeting, shareholders will vote on the election of three Directors. The following Proxy Statement contains information about the Directors standing for election, the Directors who will continue in office after the Annual Meeting, a description of our corporate governance practices and other relevant information about our Company and the Annual Meeting.

Regardless of the number of shares you own, your participation is important. I urge you to vote as soon as possible by telephone, the Internet or mail, even if you plan to attend the meeting. You may revoke your proxy at any time before the meeting regardless of your voting method. If you choose, you may also vote your shares personally at the meeting. In any case, your vote is important.

I look forward to seeing you at the Annual Meeting.

Very truly yours,

James F. Kirsch

Chairman, President and
Chief Executive Officer

Who is soliciting my proxy with this Proxy Statement?

The Board of Directors of Ferro is soliciting your proxy in connection with our Annual Meeting of Shareholders.

Where and when will the meeting be held?

This year s meeting will be held on Friday, April 27, 2007, at the Intercontinental Hotel and Conference Center, located at 9801 Carnegie Avenue in Cleveland, Ohio. The meeting will begin at 10:00 a.m. (Cleveland time). Complimentary valet parking will be provided.

What will be voted on at the meeting?

At the meeting, shareholders will vote on the election of three Directors for terms ending in 2010.

What if I wish to attend the meeting?

If you wish to attend the meeting, you should so indicate on the enclosed attendance response card and return the card to Ferro. This will assist us with meeting preparations and enable us to expedite your admission to the meeting.

Who is entitled to vote at the meeting?

The record date for this meeting is March 2, 2007. On that date, we had 43,319,878 Common Shares (which have a par value of $1.00 per share) and 357,133 shares of Series A ESOP Convertible Preferred Stock (which have no par value) outstanding. Each of these shares will be entitled to one vote at the meeting. (The Common Shares and Series A ESOP Convertible Preferred Stock will vote together as a single class.)

How do I vote?

You may cast your votes in person at the meeting or by any one of the following ways:

By Telephone: You may call the toll-free number (1 888-693-8683) printed on your proxy card. Follow the simple instructions and use the personalized control number printed on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Telephone voting is available 24 hours a day. If you vote by telephone, you do not need to return your proxy card.

Over the Internet: You may visit the website (www.cesvote.com) printed on your proxy card. Follow the simple instructions and use the personalized control number printed on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Internet voting is available 24 hours a day. If you vote over the Internet, you do not need to return your proxy card.

By Mail: You may mark, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope.

What if I change my mind before the meeting?

If you change your mind, you may revoke your proxy by giving us notice, either in writing before the meeting or at the meeting itself. (If you do revoke your proxy during the meeting, it will not, of course, affect any vote that has already been taken.)

PROXY STATEMENT

This document is the Notice of Meeting and the Proxy Statement of the Board of Directors of Ferro Corporation in connection with the Annual Meeting of Shareholders to be held on Friday, April 27, 2007, 10:00 a.m. (Cleveland time).

ELECTION OF DIRECTORS

At the Annual Meeting, shareholders will consider the election of three Directors for terms ending in 2010. Our Board has ten Directors divided into three classes with each class having a minimum of three directors. The Directors in each class are elected for terms of three years so that the term of office of one class of Directors expires at each Annual Meeting. The following pages contain information about our Directors (both the nominees for re-election and the Directors whose terms will not expire at this meeting).

Nominees for Election at this Annual Meeting

The current terms of office of Michael H. Bulkin, Michael F. Mee, and Perry W. Premdas will expire on the day of this Annual Meeting (as soon as they or their successors are elected). (Alberto Weisser, whose term of office expires at this Annual Meeting, has advised the Board that he will not stand for re-election.) The Board has nominated each of these incumbents for re-election at this Annual Meeting. Following is information * about these three Directors:

MICHAEL H. BULKIN

Age:	68
First Became a Ferro Director:	1998
Current Term Expires:	This Annual Meeting
Common Shares Owned:	32,199 Shares
Common Shares Under Option:	30,000 Shares
Committee Assignments:	Compensation Committee (Chair)

Biographical Information:

Mr. Bulkin is a private investor. In 1965, he joined McKinsey & Company, Inc. (an international management consulting firm). He became a principal in 1970 and was elected a director in 1976. While serving with McKinsey & Company, Mr. Bulkin held several leadership positions including Managing Director of various offices, Chairman of the Partner Evaluation and Compensation Committee and member of the Shareholders Committee, Executive Committee, Strategy Development Committee, Professional Personnel Committee and Partner Election Committee. Mr. Bulkin retired from McKinsey & Company in 1993.

Mr. Bulkin also serves as a director of Bunge Limited (a global food and agribusiness company operating in the farm-to-consumer food chain).

* For each of the Directors, the number of shares reported as *Common Shares Owned* are as of

March 2, 2007, and include shares that the Director owns beneficially, but not of record, deferred shares and deferred stock units that are converted to common shares after a one-year vesting period. (An individual is deemed to be the beneficial owner of shares over which he or she exercises or shares voting power or investment power.) The number of shares reported as *Common Shares Under Option* includes shares that may be acquired by the Director as of May 1, 2007, pursuant to exercisable stock options.

