LIBBEY INC
Form 10-Q
November 05, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014
OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-12084
Libbey Inc.

(Exact name of registrant as specified in its charter)

Delaware	34-1559357
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

300 Madison Avenue, Toledo, Ohio
43604
(Address of principal executive offices) (Zip Code)

419-325-2100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	o	Accelerated Filer	þ	Non-Accelerated Filer	o	Smaller reporting company	o
		(Do not check if a smaller reporting company)					

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value 21,665,457 shares at October 31, 2014.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements of Libbey Inc. and all majority-owned subsidiaries (collectively, Libbey or the Company) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Item 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month and nine month periods ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

The balance sheet at December 31, 2013 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

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Libbey Inc.
Condensed Consolidated Statements of Operations
(dollars in thousands)
(unaudited)

	Three months ended September 30,	
	2014	2013
Net sales	$215,957	$204,386
Freight billed to customers	931	924
Total revenues	216,888	205,310
Cost of sales	166,573	165,405
Gross profit	50,315	39,905
Selling, general and administrative expenses	29,573	25,519
Special charges	—	390
Income from operations	20,742	13,996
Other income (expense)	1,340	(706)
Earnings before interest and income taxes	22,082	13,290
Interest expense	4,797	7,706
Income (loss) before income taxes	17,285	5,584
Provision for income taxes	3,527	835
Net income (loss)	$13,758	$4,749
Net income (loss) per share:		
Basic	$0.63	$0.22
Diluted	$0.62	$0.21
Dividends per share	$—	$—

See accompanying notes

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Libbey Inc.
Condensed Consolidated Statements of Operations
(dollars in thousands)
(unaudited)

	Nine months ended September 30,	
	2014	2013
Net sales	$621,074	$597,766
Freight billed to customers	2,638	2,447
Total revenues	623,712	600,213
Cost of sales	480,791	460,614
Gross profit	142,921	139,599
Selling, general and administrative expenses	89,177	81,551
Special charges	—	4,619
Income from operations	53,744	53,429
Loss on redemption of debt	(47,191)	(2,518)
Other income (expense)	1,340	(1,090)
Earnings before interest and income taxes	7,893	49,821
Interest expense	17,984	24,267
Income (loss) before income taxes	(10,091)	25,554
Provision for income taxes	4,703	6,380
Net income (loss)	$(14,794)	$19,174
Net income (loss) per share:		
Basic	$(0.68)	$0.90
Diluted	$(0.68)	$0.87
Dividends per share	$—	$—

See accompanying notes

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Libbey Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income (loss)	$13,758	$4,749	$(14,794)	$19,174
Other comprehensive income (loss):				
Pension and other postretirement benefit adjustments, net of tax	2,301	3,577	5,734	12,660
Change in fair value of derivative instruments, net of tax	(525)	(27)	(799)	509
Foreign currency translation adjustments	(8,022)	4,528	(9,395)	3,938
Other comprehensive income, net of tax	(6,246)	8,078	(4,460)	17,107
Comprehensive income (loss)	$7,512	$12,827	$(19,254)	$36,281

See accompanying notes

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Libbey Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands, except per share amounts)

	September 30, 2014 (unaudited)	December 31, 2013
ASSETS		
Cash and cash equivalents	$24,089	$42,208
Accounts receivable — net	106,459	94,549
Inventories — net	189,221	163,121
Prepaid and other current assets	33,168	24,838
Total current assets	352,937	324,716
Pension asset	34,364	33,615
Purchased intangible assets — net	18,194	19,325
Goodwill	167,379	167,379
Deferred income taxes	5,727	5,759
Other assets	10,507	13,534
Total other assets	236,171	239,612
Property, plant and equipment — net	268,830	265,662
Total assets	$857,938	$829,990
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$78,895	$79,620
Salaries and wages	28,991	32,403
Accrued liabilities	50,728	41,418
Accrued income taxes	—	1,374
Pension liability (current portion)	3,100	3,161
Non-pension postretirement benefits (current portion)	4,758	4,758
Long-term debt due within one year	7,896	5,391
Total current liabilities	174,368	168,125
Long-term debt	446,653	406,512
Pension liability	37,861	40,033
Non-pension postretirement benefits	58,137	59,065
Deferred income taxes	11,532	11,672
Other long-term liabilities	11,994	13,774
Total liabilities	740,545	699,181
Shareholders' equity:		
Common stock, par value $.01 per share, 50,000,000 shares authorized, 21,661,557 shares issued in 2014 (21,316,480 shares issued in 2013)	217	213
Capital in excess of par value	329,201	323,367
Retained deficit	(134,405)	(119,611)
Accumulated other comprehensive loss	(77,620)	(73,160)
Total shareholders' equity	117,393	130,809
Total liabilities and shareholders' equity	$857,938	$829,990

See accompanying notes

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Libbey Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Three months ended September 30,	
	2014	2013
Operating activities:		
Net income (loss)	$13,758	$4,749
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,569	11,773
Loss on asset sales and disposals	234	481
Change in accounts receivable	(1,926)	732
Change in inventories	(9,460)	3,722
Change in accounts payable	767	318
Accrued interest and amortization of discounts and finance fees	384	7,266
Pension & non-pension postretirement benefits	(349)	3,118
Restructuring	—	(797)
Accrued liabilities & prepaid expenses	4,105	3,533
Income taxes	1,498	(2,106)
Share-based compensation expense	1,109	990
Other operating activities	(616)	988
Net cash provided by operating activities	19,073	34,767
Investing activities:		
Additions to property, plant and equipment	(16,693)	(10,381)
Proceeds from asset sales and other	3	73
Net cash used in investing activities	(16,690)	(10,308)
Financing activities:		
Borrowings on ABL credit facility	33,400	12,400
Repayments on ABL credit facility	(31,500)	(22,200)
Other repayments	(5,201)	(4,397)
Other borrowings	3,250	6,094
Repayments on Term Loan B	(1,100)	—
Stock options exercised	759	2,059
Debt issuance costs and other	(91)	—
Net cash provided by (used in) financing activities	(483)	(6,044)
Effect of exchange rate fluctuations on cash	(1,020)	507
Increase (decrease) in cash	880	18,922
Cash at beginning of period	23,209	10,544
Cash at end of period	$24,089	$29,466
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of capitalized interest	$4,160	$271
Cash paid during the period for income taxes	$2,591	$2,280