MICHAEL F. MEE

Age:	64
First Became a Ferro Director:	2001
Current Term Expires:	This Annual Meeting
Common Shares Owned:	18,922 Shares
Common Shares Under Option:	22,500 Shares
Committee Assignments:	Compensation Committee Finance Committee (Chair)

Biographical Information:
At the time of his retirement in March 2001, Mr. Mee served as Executive Vice President and Chief Financial Officer of Bristol-Myers Squibb Company, a pharmaceutical and related health care products company.
Mr. Mee joined Bristol-Myers Squibb in 1994 as its Chief Financial Officer and later assumed additional responsibility for Corporate Development and Global Business Services. In 1999, he was made Executive Vice President and became a member of the Office of the Chairman in 2000.
Before joining Bristol-Myers Squibb, Mr. Mee was involved in the reorganization of Wang Laboratories as Chairman of the Board and earlier as Executive Vice President and Chief Financial Officer of the company. Prior to joining Wang Laboratories in 1990, Mr. Mee had positions of increasing responsibility with Norton Company, Monsanto Company and Chrysler Corporation. Mr. Mee also serves as a director of Lincoln National Corporation (an insurance and financial services company).

PERRY W. PREMDAS

Age:	54
First Became a Ferro Director:	2007
Current Term Expires:	This Annual Meeting
Common Shares Owned:	4,800 Shares
Common Shares Under Option:	None
Committee Assignments:	Audit Committee Finance Committee

Biographical Information:
Mr. Premdas joined Ferro s Board on February 23, 2007. From 1999 to 2004, Mr. Premdas served as the Chief Financial Officer and a member of the Board of Management of Celanese AG, a worldwide leader in chemical products, acetate fiber, technical polymers and performance products headquartered in Germany. From 1976 to 1998, Mr. Premdas held management and financial positions of increasing responsibility with Celanese Corporation and Hoechst AG, including chief financial officer roles at Hoechst Celanese Corporation and Centeon LLC.
Mr. Premdas is also a director of Compass Minerals International, Inc. (a salt and specialty fertilizer company).

Mr. Alberto Weisser, whose term of office ends with this Annual Meeting, has advised the Board that he does not intend to stand for re-election. As a consequence, the Board intends to reduce the number of Directors from ten to nine when Mr. Weisser s term expires. (Mr. Weisser s biography is on page 7 below.)

Messrs. Bulkin, Mee and Premdas have agreed to stand for re-election. While we have no reason to believe that any of these nominees will be unable or unwilling to serve at the time of the Annual Meeting, in the unlikely event any of them does not stand for re-election, the shares represented by proxy at the Annual Meeting may be voted for the election of a substitute nominee named by the Board or there will be a vacancy available to be filled by the Board.

Vote Required

The three nominees who receive the greatest number of votes cast for the election of Directors at the 2007 Annual Meeting by the shares present, in person or by proxy, and entitled to vote, will be elected Directors.

Board Recommendation

The Board recommends that you vote **FOR** the election of Messrs. Bulkin, Mee and Premdas. Unless you instruct otherwise on your proxy card or by telephone or Internet voting instructions, your proxy will be voted in accordance with the Board s recommendation.

If the election of Directors is by cumulative voting (see page 36 below), however, the persons appointed by your proxy intend to cumulate the votes represented by the proxies they receive and distribute such votes in accordance with their best judgment.

Directors Continuing in Office

The following are the Directors who will continue in office after the Annual Meeting:

SANDRA AUSTIN CRAYTON

Age:	59
First Became a Ferro Director:	1994
Current Term Expires:	2008
Common Shares Owned:	16,412 Shares
Common Shares Under Option:	30,000 Shares
Committee Assignments:	Finance Committee
	Governance & Nomination Committee

Biographical Information:

Ms. Crayton is a Managing Director with Alvarez and Marsal, a professional services firm. Ms. Crayton joined the firm in January 2006. Prior to that, Ms. Crayton was President and Chief Executive Officer of PhyServ, LLC, a health care billing, collections, receivables and information company.

Ms. Crayton was appointed Senior Vice President and General Manager of the Medical/Surgical and Psychiatry Management Centers of University Hospitals of Cleveland in 1988. From 1990 to 1994, she served as Executive Vice President and Chief Operating Officer of The University of Chicago Hospitals. In 1994, she was appointed President of Caremark Clinical Management Services, a division of Caremark Rx, Inc. In 1995, Ms. Crayton was named President of Caremark Physician Services, a division of Caremark, Inc., which provides physician practice management services. Between 1997 and 1999, Ms. Crayton was President and Chief Executive Officer of Sedona Health Care Group, Inc. In 1999, she became President and Chief Executive Officer of PhyServ LLC and retired from that position on June 1, 2001, when the company was sold.

Ms. Crayton also serves as a director of NCCI Holdings, Inc. (a workers compensation database management firm).

JENNIE S. HWANG, Ph.D.

Age:	59
First Became a Ferro Director:	2001
Current Term Expires:	2009
Common Shares Owned:	15,551 Shares
Common Shares Under Option:	20,000 Shares
Committee Assignments:	Audit Committee
	Governance & Nomination Committee

Biographical Information:

Dr. Hwang has over 25 years of experience in the chemical coating, materials and electronics industries through her management and/or ownership of businesses. Since 1994, she has served as the President of H-Technologies Group, encompassing international business, worldwide manufacturing services, intellectual property management and joint ventures. Dr. Hwang was also the Chief Executive Officer of International Electronic Materials Corporation, a manufacturing company she founded, which was later acquired. Prior to establishing these companies, Dr. Hwang held various senior executive positions with Lockheed Martin Corp., SCM Corp., and The Sherwin-Williams Company.

Dr. Hwang holds a Ph.D. in engineering and two M.S. degrees in liquid crystals and chemistry. She has served as National President of the Surface Mount Technology Association and in other global leadership positions and is a worldwide speaker and author of more than 300 publications and several internationally used textbooks on leading technologies and global market thrusts. Dr. Hwang has been elected to the National Academy of Engineering and is a board member of Second Bancorp, Inc. (a bank holding company), Singapore Asahi Chemical Industries, Pte. Ltd. (a Singapore chemical company) and Case Western Reserve University.