See accompanying notes

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Libbey Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Nine months ended September 30, 2014	2013
Operating activities:		
Net income (loss)	$(14,794)	$19,174
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	30,837	34,170
Loss on asset sales and disposals	247	514
Change in accounts receivable	(18,325)	(10,147)
Change in inventories	(28,823)	(14,770)
Change in accounts payable	2,119	(5,999)
Accrued interest and amortization of discounts and finance fees	1,729	7,876
Call premium on senior notes	37,348	1,350
Write-off of finance fees on senior notes	9,086	1,168
Pension & non-pension postretirement benefits	2,420	8,322
Restructuring	(289)	2,858
Accrued liabilities & prepaid expenses	(3,617)	(13,052)
Income taxes	(2,425)	(6,285)
Share-based compensation expense	3,746	3,299
Other operating activities	(2,202)	2,994
Net cash provided by operating activities	17,057	31,472
Investing activities:		
Additions to property, plant and equipment	(38,528)	(30,152)
Proceeds from furnace malfunction insurance recovery	4,346	—
Proceeds from asset sales and other	7	81
Net cash used in investing activities	(34,175)	(30,071)
Financing activities:		
Borrowings on ABL credit facility	54,700	42,800
Repayments on ABL credit facility	(45,800)	(42,800)
Other repayments	(5,316)	(4,511)
Other borrowings	5,214	6,094
Payments on 6.875% senior notes	(405,000)	(45,000)
Proceeds from Term Loan B	438,900	—
Repayments on Term Loan B	(1,100)	—
Call premium on senior notes	(37,348)	(1,350)
Stock options exercised	2,881	5,107
Debt issuance costs and other	(6,959)	—
Net cash provided by (used in) financing activities	172	(39,660)
Effect of exchange rate fluctuations on cash	(1,173)	517
Increase (decrease) in cash	(18,119)	(37,742)
Cash at beginning of period	42,208	67,208

Cash at end of period	$24,089	$29,466
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest, net of capitalized interest	$15,827	$16,119
Cash paid during the period for income taxes	$5,884	$10,095

See accompanying notes

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Libbey Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Description of the Business

Libbey is a leading global manufacturer and marketer of glass tableware products. We believe we have the largest manufacturing, distribution and service network among glass tableware manufacturers in the Western Hemisphere, in addition to supplying to key markets throughout the world. We produce glass tableware in five countries and sell to customers in over 100 countries. We design and market, under our Libbey®, Crisa®, Royal Leerdam®, World® Tableware, Syracuse® China and Crisal Glass® brand names (among others), an extensive line of high-quality glass tableware, ceramic dinnerware, metal flatware, hollowware and serveware items for sale primarily in the foodservice, retail and business-to-business markets. Our sales force presents our products to the global marketplace in a coordinated fashion. We own and operate two glass tableware manufacturing plants in the United States as well as glass tableware manufacturing plants in the Netherlands (Libbey Holland), Portugal (Libbey Portugal), China (Libbey China) and Mexico (Libbey Mexico). In addition, we import products from overseas in order to complement our line of manufactured items. The combination of manufacturing and procurement allows us to compete in the global tableware market by offering an extensive product line at competitive prices.

Our website can be found at www.libbey.com. We make available, free of charge, at this website all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, as well as amendments to those reports. These reports are made available on our website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission and can also be found at www.sec.gov.

Our shares are traded on the NYSE MKT exchange under the ticker symbol LBY.

2. Significant Accounting Policies

See our Form 10-K for the year ended December 31, 2013 for a description of significant accounting policies not listed below.

Basis of Presentation

The Condensed Consolidated Financial Statements include Libbey Inc. and its majority-owned subsidiaries (collectively, Libbey or the Company). Our fiscal year end is December 31st. All material intercompany accounts and transactions have been eliminated. The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from management's estimates.

Condensed Consolidated Statements of Operations

Net sales in our Condensed Consolidated Statements of Operations include revenue earned when products are shipped and title and risk of loss have passed to the customer. Revenue is recorded net of returns, discounts and incentives offered to customers. Cost of sales includes cost to manufacture and/or purchase products, warehouse, shipping and delivery costs and other costs.

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, are translated to U.S. dollars at exchange rates in effect at the balance sheet date, with the resulting translation adjustments directly recorded to a separate component of accumulated other comprehensive loss. Income and expense accounts are translated at average exchange rates during the year. The effect of exchange rate changes on transactions denominated in currencies other than the functional currency is recorded in other income (expense).

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax attribute carry-forwards. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Financial Accounting Standards Board Accounting Standards Codification™ (FASB ASC) Topic 740, “Income Taxes,”

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requires that a valuation allowance be recorded when it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are determined separately for each tax jurisdiction in which we conduct our operations or otherwise incur taxable income or losses. In the United States, Portugal and the Netherlands, we have recorded valuation allowances against our deferred income tax assets. See note 6 for further discussion.

Stock-Based Compensation Expense

We account for stock-based compensation expense in accordance with FASB ASC Topic 718, “Compensation — Stock Compensation,” and FASB ASC Topic 505-50, “Equity — Equity-Based Payments to Non-Employees”. Stock-based compensation cost is measured based on the fair value of the equity instruments issued. FASB ASC Topics 718 and 505-50 apply to all of our outstanding unvested stock-based payment awards. Under the terms of the CEO retention award agreement, 115,687 cash settled restricted stock units were granted during the first quarter of 2014. These awards cliff vest on December 31, 2018. Accordingly, awards that will be settled in cash are subject to liability accounting and the fair value of such awards will be remeasured at the end of each reporting period until settled or expired. Stock-based compensation expense charged to the Condensed Consolidated Statements of Operations is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Stock-based compensation expense	$1,109	$990	$3,746	$3,299

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

New Accounting Standards

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue From Contracts With Customers" (ASU 2014-09), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. This update is effective for interim and annual reporting periods beginning after December 15, 2016; early adoption is not permitted. We are currently assessing the impact that this standard will have on our condensed consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements-Going Concern" (ASU 2014-15), which establishes management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern in connection with preparing financial statements for each annual and interim reporting period. ASU 2014-15 also provides guidance to determine whether to disclose information about relevant conditions and events when there is substantial doubt about an entity’s ability to continue as a going concern. This update is effective for interim and annual reporting periods beginning after December 15, 2016; early adoption is permitted. We are currently evaluating the impact that this standard will have on our condensed consolidated financial statements.

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3. Balance Sheet Details

The following table provides detail of selected balance sheet items:

(dollars in thousands)	September 30, 2014	December 31, 2013
Accounts receivable:		
Trade receivables	$104,493	$87,499
Other receivables (see note 14)	1,966	7,050
Total accounts receivable, less allowances of $5,910 and $5,846	$106,459	$94,549
Inventories:		
Finished goods	$170,505	$144,945
Work in process	1,321	1,615
Raw materials	4,869	4,558
Repair parts	11,122	10,550
Operating supplies	1,404	1,453
Total inventories, less loss provisions of $4,675 and $4,913	$189,221	$163,121
Prepaid and other current assets:		
Value added tax	$14,821	$6,697
Prepaid expenses	8,826	8,396
Deferred income taxes	5,837	5,840
Prepaid income taxes	3,410	3,511
Derivative asset	274	394
Total prepaid and other current assets	$33,168	$24,838
Other assets:		
Deposits	$912	$919
Finance fees — net of amortization	7,261	10,472
Other assets	2,334	2,143
Total other assets	$10,507	$13,534
Accrued liabilities:		
Accrued incentives	$25,451	$17,830
Workers compensation	6,838	7,108
Medical liabilities	3,718	3,433
Interest	3,905	3,331
Commissions payable	1,079	1,067
Withholdings and other non-income tax accruals	2,396	1,929
Other accrued liabilities	7,341	6,720
Total accrued liabilities	$50,728	$41,418
Other long-term liabilities:		
Deferred liability	$7,001	$7,424
Derivative liability	68	2,073
Other long-term liabilities	4,925	4,277
Total other long-term liabilities	$11,994	$13,774

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4. Borrowings

On April 9, 2014, we completed the refinancing of substantially all of the existing indebtedness of our wholly-owned subsidiaries Libbey Glass and Libbey Europe B.V. The refinancing included:

- the entry into an amended and restated credit agreement with respect to our ABL Facility;
- the issuance of $440.0 million in aggregate principal amount of Senior Secured Term Loan B facility of Libbey Glass due 2021 (Term Loan B); and
- the repurchase and cancellation of all Libbey Glass's then outstanding $405.0 million in aggregate principal amount Senior Secured Notes ($360.0 million on April 9, 2014 and $45.0 million on May 9, 2014).

We used the proceeds of the Term Loan B, together with cash on hand and borrowings under the ABL Facility, to repurchase $360.0 million of the Senior Secured Notes, redeem the remaining $45.0 million of the Senior Secured Notes, and pay certain related fees and expenses.

The above transactions included charges of $37.3 million for an early call premium and $9.1 million for the write off of the remaining financing fees from the Senior Secured Notes. These charges were considered in the computation of the loss on redemption of debt.

Borrowings consist of the following:

(dollars in thousands)	Interest Rate		Maturity Date	September 30, 2014	December 31, 2013
Borrowings under ABL Facility	floating		April 9, 2019	$ 8,900	$ —
Term Loan B	floating		April 9, 2021	438,900	—
Senior Secured Notes	6.875%	(1)	May 15, 2020	—	405,000
Promissory Note	6.00%		October, 2014 to September, 2016	506	681
RMB Working Capital Loan	floating		September, 2014	—	5,157
RMB Working Capital Loan	6.78%		July, 2015	3,250	—
AICEP Loan	0.00%		January, 2016 to July 30, 2018	4,015	2,389
Total borrowings				455,571	413,227
Less — unamortized discount				1,022	—
Plus — carrying value adjustment on debt related to the Interest Rate Agreement (1)				—	(1,324)
Total borrowings — net				454,549	411,903
Less — long term debt due within one year				7,896	5,391
Total long-term portion of borrowings — net				$ 446,653	$ 406,512

(1) See Interest Rate Agreement under “Term Loan B and Senior Secured Notes” below and in note 9.

Amended and Restated ABL Credit Agreement

Libbey Glass and Libbey Europe entered into an Amended and Restated Credit Agreement, dated as of February 8, 2010 and amended as of April 29, 2011, May 18, 2012 and April 9, 2014 (as amended, the ABL Facility), with a group of four financial institutions. The ABL Facility provides for borrowings of up to $100.0 million, subject to certain borrowing base limitations, reserves and outstanding letters of credit.

All borrowings under the ABL Facility are secured by:

- a first-priority security interest in substantially all of the existing and future personal property of Libbey Glass and its domestic subsidiaries (ABL Priority Collateral);
- a first-priority security interest in:

- 100 percent of the stock of Libbey Glass and 100 percent of the stock of substantially all of Libbey Glass’s present and future direct and indirect domestic subsidiaries;
- 100 percent of the non-voting stock of substantially all of Libbey Glass’s first-tier present and future foreign subsidiaries; and
- 65 percent of the voting stock of substantially all of Libbey Glass’s first-tier present and future foreign subsidiaries

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- a first priority security interest in substantially all proceeds and products of the property and assets described above; and
- a second-priority security interest in substantially all of the owned real property, equipment and fixtures in the United States of Libbey Glass and its domestic subsidiaries, subject to certain exceptions and permitted liens (Term Priority Collateral).

Additionally, borrowings by Libbey Europe under the ABL Facility are secured by:

- a first-priority lien on substantially all of the existing and future real and personal property of Libbey Europe and its Dutch subsidiaries; and
- a first-priority security interest in:
- 100 percent of the stock of Libbey Europe and 100 percent of the stock of substantially all of the Dutch subsidiaries; and
- 100 percent (or a lesser percentage in certain circumstances) of the outstanding stock issued by the first-tier foreign subsidiaries of Libbey Europe and its Dutch subsidiaries.

Swingline borrowings are limited to $15.0 million, with swingline borrowings for Libbey Europe being limited to the U.S. equivalent of $7.5 million. Loans comprising each CBFR (CB Floating Rate) Borrowing, including each Swingline Loan, bear interest at the CB Floating Rate plus the Applicable Rate, and euro-denominated swingline borrowings (Eurocurrency Loans) bear interest calculated at the Netherlands swingline rate, as defined in the ABL Facility. The Applicable Rates for CBFR Loans and Eurocurrency Loans vary depending on our aggregate remaining availability. The Applicable Rates for CBFR Loans and Eurocurrency Loans were 0.50 percent and 1.50 percent, respectively, at September 30, 2014. Libbey pays a quarterly Commitment Fee, as defined by the ABL Facility, on the total credit provided under the ABL Facility. The Commitment Fee was 0.25 percent at September 30, 2014. No compensating balances are required by the ABL Facility. The ABL Facility does not require compliance with a fixed charge coverage ratio covenant unless aggregate unused availability falls below $10.0 million. If our aggregate unused ABL Facility availability were to fall below $10.0 million, the fixed charge coverage ratio requirement would be 1:00 to 1:00. Libbey Glass and Libbey Europe have the option to increase the ABL Facility by $25.0 million. There were borrowings of $8.9 million under the ABL Facility at September 30, 2014. There were no Libbey Glass or Libbey Europe borrowings under the ABL Facility at December 31, 2013. Interest is payable on the last day of the interest period, which can range from one month to six months depending on the maturity of each individual borrowing on the ABL Facility.