JAMES F. KIRSCH

Age:	49
First Became a Ferro Director:	2005
Current Term Expires:	2009
Common Shares Owned:	158,500 Shares
Common Shares Under Option:	97,500 Shares

Biographical Information:
Mr. Kirsch was elected Chairman of Ferro s Board of Directors on December 14, 2006. He was appointed Chief Executive Officer and a Director following the unexpected death of Hector R. Ortino, the Company s Chairman and Chief Executive Officer, in November 2005. Mr. Kirsch joined Ferro in October 2004 as its President and Chief Operating Officer.
Prior to joining Ferro, Mr. Kirsch served as President of Premix Inc. and Quantum Composites, Inc., manufacturers of thermoset molding compounds, parts and sub-assemblies for the automotive, aerospace, electrical and HVAC industries. Prior to that, from 2002 through 2004, he served as President of Quantum Composites. From 2000 through 2002, he served as President and director of Ballard Generation Systems and Vice President for Ballard Power Systems in Burnaby, British Columbia, Canada.
Mr. Kirsch started his career with The Dow Chemical Company, where he spent 19 years and held various positions of increasing responsibility, including global business director of Propylene Oxide and Derivatives and Global Vice President of Electrochemicals.

WILLIAM B. LAWRENCE

Age:	62
First Became a Ferro Director:	1999
Current Term Expires:	2008
Common Shares Owned:	14,477 Shares
Common Shares Under Option:	25,000 Shares
Committee Assignments:	Audit Committee Compensation Committee Governance & Nomination Committee (Chair)

Biographical Information:
Before the sale of TRW Inc. to Northrop Grumman in December 2002 and his retirement from TRW in February 2003, Mr. Lawrence served as TRW s Executive Vice President, General Counsel & Secretary. TRW was a provider of advanced technology products and services for the global automotive, aerospace and information systems markets.
Mr. Lawrence first joined TRW in 1976 as counsel specializing in securities and finance. He held positions of increasing responsibility within the TRW law department until his appointment as TRW s Executive Vice President of Planning, Development and Government Affairs in 1989 and a member of TRW s Management Committee. In 1997, Mr. Lawrence was named to the additional position of Executive Vice President, General Counsel & Secretary.
Mr. Lawrence also serves as a director of Brush Engineered Materials Inc. (a manufacturer of high-performance engineered materials).

WILLIAM J. SHARP

Age:	65
First Became a Ferro Director:	1998
Current Term Expires:	2009
Common Shares Owned:	24,749 Shares
Common Shares Under Option:	30,000 Shares
Committee Assignments:	Audit Committee (Chair) Compensation Committee Finance Committee

Biographical Information:
Mr. Sharp serves as a consultant to various private equity groups.
In 2001, Mr. Sharp retired as President of North American Tire for The Goodyear Tire & Rubber Company, a tire, engineered rubber products and chemicals manufacturer.
Mr. Sharp began his career with Goodyear in 1964. Following various assignments in the United States and abroad, he was named Director of European Tire Production in 1984. He was appointed Vice President of Tire Manufacturing in 1987 and later Executive Vice President of Product Supply in 1991. In 1992, he became President and General Manager of Goodyear s European Regional Operations. He was elected President of Goodyear Global Support Operations in 1996. Mr. Sharp is also a director of Jiangsu Xingda Tyre Cord Co. Ltd. (a Chinese tire component supplier) and a director of 2020 ChinaCap Acquirco, Inc. (a special purpose acquisition company).

DENNIS W. SULLIVAN

Age:	68
First Became a Ferro Director:	1992
Current Term Expires:	2008
Common Shares Owned:	35,378 Shares
Common Shares Under Option:	30,000 Shares
Committee Assignments:	Audit Committee Governance & Nomination Committee

Biographical Information:
Mr. Sullivan retired as Executive Vice President of Parker Hannifin Corporation, a producer of motion and control components for commercial, industrial and aerospace markets, on December 31, 2003. Mr. Sullivan began his career with Parker in 1960. He became Group Vice President in 1972, President of the Fluid Connectors Group in 1976, Corporate Vice President in 1978, President of the Fluidpower Group in 1979 and President of the Industrial Sector in 1980. He became an Executive Vice President of Parker in 1981.

ALBERTO WEISSER

Age:	51
First Became a Ferro Director:	2000
Current Term Expires:	This Annual Meeting
Common Shares Owned:	18,945 Shares
Common Shares Under Option:	22,500 Shares
Committee Assignments:	Audit Committee

Biographical Information:
Mr. Weisser is Chairman and Chief Executive Officer of Bunge Limited, a global food and agribusiness company operating in the farm-to-consumer food chain.
Mr. Weisser joined Bunge as Chief Financial Officer in July 1993. In 1999, he was appointed Chief Executive Officer and then Chairman later that year. He has served as a member of the Bunge Board of Directors since May 1997. Before joining Bunge, Mr. Weisser served in various finance-related positions for the BASF Group for 15 years in Germany, the United States, Mexico and Brazil.
Mr. Weisser is also a member of Rabobank s North American Agribusiness Advisory Board and serves on the Board of Directors of International Paper Company.
As noted on page 3 above, Mr. Weisser has advised the Board that he does not intend to stand for re-election. As a consequence, the Board intends to reduce the number of Directors from ten to nine when Mr. Weisser s term expires.

Board Meetings and Attendance

During 2006, the Board of Directors met nine times. During 2006, each Director attended at least 75% of the total number of meetings of the Board and the committees on which he or she served, except for Mr. Weisser who attended 19 of the 30 meetings of the Board and Audit and Finance Committees. Although we do not have a formal policy with respect to Director attendance at the Annual Meeting of Shareholders, the Directors are encouraged to attend. All of our Directors attended the 2006 Annual Meeting held in November 2006, except one Director who was unable to attend due to a prior commitment.