The borrowing base under the ABL Facility is determined by a monthly analysis of the eligible accounts receivable and inventory. The borrowing base is the sum of (a) 85 percent of eligible accounts receivable and (b) the lesser of (i) 85 percent of the net orderly liquidation value (NOLV) of eligible inventory, (ii) 65 percent of eligible inventory, or (iii) $75.0 million.

The available total borrowing base is offset by rent reserves totaling $0.7 million. There were $0.6 million mark-to-market reserves for natural gas contracts offsetting the borrowing base as of September 30, 2014. The ABL Facility also provides for the issuance of $30.0 million of letters of credit, which are applied against the $100.0 million limit. At September 30, 2014, we had $6.8 million in letters of credit outstanding under the ABL Facility. Remaining unused availability under the ABL Facility was $83.1 million at September 30, 2014, compared to $70.5 million under the ABL Facility at December 31, 2013.

Term Loan B and Senior Secured Notes

On April 9, 2014, Libbey Glass consummated its $440.0 million Term Loan B. The net proceeds of the Term Loan B were $438.9 million, after the 0.25 percent original issue discount of $1.1 million. The Term Loan B had related fees of approximately $6.7 million that will be amortized to interest expense over the life of the loan.

The Term Loan B is evidenced by a Senior Secured Credit Agreement, dated April 9, 2014 (Credit Agreement), between Libbey Glass, the Company, the domestic subsidiaries of Libbey Glass listed as guarantors therein (Subsidiary Guarantors and together with the Company, Guarantors), and the lenders. Under the terms of the Credit Agreement, aggregate principal of $1.1 million is due on the last business day of each quarter beginning September 30, 2014. The Term Loan B bears interest at the rate of LIBOR plus 3.0 percent, subject to a LIBOR "floor" of 0.75 percent. The interest rate was 3.75 percent per year at September 30, 2014, and will mature on April 9, 2021. We may voluntarily prepay, in whole or in part, the Term Loan B without premium or penalty but with accrued interest. Although the Credit Agreement does not contain financial covenants, the Credit Agreement contains other covenants that restrict the ability of Libbey Glass and the Guarantors to, among other things:

- incur, assume or guarantee additional indebtedness;
- pay dividends, make certain investments or other restricted payments;
- create liens;
- enter into affiliate transactions;

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- merge or consolidate, or otherwise dispose of all or substantially all the assets of Libbey Glass and the Guarantors; and
- transfer or sell assets.

The Credit Agreement provides for customary events of default. In the case of an event of default as defined in the Credit Agreement, all of the outstanding Term Loan B will become due and payable immediately without further action or notice.

The Term Loan B and the related guarantees under the Credit Agreement are secured by (i) first priority liens on the Term Priority Collateral and (ii) second priority liens on the ABL Collateral.

We had an Interest Rate Agreement in place through May 9, 2014 with respect to $45.0 million of our Senior Secured Notes as a means to manage our fixed to variable interest rate ratio. The Interest Rate Agreement effectively converted this portion of our long-term borrowings from fixed rate debt to variable rate debt. The variable interest rate for our borrowings related to the Interest Rate Agreement at May 9, 2014, excluding applicable fees, was 5.5 percent. Total remaining Senior Secured Notes not covered by the Interest Rate Agreement had a fixed interest rate of 6.875 percent per year. We settled the swap at fair value, resulting in a payment of $1.1 million on May 13, 2014. Upon the redemption of the Senior Secured Notes, the unamortized balance of $0.8 million of the carrying value adjustment on debt related to the Interest Rate Agreement was recognized as expense in loss on redemption of debt on the Condensed Consolidated Statements of Operations.

The fair market value and related carrying value adjustment are as follows:

(dollars in thousands)	September 30, 2014	December 31, 2013
Fair market value of Rate Agreement - asset (liability)	$—	$(2,073)
Adjustment to increase (decrease) carrying value of the related long-term debt	$—	$(1,324)

The fair value of the Interest Rate Agreement was based on the market standard methodology of netting the discounted expected future fixed cash receipts and the discounted future variable cash payments. The variable cash payments were based on an expectation of future interest rates derived from observed market interest rate forward curves. See note 9 for further discussion and the net impact recorded on the Condensed Consolidated Statements of Operations.

Promissory Note

In September 2001, we issued a $2.7 million promissory note at an interest rate of 6.0 percent in connection with the purchase of our Laredo, Texas warehouse facility. At September 30, 2014, we had $0.5 million outstanding on the promissory note. Principal and interest with respect to the promissory note are paid monthly.

Notes Payable

We have an overdraft line of credit for a maximum of €1.0 million. At September 30, 2014, there were no borrowings under the facility, which has an interest rate of 5.80 percent. Interest with respect to the note is paid monthly.

RMB Working Capital Loan

On September 2, 2013, Libbey China entered into a RMB 31.5 million (approximately $5.2 million) working capital loan with China Construction Bank (CCB) to cover seasonal working capital needs. The 364-day loan was set to mature on September 1, 2014, and had a variable interest rate as announced by the People's Bank of China. On July

14, 2014, Libbey China prepaid the working capital loan along with accrued and unpaid interest. The loan held an annual interest rate of 6.3 percent at the repayment date. This obligation was secured by a mortgage lien on the Libbey China facility.

On July 24, 2014, Libbey China entered into a new RMB 20.0 million (approximately $3.3 million) working capital loan with CCB to cover seasonal working capital needs. The new working capital loan will mature on July 23, 2015, and has a fixed interest rate of 6.78 percent, which is paid monthly. This obligation is secured by a mortgage lien on the Libbey China facility.

AICEP Loan

In July 2012, Libbey Portugal entered into a loan agreement with Agencia para Investmento Comercio Externo de Portugal, EPE (AICEP), the Portuguese Agency for investment and external trade. The amount of the loan is €3.2 million (approximately $4.0 million) at September 30, 2014, and has an interest rate of 0.0 percent. Semi-annual installments of principal are due beginning in January 2016 through the maturity date in July 2018.

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Fair Value of Borrowings

The fair value of our debt has been calculated based on quoted market prices (Level 2 in the fair value hierarchy) for the same or similar issues. The $438.9 million outstanding on the Term Loan B had an estimated fair value of $431.2 million at September 30, 2014. At December 31, 2013, the Senior Secured Notes had an estimated fair value of $437.4 million. The fair value of the remainder of our debt approximates carrying value at September 30, 2014 and December 31, 2013 due to variable rates.

Capital Resources and Liquidity

Historically, cash flows generated from operations, cash on hand and our borrowing capacity under our ABL Facility have enabled us to meet our cash requirements, including capital expenditures and working capital requirements. At September 30, 2014, we had $8.9 million borrowings under our ABL Facility and $6.8 million in letters of credit issued under that facility. As a result, we had $83.1 million of unused availability remaining under the ABL Facility at September 30, 2014. In addition, at September 30, 2014, we had $24.1 million of cash on hand.