Director Compensation

In 2006, Directors (other than Mr. Kirsch who is an employee of the Company) were paid an annual retainer of $30,000 and an attendance fee of $1,500 per day for meetings of the Board and $1,000 for committee meetings. In addition, in 2006, the Company granted each Director (other than Mr. Kirsch) an option to purchase 7,000 Common Shares under the 2003 Long-Term Incentive Plan. From January 1 through November 3, 2006, the Chairs of the Audit Committee and the Governance, Nomination & Compensation Committee were paid an additional quarterly fee of $5,000 ($20,000 per annum) each and the Chairs of the Finance and Technology Strategy Committees were paid an additional quarterly fee of $1,000 ($4,000 per annum) each. From November 3 to December 31, 2006, the Chairs of the Compensation, Finance, and Governance & Nomination Committees were paid an additional quarterly fee of $2,500 ($10,000) each. (The quarterly fee of the Audit Committee Chair remained unchanged.) Director fees and other compensation for 2006 may be summarized as follows:

Directors Compensation Table

	Fees			Stock Options[2]		
Name	**Paid In Cash**	**Deferred[1]**	**Total Fees**	**Number of Shares**	**Value[3]**	**Total Compensation**
	$	$	$	Shares	$	$
Michael H. Bulkin	0	68,397	68,397	7,000	42,000	110,397
Sandra Austin Crayton	59,000	0	59,000	7,000	42,000	101,000
Jennie S. Hwang	65,000	0	65,000	7,000	42,000	107,000
James F. Kirsch [4]	0	0	0	0	0	0
William B. Lawrence	89,397	0	89,397	7,000	42,000	131,397
Michael F. Mee	0	60,962	60,962	7,000	42,000	102,962
Perry W. Premdas [5]	0	0	0	0	0	0
William J. Sharp	74,707	0	74,707	7,000	42,000	116,707
Dennis W. Sullivan	0	65,000	65,000	7,000	42,000	107,000
Alberto Weisser	0	53,000	53,000	7,000	42,000	95,000

(1) Fees have been deferred pursuant to the deferred compensation program for Directors described below.

(2) The stock options awarded

non-employee Directors have a term of ten years. Those options vest evenly over the first four anniversaries of the grant date and have an exercise price equal to the closing market price at the date of grant. (The date of grant each year is the pre-determined date of the former Governance, Nomination & Compensation Committee meeting in February of that year.) As noted in the text, beginning in 2007 non-employee Directors will no longer receive stock options.

(3) The amounts in this column reflect full grant date fair value of the award using Black-Scholes methodology.

(4) Mr. Kirsch is not paid any fees for his service as a Director because he is an

employee of the Company.

(5) Mr. Premdas was elected to the Board on February 23, 2007, and did not serve as a Director during 2006.

Effective January 1, 2007, Directors (other than Directors who are employees of the Company) will receive a quarterly retainer of $16,250 ($65,000 per annum) and 3,800 deferred stock units each year. The deferred stock units will be paid out in an equal number of shares of Company stock after a one-year holding period (unless deferred by the Director). The non-employee Directors will no longer receive a fee for attending meetings unless the total number of meetings a Director attends in a given year exceeds 24, in which case the Director would be paid $1,500 for each meeting in excess of 24. In addition, the Chair of the Audit Committee will continue to be paid a quarterly retainer of $5,000

($20,000 per annum) and the Chairs of the Compensation, Finance, and Governance & Nomination Committees will continue to be paid a quarterly retainer of $2,500 ($10,000 per annum) each. Beginning in 2007, non-employee Directors will no longer receive stock options.

Directors may defer their fees and common stock issuable upon settlement of the deferred stock units into a Ferro Common Stock account. Amounts so deferred are invested in Ferro Common Stock and dividends on those shares are reinvested in additional Ferro Common Stock. Ferro distributes the shares credited to a Director s deferred account after he or she ceases to be a Director.

CORPORATE GOVERNANCE

Ferro s Board has long followed, both formally and informally, corporate governance principles designed to assure that the Board, through its membership, composition, and committee structure, is able to provide informed, competent and independent oversight of the Company. Below is a description of the corporate governance measures in place to assure that objective is met. Further information about the Company s governance may be found at our website: **www.ferro.com**.

Corporate Governance Principles

The Board has adopted Corporate Governance Principles. These Corporate Governance Principles, which may be found on our website (www.ferro.com), are intended to assure that Ferro s Director qualifications, Committee structure and overall Board processes provide good corporate governance and independent oversight of the Company s management.

Director Independence

The Board has also adopted formal Guidelines for Determining Director Independence, which is also available on our website (www.ferro.com). The purpose of these Guidelines is to assist the Board in its evaluation of and determination as to the independence of members of the Board. The Guidelines meet or exceed in all respects the standards set forth in section 303A of the New York Stock Exchange listing standards, and the Board has determined that all Directors, other than Mr. Kirsch, qualify as independent under such standards.

Board Committees

From January 1 to November 2, 2006, the Board of Directors had four committees, *i.e.*, an Audit Committee, a Finance Committee, a Governance, Nominating & Compensation Committee, and a Technology Strategy Committee. Effective November 3, 2006, the Board of Directors divided the Governance, Nomination & Compensation Committee into two separate committees, the Governance & Nomination Committee and the Compensation Committee, and disbanded its Technology Strategy Committee so that critical strategic technology discussions could be elevated to the Board level.

The four committees that operated through November 2, 2006 and the two new committees that were created effective November 3, 2006 are described below.

Board Committees Through November 2, 2006

The four committees of the Board of Directors from January 1 through November 2, 2006, were as follows:

o **Audit Committee**

The Audit Committee assists the Board with oversight of the integrity of Ferro s financial statements, Ferro s compliance with legal and regulatory requirements relating to its financial reports (including the annual Audit Committee report as required by the Securities Exchange Act of 1934), Ferro s external independent auditors qualifications, independence, and performance, the performance of Ferro s internal audit and risk management functions, compliance with Ferro s legal and ethical policies and Ferro s accounting practices and systems of internal controls. The Audit Committee is not, however, responsible for conducting audits, preparing financial statements, or the accuracy of any financial statements or filings, all of which remain the responsibility of management and the independent auditors. The Committee s charter may be found on our website (www.ferro.com).

The members of the Audit Committee in 2006 were Dr. Hwang and Messrs. Lawrence, Sharp, Sullivan and Weisser. Mr. Premdas joined the Committee upon his election as a Director on February 23, 2007. Mr. Lawrence served as the Chair until he was succeeded by Mr. Sharp on November 3, 2006. Each member of the Audit Committee is independent as required under section 301 of the Sarbanes-Oxley Act of 2002, as well as under the standards contained in section 303A of the New York Stock Exchange listing standards. The Board has determined, in its best judgment, that more than one member of the Audit Committee has the accounting and related financial management experience and expertise to qualify as an audit committee financial expert as defined in section 407 of the Sarbanes-Oxley Act and the Securities and Exchange Commission s rules under that statute. In 2006, however, the Board designated Alberto Weisser as the Audit Committee s named financial expert. The Board expects to name Mr. Premdas as the Audit Committee s financial expert when Mr. Weisser steps down as a Director at this Annual Meeting. (Mr. Weisser s biography is on page 7 above and Mr. Premdas biography is on page 2 above.) Each member of the Audit Committee has the requisite financial literacy required under section 303A of the New York Stock Exchange listing standards to serve on the Audit Committee.

The Audit Committee met 16 times in 2006. The Audit Committee s report is on page 33 below.

o **Finance Committee**

The Finance Committee has oversight responsibilities with respect to reviewing the Company s capital structure, worldwide capital needs, major capital allocations, financial position and related financial covenants and recommending to the Board financial programs and plans for implementing such programs. This Committee s charter may also be found on our website (www.ferro.com).

The Finance Committee met seven times in 2006. Ms. Crayton and Messrs. Mee, Sharp and Weisser were the members of the Finance Committee in 2006, with Mr. Mee serving as the Chair. Mr. Premdas joined the Committee upon his election as a Director on February 23, 2007. All members of this Committee meet the independence standards contained in section 303A of the New York Stock Exchange s listing standards and the Company s Guidelines for Determining Director Independence.

o **Governance, Nomination & Compensation Committee**

The Governance, Nomination & Compensation Committee was responsible for recommending to the Board corporate governance principles, overseeing adherence to the corporate governance principles adopted by the Board, recommending to the Board criteria and qualifications for new Board members, recommending to the Board nominees for appointment or election as Directors, recommending to the Board the composition of committees and the chairs of each, recommending policies for compensation of Directors, and setting the compensation of executive officers, including Ferro s Chief Executive Officer. The Committee s charter may be found on our website (www.ferro.com).

In its role as the nominating body for the Board, the policies of and functions performed by the Committee until November 3, 2006, are described below under Governance & Nomination Committee.

Messrs. Bulkin, Lawrence, Mee and Sharp were the members of the Governance, Nomination & Compensation Committee, with Mr. Bulkin serving as the Chair. All members of this Committee meet the independence standards contained in section 303A of the New York Stock Exchange s listing standards and the Company s Guidelines for Determining Director Independence.

The Governance, Nomination & Compensation Committee met six times in 2006.

o **Technology Strategy Committee**

Until November 3, 2006, the Technology Strategy Committee was responsible for considering new business initiatives presented by management in the electronics, pharmaceuticals and other high technology sectors and for evaluating and recommending strategies for developing and adding to the technologies involved in those initiatives. The matters are now considered by the full Board of Directors.

Ms. Crayton, Dr. Hwang, Mr. Bulkin, and Mr. Sullivan were members of the Technology Strategy Committee, with Ms. Crayton serving as the Chair. All members of this Committee met the independence standards contained in section 303A of the New York Stock Exchange s listing standards and the Company s Guidelines for Determining Director Independence. This Committee met once in 2006.

New Board Committees Effective November 3, 2006

The two new committees formed from the splitting of the Governance, Nomination & Compensation Committee, effective November 3, 2006, are the Compensation Committee and the Governance & Nomination Committee.

o **Compensation Committee**

The Compensation Committee is responsible for recommending policies for compensation of Directors and setting the compensation of the Senior Management Committee, which is comprised of the Company s executive officers. (See page 14 of the Company s 2006 Annual Report on Form 10-K.) The Committee also oversees the various compensation and benefit plans and policies of the Company generally. The Committee s charter may be found on our website (www.ferro.com).

The Committee has retained Towers Perrin, a nationally-recognized executive compensation consulting firm, to provide support to the Committee and management. Towers Perrin assists with the design of pay plans and reviewing the effectiveness and competitiveness of the Company s compensation programs. Towers Perrin also provides the Committee and management with market data on the compensation programs of peer companies. The Chief Executive Officer and Vice President, Human Resources make recommendations regarding compensation of the Senior Management Committee (other than for the Chief Executive Officer) based on the competitive market data, internal pay equity, responsibilities and performance. The Committee makes all final determinations regarding executive compensation, including salary, bonus targets, equity awards and related performance goals. From time to time, the Committee delegates to the Chief Executive Officer and Vice President, Human Resources authority to carry out certain administrative duties regarding the compensation programs, including grants of equity awards to non-executive employees and new hires. For more information on how executive compensation decisions are made, see the Executive Compensation Discussion & Analysis section beginning on page 14 below.