Based on our operating plans and current forecast expectations, we anticipate that our level of cash on hand, cash flows from operations and borrowing capacity under our ABL Facility will provide sufficient cash availability to meet our ongoing liquidity needs.

5. Restructuring Charges

Capacity Realignment

In February 2013, we announced plans to discontinue production of certain glassware in North America and reduce manufacturing capacity at our Shreveport, Louisiana, manufacturing facility. As a result, on May 30, 2013, we ceased production of certain glassware in North America, discontinued the use of a furnace at our Shreveport, Louisiana, manufacturing plant and began relocating a portion of the production from the idled furnace to our Toledo, Ohio, and Monterrey, Mexico, locations. In connection with this plan, we incurred pretax charges of approximately $7.5 million. For the three months ended September 30, 2013, we recorded a pretax charge of $0.4 million. For the nine months ended September 30, 2014 and 2013, we recorded a pretax charge of $1.0 million and $6.3 million, respectively. These charges included employee termination costs, fixed asset impairment charges, depreciation expense and other restructuring expenses. Employee termination costs include severance, medical benefits and outplacement services for the terminated employees. The write-down of fixed assets was to adjust certain machinery and equipment to the estimated fair market value. These activities are all within the Americas segment and were completed by March 31, 2014.

The following table summarizes the pretax charges incurred in 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,		Total Charges
(dollars in thousands)	2014	2013	2014	2013	to Date
Accelerated depreciation & other	$—	$—	$—	$1,699	$1,685
Other restructuring expenses	—	—	985	—	985
Included in cost of sales	—	—	985	1,699	2,670
Employee termination cost & other	—	(23)	—	1,887	1,794
Fixed asset write-down	—	—	—	1,992	1,924
Other restructuring expenses	—	413	—	740	1,141

Included in special charges	—	390	—	4,619	4,859
Total pretax charge	$—	$390	$985	$6,318	$7,529

The following is the capacity realignment reserve activity for the nine months ended September 30, 2014:

(dollars in thousands)	Reserve Balance at January 1, 2014	Total Charge to Earnings	Cash (payments) receipts	Non-cash Utilization	Reserve Balance at September 30, 2014
Employee termination cost & other	$289	$—	$(289)	$—	$—
Other restructuring expenses	—	985	(985)	—	—
Total	$289	$985	$(1,274)	$—	$—

6. Income Taxes

Our effective tax rate was (46.6) percent for the nine months ended September 30, 2014, compared to 25.0 percent for the nine months ended September 30, 2013. Our effective tax rate differs from the United States statutory tax rate primarily due to valuation allowances, earnings in countries with differing statutory tax rates, accruals related to uncertain tax positions, intraperiod tax allocation, and tax planning structures. At September 30, 2014 and December 31, 2013, we had $0.8 million and $1.3 million, respectively, of gross unrecognized tax benefits, exclusive of interest and penalties. Tax benefits, exclusive of interest and penalties, of zero and $0.6 million were recorded in our income tax provision for the three months and the nine months ended September 30, 2014, respectively, due to expirations of statutes of limitations. During the three months and the nine months ended September 30, 2013, we recorded tax benefits, exclusive of interest and penalties, of zero and $0.5 million, respectively.

FASB ASC 740-20, "Income Taxes - Intraperiod Tax Allocation," requires that the provision for income taxes be allocated between continuing operations and other categories of earnings (such as discontinued operations or other comprehensive income) for each tax jurisdiction. For periods in which there is a year-to-date pre-tax loss from continuing operations and pre-tax income in other categories of earnings, the tax provision is first allocated to the other categories of earnings. A related tax benefit is then recorded in continuing operations. Tax benefits of $0.3 million and $1.9 million were recorded in our income tax provision for the three months and nine months ended September 30, 2014, respectively. There were no similar benefits recorded for the three months and nine months ended September 30, 2013.

Our current and future provision for income taxes for 2014 is impacted by valuation allowances. In the United States, the Netherlands and Portugal, we have recorded valuation allowances against our deferred income tax assets. We review the need for valuation allowances on a quarterly basis, or more frequently if events indicate that a review is required, in order to assess the likelihood of the realization of our deferred tax assets. In assessing the need for recording or reversing a valuation allowance, we weigh all available positive and negative evidence. Examples of the evidence we consider are cumulative losses in recent years, losses expected in early future years, a history of potential tax benefits expiring unused, prudent and feasible tax planning strategies that could be implemented, and whether there were unusual, infrequent or extraordinary items to be considered.

Despite our 2013 improvement in financial results in the U.S., management has concluded that in consideration of our projected 2014 loss, the duration and magnitude of our U.S. operating losses, and the current U.S. economic environment and competitive landscape, we have not yet achieved profitability of a duration and magnitude sufficient to release our valuation allowance against our deferred tax assets. Accordingly, we continue to maintain a valuation allowance related to our net deferred tax assets in the U.S.

The valuation allowance in the Netherlands has been maintained since 2006 and a significant piece of evidence used in our assessment has been a history of cumulative losses through 2013. The weight applied to other subjective evidence, such as projected financial results, has been limited. Despite its historical losses, the Netherlands is forecasted to move into a small three year cumulative income position in 2014. Before we would change our judgment of the need for a full valuation allowance, a sustained period of operating profitability is required. Considering the duration and magnitude of our Netherlands operating losses, the current European economic environment and the competitive landscape, it is our judgment that we have not yet achieved profitability of a duration and magnitude sufficient to release our valuation allowance against deferred tax assets in the Netherlands. If we generate significant pre-tax earnings in the Netherlands in 2014 and plans for 2015 and beyond show continued profitability, we may have sufficient evidence to release all or a portion of our valuation allowance on our Netherlands deferred tax assets in the foreseeable future. At December 31, 2013, the valuation allowance in the Netherlands was $9.2 million. We will continue to monitor and assess the need for a valuation allowance in all our jurisdictions in the upcoming quarters.

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Income tax payments consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Total income tax payments, net of refunds	$3,525	$2,715	$8,678	$12,254
Less: credits or offsets	934	435	2,794	2,159
Cash paid, net	$2,591	$2,280	$5,884	$10,095

7. Pension and Non-pension Postretirement Benefits

We have pension plans covering the majority of our employees. Benefits generally are based on compensation and service for salaried employees and job grade and length of service for hourly employees. Our policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements. In addition, we have an unfunded supplemental employee retirement plan (SERP) that covers certain salaried U.S.-based employees of Libbey hired before January 1, 2006. The U.S. pension plans cover the salaried U.S.-based employees of Libbey hired before January 1, 2006 and most hourly U.S.-based employees (excluding employees hired at Shreveport after 2008 and at Toledo after September 30, 2010). Effective January 1, 2013, we ceased annual company contribution credits to the cash balance accounts in our Libbey U.S. Salaried Pension Plan and SERP. The non-U.S. pension plans cover the employees of our wholly owned subsidiaries in the Netherlands and Mexico. The plan in Mexico is primarily unfunded.