Messrs. Bulkin, Lawrence, Mee, and Sharp are the members of the Compensation Committee, with Mr. Bulkin serving as the Chair. All members of this Committee meet the independence standards contained in section 303A of the New York Stock Exchange s listing standards and the Company s Guidelines for Determining Director Independence.

The newly-formed Compensation Committee met once in 2006. The Compensation Committee s report is on page 19 below.

o **Governance & Nomination Committee**

The Governance & Nomination Committee is responsible for recommending to the Board corporate governance principles, overseeing adherence to the corporate governance principles adopted by the Board, recommending to the Board criteria and qualifications for new Board members, recommending to the Board nominees for appointment or election as Directors and recommending to the Board the composition and chairs of each committee. The Committee s charter may be found on our website (www.ferro.com).

In its role as the nominating body for the Board, the Committee reviews the credentials of potential Director candidates (including potential candidates recommended by shareholders), conducts interviews and makes formal recommendations to the Board for the annual and any interim election of Directors. In making its recommendations, the Committee considers a variety of factors, including skills, independence, background, experience, diversity and compatibility with existing Board members. Other than the foregoing, there are no stated minimum criteria for Director nominees, and the Committee may also consider such other factors as it deems appropriate in the best interests of Ferro and its shareholders.

The Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. If any Board member does not wish to continue in service or if the Committee or the Board decides not to nominate a member for re-election, then the Committee identifies the desired skills and experience in light of the criteria outlined above. The Committee then establishes a pool of potential Director candidates from recommendations from the Board, senior management and shareholders. The Committee may also retain a third party search firm to assist in the identification of Director candidates. Mr. Premdas was recommended to the Committee by a non-management Director as part of a search conducted by an executive search firm.

The Committee will consider candidates for Director who are recommended by shareholders. Shareholder recommendations should be submitted in writing to: Secretary, Ferro Corporation, 1000 Lakeside Avenue, Cleveland, Ohio 44114-1147 USA. The recommendation letter should include the shareholder s own name, address and the number of shares owned and the candidate s name, age, business address, residence address and principal occupation, as well as the number of shares the candidate owns. The letter should provide all of the information that would need to be disclosed in the solicitation of proxies for the election of directors under Federal securities laws. Finally, the shareholder should also submit the recommended candidate s written consent to be elected and commitment to serve if elected. Ferro may also require a candidate to furnish additional information regarding his or her eligibility and qualifications.

Ms. Crayton, Dr. Hwang, and Messrs. Lawrence and Sullivan are the members of the Governance & Nomination Committee, with Mr. Lawrence serving as the Chair. All members of this Committee meet the independence standards contained in section 303A of the New York Stock Exchange s listing standards and the Company s Guidelines for Determining Director Independence.

The newly-formed Governance & Nomination Committee met three times in 2006.

Other Corporate Governance Measures

Ferro s non-management Directors, all of whom are independent, meet at regularly scheduled executive sessions at least once each year. These meetings are chaired by a lead Director selected from among the committee Chairs on a rotating basis. (Mr. Bulkin, the Chair of the Compensation Committee, currently serves as the lead Director.) Neither the Chief Executive Officer nor any other member of management attends these meetings. Following each executive session, the non-management Directors invite the Chief Executive Officer to join their meeting and share with him, at their discretion, any observations, comments or concerns they may have.

The independent Directors have access to Ferro management as they deem necessary or appropriate. In addition, the Chairs of the Audit Committee, Governance & Nomination Committee and Compensation Committee (formerly the Governance, Nomination & Compensation Committee), meet periodically with members of senior management.

Finally, Ferro has adopted a series of policies dealing with business conduct and ethics. These policies apply to all Ferro Directors, officers and employees. A summary of these policies may be found on Ferro s website (www.ferro.com) and the full text of the policies is available in print, free of charge, by writing to: Secretary, Ferro Corporation, 1000 Lakeside Avenue, Cleveland, Ohio 44114-1147 USA. Under the Audit Committee s charter, the Committee is charged with the responsibility to assure that all exceptions to and waivers of the Company s ethical and internal control policies are properly disclosed, documented and approved by the Committee and that no employee is disciplined, punished or otherwise disadvantaged as a consequence of reporting in good faith violations of the Company s policies. Exceptions, waivers and amendments of those policies may be made, if at all, only by the Committee and, in the event any such exceptions, waivers or amendments are granted, a description of the change or event will be posted on Ferro s website within four business days. Finally, further to assure compliance, Ferro maintains a hotline that allows employees throughout the world to report confidentially any detected violations of these legal and ethical conduct policies consistent with local legal requirements and subject to local legal limitations.

Any shareholder or other interested party who wishes to communicate directly and confidentially with the lead Director or the independent Directors as a group may contact the independent Directors at the following website: **www.ferrodirectors.com**. The independent Directors will handle such communications confidentially.

EXECUTIVE COMPENSATION DISCUSSION & ANALYSIS

Set forth below is a description of the process by which the Company, through its Compensation Committee, sets the compensation of its Chief Executive Officer and other members of the Senior Management Committee for 2006. (The Senior Management Committee is comprised of the Company s executive officers. See page 14 of the Company s 2006 Annual Report on Form 10-K.)

Our Compensation Philosophy and Objectives

The primary objectives of the Company s executive compensation program are:

- To provide a total compensation opportunity designed to attract, retain and align the efforts of an experienced and high-performing senior management team toward the achievement of the financial goals of the corporation and the improvement in shareholder value,

- To design elements of the compensation program to reward the achievement of specific annual and long-term financial goals, and which align the interests of executives with those of shareholders,

- To target executive compensation levels for base salary, annual incentives, and long-term incentive compensation at the 50th percentile of the competitive market, with a strong pay-for-performance relationship*, and

- To ensure that the actual compensation paid to our executive team is aligned and correlated with financial performance results and changes in shareholder value.

Compensation Committee Oversight

The Compensation Committee of the Board is responsible for establishing, implementing and monitoring adherence with the Company s compensation philosophy for the Chief Executive Officer and the other members of the Senior Management Committee. The Compensation Committee sets the compensation of the Company s executive officers, recommends to the Board compensation for the Directors and the Chairs and members of Board Committees, and oversees compensation and benefit plans and policies of the Company generally.

In carrying out its oversight responsibilities, the Compensation Committee is supported by external executive compensation consultants and management. The nature of this support is summarized below:

Role of External Compensation Consultants. The Compensation Committee has retained Towers Perrin, a nationally-recognized executive compensation consulting firm, to provide expertise to management and the Committee on the design of appropriate pay plans, analysis of the effectiveness of existing plans, and the competitiveness of base salary, annual incentive levels, and long-term incentive awards with the competitive market.

In fulfilling this role, Towers Perrin provides the Committee with competitive market data from a variety of sources. This market data includes information from the proxies of Ferro s 14 peer companies, from 17 specialty chemical companies in the S&P index, and from 730 Mid Cap companies with revenues roughly comparable to Ferro s (currently, $1.1 billion to $3.3 billion). The Ferro peer companies that Towers Perrin analyzed for 2006 included the following:

* Maximum performance results will be rewarded in some instances with payout levels that are well above the 50th percentile of the competitive

market.

A. Schulman, Inc.	The Lubrizol Corporation
Albemarle Corporation	Minerals Technologies Inc.
Cabot Corporation	Olin Corporation
Chemtura Corporation	PolyOne Corporation
Cytec Industries Inc.	Sigma-Aldrich Corporation
H.B. Fuller Company	Valhi, Inc.
Hercules Incorporated	W. R. Grace & Co.

Towers Perrin also provides market data to the Chief Executive Officer and Vice President, Human Resources with respect to each of the Senior Management Committee positions. This information is considered by the Chief Executive Officer along with internal equity, scope of responsibilities, and performance, in making pay recommendations to the Committee for the Senior Management Committee. The Compensation Committee approves all pay decisions related to Senior Management Committee members.

Role of Management. Management of the Company supports the Compensation Committee in its assessment of executive compensation, implements decisions made by the Committee, and ensures that the Company s compensation plans are administered in accordance with the provisions of the plans. The Company s Vice President, Human Resources and Director Compensation provide Towers Perrin with information concerning executives responsibilities, compensation, benefits, executive allowances, and Company financial data and business goals as necessary for them to complete their work for the Committee. The Chief Executive Officer and Vice President, Human Resources participate in an advisory capacity in the Compensation Committee s annual compensation revenue in February each year and provide the Committee with data and analyses as requested by the Committee. The Committee makes its decisions with respect to the Chief Executive Officer in executive session.

Our Current Compensation Program

Our current compensation program includes a base salary, an annual incentive, long-term incentives, retirement benefits, supplemental contributions to the Company s defined contribution program, and an executive allowance. We also make available to our executives the opportunity to participate in a deferred compensation plan. Finally, the Company provides its executives with protection against fundamental changes in the Company s ownership and control through change-in-control agreements. The elements of our compensation program are discussed below.

Base Salary. An executive s base salary is cash compensation that is based on internal equity and external competitive market data comparison. This portion of compensation is not at risk and is paid to the executive regardless of the performance of the Company in a particular year. The amount of base salary is reviewed on an annual basis and adjusted if warranted to reflect scope of responsibilities, individual performance and external market conditions. The Company targets base salary at the 50th percentile of the market, but considers other factors, including individual performance and experience, internal equity, scope and influence of the position, in setting an individual s base salary and overall compensation level.

Annual Incentives. The Company s Annual Incentive Plan (the AIP) provides an executive an opportunity to earn additional cash compensation based upon the achievement of pre-determined financial goals for the fiscal year. Target incentive opportunities, performance metrics and performance goals are established by the Compensation Committee and communicated to participants at the beginning of each year. These AIP goals are directly linked to the financial goals in the operating plan approved by the Board of Directors. AIP payments may be adjusted upward or downward by as much as 20% to reflect individual performance in a given year.

Long-Term Incentives. In November 2006, the Company s shareholders approved the 2006 Long-Term Incentive Plan (the 2006 LTIP). The 2006 LTIP replaces the earlier 2003 Long-Term Incentive Compensation Plan (the 2003 LTIP). (The 2003 LTIP and the 2006 LTIP are referred to as the LTIP below.) The terms of the two plans are substantially the same. Grants in 2006 were made under the 2003 LTIP and future grants will be made under the 2006 LTIP.

The LTIP is a critical component of the compensation program. It is designed to promote Ferro s long-term financial interests and growth by attracting, retaining and motivating high quality key employees and Directors and aligning their interests with those of our shareholders. The Plan is administered by the Compensation Committee. The Committee selects the employees and Directors who will participate in the program, approves the types and number of awards to be made to each participant, and approves the terms, conditions and limitations applicable to each award. The Compensation Committee delegates authority to the Chief Executive Officer within pre-established limitations to make awards to newly-hired employees who are not executive officers during the course of the year.