The components of our net pension expense, including the SERP, are as follows:

Three months ended September 30,	U.S. Plans		Non-U.S. Plans		Total	
(dollars in thousands)	2014	2013	2014	2013	2014	2013
Service cost	$916	$1,184	$567	$729	$1,483	$1,913
Interest cost	3,845	3,582	1,396	1,271	5,241	4,853
Expected return on plan assets	(5,597)	(5,571)	(616)	(547)	(6,213)	(6,118)
Amortization of unrecognized:						
Prior service cost	265	293	55	65	320	358
Loss	1,014	2,095	253	223	1,267	2,318
Settlement charge	—	424	—	336	—	760
Pension expense	$443	$2,007	$1,655	$2,077	$2,098	$4,084

Nine months ended September 30,	U.S. Plans		Non-U.S. Plans		Total	
(dollars in thousands)	2014	2013	2014	2013	2014	2013
Service cost	$2,748	$3,554	$1,724	$2,137	$4,472	$5,691
Interest cost	11,534	10,564	4,242	3,722	15,776	14,286
Expected return on plan assets	(16,790)	(16,775)	(1,872)	(1,524)	(18,662)	(18,299)
Amortization of unrecognized:						
Prior service cost	794	879	170	187	964	1,066
Loss	3,043	6,445	770	676	3,813	7,121
Settlement charge	—	1,139	—	336	—	1,475
Pension expense	$1,329	$5,806	$5,034	$5,534	$6,363	$11,340

During the three and nine months ended September 30, 2013, we incurred pension settlement charges totaling $0.8 million and $1.5 million, respectively. The pension settlement charges were triggered by excess lump sum distributions, which required us to record unrecognized gains and losses in our pension plan accounts. We have contributed $1.2 million and $3.1 million of cash into our pension plans for the three and nine months ended

September 30, 2014, respectively. Pension contributions for the remainder of 2014 are estimated to be $3.2 million.

We provide certain retiree health care and life insurance benefits covering our U.S and Canadian salaried employees hired before January 1, 2004 and a majority of our union hourly employees (excluding employees hired at Shreveport after 2008 and

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at Toledo after September 30, 2010). Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Effective January 1, 2013, we ended our existing healthcare benefit for salaried retirees age 65 and older and instead provide a Retiree Health Reimbursement Arrangement (RHRA) that supports retirees in purchasing a Medicare plan that meets their needs. Also effective January 1, 2013, we reduced the maximum life insurance benefit for salaried retirees to $10,000. Benefits for most hourly retirees are determined by collective bargaining. The U.S. non-pension postretirement plans cover the hourly and salaried U.S.-based employees of Libbey (excluding those mentioned above). The non-U.S. non-pension postretirement plans cover the retirees and active employees of Libbey who are located in Canada. The postretirement benefit plans are unfunded.

The provision for our non-pension postretirement benefit expense consists of the following:

Three months ended September 30,	U.S. Plans		Non-U.S. Plans		Total	
(dollars in thousands)	2014	2013	2014	2013	2014	2013
Service cost	$252	$298	$—	$—	$252	$298
Interest cost	710	655	26	29	736	684
Amortization of unrecognized:						
Prior service cost	35	35	—	—	35	35
Loss / (gain)	66	214	—	—	66	214
Non-pension postretirement benefit expense	$1,063	$1,202	$26	$29	$1,089	$1,231

Nine months ended September 30,	U.S. Plans		Non-U.S. Plans		Total	
(dollars in thousands)	2014	2013	2014	2013	2014	2013
Service cost	$755	$893	$1	$1	$756	$894
Interest cost	2,130	1,966	82	83	2,212	2,049
Amortization of unrecognized:						
Prior service cost	105	105	—	—	105	105
Loss / (gain)	200	643	—	—	200	643
Non-pension postretirement benefit expense	$3,190	$3,607	$83	$84	$3,273	$3,691

Our 2014 estimate of non-pension cash payments is $4.8 million, and we have paid $1.8 million and $3.9 million for the three and nine months ended September 30, 2014, respectively.

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8. Net Income (Loss) per Share of Common Stock

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands, except earnings per share)	2014	2013	2014	2013
Numerators for earnings per share:				
Net income (loss) that is available to common shareholders	$13,758	$4,749	$(14,794)	$19,174
Denominator for basic earnings per share:				
Weighted average shares outstanding	21,799,782	21,492,625	21,667,408	21,300,212
Denominator for diluted earnings per share:				
Effect of stock options and restricted stock units	440,531	730,697	—	629,200
Adjusted weighted average shares and assumed conversions	22,240,313	22,223,322	21,667,408	21,929,412
Basic earnings (loss) per share	$0.63	$0.22	$(0.68)	$0.90
Diluted earnings (loss) per share	$0.62	$0.21	$(0.68)	$0.87
Shares excluded from diluted earnings (loss) per share due to:				
Net loss position (excluded from denominator)	—	—	458,658	—
Inclusion would have been anti-dilutive (excluded from calculation)	192,090	319,288	151,732	280,859

When applicable, diluted shares outstanding includes the dilutive impact of restricted stock units. Diluted shares also include the impact of eligible employee stock options, which are calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the tax-effected proceeds that hypothetically would be received from the exercise of all in-the-money options are assumed to be used to repurchase shares.

9. Derivatives

We utilize derivative financial instruments to hedge certain interest rate risks associated with our long-term debt, commodity price risks associated with forecasted future natural gas requirements and foreign exchange rate risks associated with transactions denominated in a currency other than the U.S. dollar. Most of these derivatives, except for the foreign currency contracts and a portion of our former interest rate swap, qualify for hedge accounting since the hedges are highly effective, and we have designated and documented contemporaneously the hedging relationships involving these derivative instruments. While we intend to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if we do not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in our earnings. All of these contracts were accounted for under FASB ASC 815 “Derivatives and Hedging.”