The LTIP allows the Company to award six different types of long-term incentives, *i.e.*, stock options, stock appreciation rights, restricted shares, performance shares, other common stock based awards (such as phantom common stock units and deferred common stock or units), and dividend equivalent rights. In 2006, the Compensation Committee authorized two types of LTIP awards stock options and performance shares. The basic terms of those awards are described below:

o *Stock Options*. Stock options are issued with an exercise price at no less than the closing market price of Ferro common stock on the date the options are granted. Stock options have a maximum term of ten years and vest evenly over the first four anniversaries of the grant date. The Compensation Committee determines which employees receive stock options and the number of option shares granted to employees in accordance with the terms of the Plan.

o *Performance Shares.* At the time of award, the Company establishes a nominal or target number of shares for each participant. At the end of the performance period (currently, three years), a determination is made whether and to what extent the pre-established performance targets have been achieved. If target levels of performance are not achieved, a participant s actual payout will be less than the nominal values of the awards. Threshold performance levels must be achieved to receive any payout. Payments at the end of the period are made one-half in shares and one-half in cash based on the average closing price for the Company s Common Stock during the first ten calendar days of the last month of the performance period. The Compensation Committee determines which employees receive performance shares and the number of performance shares granted to employees in accordance with the terms of the Plan.

The Compensation Committee generally makes all LTIP awards at its meeting on a pre-determined date in February. The value of any awards, including stock option strike price, is determined by the closing price of Ferro Common Stock on the New York Stock Exchange on the date the Compensation Committee approves the grants. From time to time during the year, the Compensation Committee may award shares to a new hire or, under unusual circumstances, to a current employee. In such case, the value of the grant is based on the closing price of the Ferro Common Stock on the NYSE on the date the award is granted, which in the case of new hires is the first date he or she is employed. The Compensation Committee delegates to the Chief Executive Officer the authority to grant stock options and performance shares within a pre-determined allocation to new hires (other than executive officers) during the course of the year.

Retirement Benefits. In previous years, the Company offered its employees a defined benefit plan that provided employees annuity payments in retirement according to pre-determined formulas. Effective March 31, 2006, we froze our principal defined benefit plan (including the companion non-qualified supplemental defined benefit plan for executives) for purposes of future accruals. These plans had previously been frozen as to new entrants since July 1, 2003.* Consequently, going forward the primary retirement benefit that will be provided to executive officers will be in the form of a defined contribution plan (including a companion non-qualified supplemental defined contribution plan for executive officers).

Executive Allowance and Other Benefits. During 2006, the Company adopted an annual executive allowance for the Chief Executive Officer and other Senior Management Committee members

* Of the executive officers listed in the Summary Compensation

Table on page 20 below, only Mr. Bays and Mr. Gannon were eligible to participate in the defined benefit plans. Mr. Gannon s employment with the Company terminated on January 2, 2007, before he vested in a benefit under the defined benefit plans.

in lieu of providing benefits such as personal use of the Company aircraft, financial planning, tax preparation, and club memberships. The executive allowance is paid in cash in April of each year. The amount of the allowance is set by the Compensation Committee and targeted at providing sufficient funds to pay for the discontinued executive benefits. For 2006, this amount was $35,000 for the Chief Executive Officer and $7,500 for other Senior Management Committee members. Finally, our executives are entitled to four weeks of vacation per year.

Non-Qualified Plans. During 2006, Senior Management Committee members were eligible to participate in the Executive Employee Deferred Compensation Plan and the Supplemental Executive Defined Contribution Plan. Under the Executive Employee Deferred Compensation Plan, participants may elect to defer a percentage of their annual salary, as well as their annual bonus and/or performance share payout, to be paid at a certain time specified by the participant and consistent with the terms of the plan. The Supplemental Executive Defined Contribution Plan provides participants with contributions that would have been made to their 401(k) and basic pension accounts under the Ferro Corporation Savings and Stock Ownership Plan, were it not for the IRS limits.

Change-in-Control Agreements. For many years, the Board has recognized that, as is the case with many publicly-held corporations, there is always a possibility of a fundamental change in the Company s ownership and control through a change in control. Any such threatened or actual change in control would create uncertainties and raise questions that could result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. In light of these facts, the Board determined that appropriate steps needed be taken to reinforce and encourage the continued attention and dedication of members of the Company s management to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control. Consequently, the Company has entered into change in control agreements with each of the executive officers. For a discussion of payments to executive officers as a result of a change in control, see discussion under Termination and Change in Control Payments on page 27 below.

Executive Compensation Process in 2006

In early 2006, the Compensation Committee concluded a comprehensive review of the Company s compensation programs and target market pay positions with advice from its independent compensation consultant and recommendations from the newly-appointed Chief Executive Officer. As a result of this review, changes were made to the long-term incentive target grant philosophy, moving from a prior target grant opportunity set at the 75th percentile of the competitive market for commensurate performance to a target opportunity set at the 50th percentile of the competitive market. In addition, the mix of long-term incentive compensation was modified from 70% stock options and 30% performance shares to 50% stock options and 50% performance shares. Goals for the performance share grants awarded in connection with the 2006-2008 performance period were modified to use corporate level metrics of cumulative earnings per share and revenues over the performance period for all participants, simplifying the plan and increasing the linkage between corporate performance and payouts.

In addition, the Compensation Committee modified the annual incentive plans to focus the efforts of the management team on the achievement of the most critical financial results for the year, and to increase the linkage of payouts to achievement of the budgeted financial results. The prior Corporate Incentive Plan (CIP) and Management Incentive Plan (MIP) were replaced by the new AIP (described on page 15 above). Goals for the 2006 AIP were corporate operating income and business unit operating profit. Threshold performance, the level required for any payout to be achieved, was increased to 90% of the budgeted performance levels. The maximum payout would be earned at performance of 120% of budget or better.

At its February 16, 2006, meeting, the Committee reviewed current levels of pay for the Senior Management Committee and the Chief Executive Officer s recommendations for increases. The Committee approved salary increases of 3.3% and 8.3%, respectively, for Mr. Bays and Mr. Murry reflecting market movement and scope of responsibilities. These compensation changes were made retroactive to January 1, 2006.