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Fair Values

The following table provides the fair values of our derivative financial instruments for the periods presented:

	Asset Derivatives:			
(dollars in thousands)	September 30, 2014		December 31, 2013	
Derivatives designated as hedging instruments under FASB ASC 815:	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Natural gas contracts	Prepaid and other current assets	$—	Prepaid and other current assets	$394
Natural gas contracts	Other assets	—	Other assets	19
Total designated		—		413
Derivatives not designated as hedging instruments under FASB ASC 815:				
Currency contracts	Prepaid and other current assets	274	Prepaid and other current assets	—
Total undesignated		274		—
Total		$274		$413

	Liability Derivatives:			
(dollars in thousands)	September 30, 2014		December 31, 2013	
Derivatives designated as hedging instruments under FASB ASC 815:	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Natural gas contracts	Accrued liabilities	$438	Accrued liabilities	$—
Natural gas contracts	Other long-term liabilities	68	Other long-term liabilities	—
Interest rate contract	Other long-term liabilities	—	Other long-term liabilities	1,866
Total designated		506		1,866
Derivatives not designated as hedging instruments under FASB ASC 815:				
Interest rate contract	Other long-term liabilities	—	Other long-term liabilities	207
Total undesignated		—		207
Total		$506		$2,073

Interest Rate Swaps as Fair Value Hedges

In 2012, we entered into an interest rate swap agreement (Rate Agreement) with a notional amount of $45.0 million that was to mature in 2020. The Rate Agreement was executed in order to convert a portion of the fixed rate debt under the Senior Secured Notes into floating rate debt and maintain a capital structure containing fixed and floating rate debt. Upon the refinancing of the Senior Secured Notes, the Rate Agreement was called at fair value on May 9, 2014, resulting in a subsequent payment of $1.1 million. The remaining balance of the carrying value adjustment on debt related to the Rate Agreement was recognized as a loss in loss on redemption of debt on the Condensed Consolidated Statements of Operations. See note 4 for further discussion.

Prior to the refinancing of the Senior Secured Notes, $40.5 million of our Rate Agreement was designated and qualified as a fair value hedge. The change in the fair value of the derivative instrument related to the future cash flows (gain or loss on the derivative) and the offsetting change in the fair value of the hedged long-term debt attributable to the hedged risk were recognized in current earnings. We included the gain or loss on the hedged long-term debt, along with the offsetting loss or gain on the related interest rate swap, in other income (expense) on the Condensed Consolidated Statements of Operations.

As of July 1, 2013, we de-designated 10 percent, or $4.5 million, of our Rate Agreement. As a result, the mark-to-market of the $4.5 million portion of the Rate Agreement is recorded in other income (expense) on the Condensed Consolidated Statements of Operations.

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The following table provides a summary of the gain (loss) recognized on the Condensed Consolidated Statements of Operations from the de-designated portion of our Rate Agreement:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Interest rate swap	$—	$(163)	$140	$(163)
Related long-term debt	—	—	(589)	—
Net impact	$—	$(163)	$(449)	$(163)

The following table provides a summary of the gain (loss) recognized on the Condensed Consolidated Statements of Operations from the designated portion of our Rate Agreement:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Interest rate swap	$—	$330	$497	$(1,749)
Related long-term debt	—	(245)	(735)	1,265
Net impact	$—	$85	$(238)	$(484)

The gain or loss on the hedged long-term debt netted with the offsetting gain or loss on the related designated and de-designated interest rate swap was recorded on the Condensed Consolidated Statements of Operations as follows:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Loss on redemption of debt	$—	$—	$(757)	$—
Other income (expense)	—	(78)	70	(647)
Net impact	$—	$(78)	$(687)	$(647)

Commodity Futures Contracts Designated as Cash Flow Hedges

We use commodity futures contracts related to forecasted future North American natural gas requirements. The objective of these futures contracts is to limit the fluctuations in prices paid due to price movements in the underlying commodity. We consider our forecasted natural gas requirements in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements, up to eighteen months in the future. The fair values of these instruments are determined from market quotes. As of September 30, 2014, we had commodity contracts for 3,650,000 million British Thermal Units (BTUs) of natural gas. At December 31, 2013, we had commodity contracts for 1,520,000 million BTUs of natural gas.

All of our natural gas derivatives qualify and are designated as cash flow hedges at September 30, 2014. Hedge accounting is applied only when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable to occur, and any previously deferred gains or losses would be recorded to earnings immediately. Changes in the effective portion of the fair value of these hedges are recorded in other comprehensive income (loss). The ineffective portion of the change in the fair value of a derivative designated as a cash flow hedge is recognized in current earnings. As the natural gas contracts mature, the accumulated gains (losses) for the respective contracts are reclassified from accumulated other comprehensive loss to current expense in cost of sales in our Condensed Consolidated Statements of Operations. We recognized in the nine months ended September 30, 2013 $(0.3) million of ineffectiveness in other income (expense) in the Condensed

Consolidated Statements of Operations for certain contracts at our Mexico facility. This ineffectiveness was related to a change in pricing caused by the Mexican government instituting a surcharge. The ineffectiveness was not expected to continue so the contracts have been treated as effective under FASB ASC 815 "Derivatives and Hedging." We paid (received) additional cash of $0.1 million and $(0.8) million in the three and nine months ended September 30, 2014, respectively, (comparable 2013 amounts were immaterial), due to the difference between the fixed unit rate of our natural gas contracts and the variable unit rate of our natural gas cost from suppliers. Based on our current valuation, we estimate that accumulated losses currently carried in accumulated other comprehensive loss that will be reclassified into earnings over the next twelve months will result in $0.4 million of loss in our Condensed Consolidated Statements of Operations.

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The following table provides a summary of the effective portion of derivative gain (loss) recognized in other comprehensive income (loss):

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Derivatives in Cash Flow Hedging relationships:				
Natural gas contracts	$(670)	$(78)	$(164)	$512
Total	$(670)	$(78)	$(164)	$512

The following table provides a summary of the effective portion of derivative gain (loss) reclassified from accumulated other comprehensive loss to the Condensed Consolidated Statements of Operations:

		Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)		2014	2013	2014	2013
Derivative:	Location:				
Natural gas contracts	Cost of sales	$(58)	$26	$756	$32
Total impact on net income (loss)		$(58)	$26	$756	$32

Currency Contracts

Our foreign currency exposure arises from transactions denominated in a currency other than the U.S. dollar primarily associated with our Canadian dollar denominated accounts receivable. We enter into a series of foreign currency contracts to sell Canadian dollars. At September 30, 2014, we had C$9.6 million in foreign currency contracts. At December 31, 2013, we had no active foreign currency contracts. The fair values of these instruments are determined from market quotes. The values of these derivatives will change over time as cash receipts and payments are made and as market conditions change.

Gains (losses) on derivatives that were not designated as hedging instruments are recorded in current earnings as follows:

		Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)		2014	2013	2014	2013
Derivative:	Location:				
Currency contracts	Other income (expense)	$461	$(273)	$274	$144
Total		$461	$(273)	$274	$144

We do not believe we are exposed to more than a nominal amount of credit risk in our natural gas hedges and currency contracts as the counterparties are established financial institutions. The counterparties for the derivative agreements are rated BBB+ or better as of September 30, 2014, by Standard and Poor’s.

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10. Comprehensive Income (Loss)

Accumulated other comprehensive loss, net of tax, is as follows:

Three months ended September 30, 2014 (dollars in thousands)	Foreign Currency Translation	Derivative Instruments	Pension and Other Postretirement Benefits	Total Accumulated Comprehensive Loss
Balance on June 30, 2014	$3,181	$947	$(75,502)	$(71,374)
Other comprehensive income (loss)	(8,022)	(670)	—	(8,692)
Currency impact	—	—	933	933
Amounts reclassified from accumulated other comprehensive income (loss):				
Amortization of actuarial loss (1)	—	—	1,333	1,333
Amortization of prior service cost (1)	—	—	355	355
Cost of sales	—	58	—	58
Current-period other comprehensive income (loss)	(8,022)	(612)	2,621	(6,013)
Tax effect	—	87	(320)	(233)
Balance on September 30, 2014	$(4,841)	$422	$(73,201)	$(77,620)

Nine months ended September 30, 2014 (dollars in thousands)	Foreign Currency Translation	Derivative Instruments	Pension and Other Postretirement Benefits	Total Accumulated Comprehensive Loss
Balance on December 31, 2013	$4,554	$1,221	$(78,935)	$(73,160)
Other comprehensive income (loss)	(9,395)	(164)	1,292	(8,267)
Currency impact	—	—	1,243	1,243
Amounts reclassified from accumulated other comprehensive income (loss):				
Amortization of actuarial loss (1)	—	—	4,013	4,013
Amortization of prior service cost (1)	—	—	1,069	1,069
Cost of sales	—	(756)	—	(756)
Current-period other comprehensive income (loss)	(9,395)	(920)	7,617	(2,698)
Tax effect	—	121	(1,883)	(1,762)
Balance on September 30, 2014	$(4,841)	$422	$(73,201)	$(77,620)

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Three months ended September 30, 2013 (dollars in thousands)	Foreign Currency Translation	Derivative Instruments	Pension and Other Postretirement Benefits	Total Accumulated Comprehensive Loss
Balance on June 30, 2013	$(2,231)	$1,025	$(130,805)	$(132,011)
Other comprehensive income (loss)	4,528	(78)	760	5,210
Currency impact	—	—	(33)	(33)
Amounts reclassified from accumulated other comprehensive income (loss):				
Amortization of actuarial loss (1)	—	—	2,532	2,532
Amortization of prior service cost (1)	—	—	393	393
Cost of sales	—	(26)	—	(26)
Current-period other comprehensive income (loss)	4,528	(104)	3,652	8,076
Tax effect	—	77	(75)	2
Balance on September 30, 2013	$2,297	$998	$(127,228)	$(123,933)

Nine months ended September 30, 2013 (dollars in thousands)	Foreign Currency Translation	Derivative Instruments	Pension and Other Postretirement Benefits	Total Accumulated Comprehensive Loss
Balance on December 31, 2012	$(1,641)	$489	$(139,888)	$(141,040)
Other comprehensive income (loss)	3,938	512	3,819	8,269
Currency impact	—	—	(108)	(108)
Amounts reclassified from accumulated other comprehensive income (loss):				
Amortization of actuarial loss (1)	—	—	7,764	7,764
Amortization of prior service cost (1)	—	—	1,171	1,171
Cost of sales	—	(32)	—	(32)
Current-period other comprehensive income (loss)	3,938	480	12,646	17,064
Tax effect	—	29	14	43
Balance on September 30, 2013	$2,297	$998	$(127,228)	$(123,933)

(1) These accumulated other comprehensive income components are included in the computation of net periodic benefit cost within the cost of sales and selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

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11. Segments

Our reporting segments align with our regionally focused organizational structure, which we believe enables us to better serve customers across the globe. Under this structure, we report financial results for the Americas; Europe, the Middle East and Africa (EMEA); U.S. Sourcing; and Other. In addition, sales and segment EBIT reflect end market reporting pursuant to which sales and related costs are included in segment EBIT based on the geographical destination of the sale. Our three reportable segments are defined below. Our operating segment that does not meet the criteria to be a reportable segment is disclosed as Other.

Americas—includes worldwide sales of manufactured and sourced glass tableware having an end market destination in North and South America.

EMEA—includes worldwide sales of manufactured and sourced glass tableware having an end market destination in Europe, the Middle East and Africa.

U.S. Sourcing—includes U.S. sales of sourced ceramic dinnerware, metal tableware, hollowware, and serveware.

Other —includes worldwide sales of manufactured and sourced glass tableware having an end market destination in Asia Pacific.

Our measure of profit for our reportable segments is Segment Earnings before Interest and Taxes (Segment EBIT) and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs and other allocations that are not considered by management when evaluating performance. We use Segment EBIT, along with net sales and selected cash flow information, to evaluate performance and to allocate resources. Segment EBIT for reportable segments includes an allocation of some corporate expenses based on the costs of services performed.

Certain activities not related to any particular reportable segment are reported within retained corporate costs. These costs include certain headquarter, administrative and facility costs, and other costs that are global in nature and are not allocable to the reporting segments.

The accounting policies of the reportable segments are the same as those described in note 2. We do not have any customers who represent 10 percent or more of total sales. Inter-segment sales are consummated at arm’s length and are reflected at end market reporting below.

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(dollars in thousands)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Net Sales:				
Americas	$149,366	$141,390	$425,741	$406,740
EMEA	37,684	35,491	111,413	107,714
U.S. Sourcing	20,574	19,868	59,704	58,548
Other	8,333	7,637	24,216	24,764
Consolidated	$215,957	$204,386	$621,074	$597,766
Segment EBIT:				
Americas	$25,489	$21,224	$73,464	$73,149
EMEA	909	(135)	3,072	(806)
U.S. Sourcing	2,206	2,067	5,375	7,186
Other	721	(1,831)	2,035	1,283
Total Segment EBIT	$29,325	$21,325	$83,946	$80,812
Reconciliation of Segment EBIT to Net Income (Loss):				
Segment EBIT	$29,325	$21,325	$83,946	$80,812
Retained corporate costs	(7,243)	(4,448)	(21,995)	(16,462)
Loss on redemption of debt (note 4)	—	—	(47,191)	(2,518)
Pension settlement (note 7)	—	(760)	—	(1,475)
Furnace malfunction (note 14)	—	(2,437)	(5,882)	(2,437)
Restructuring charges (note 5)	—	(390)	(985)	(6,318)
Abandoned property (note 14)	—	—	—	(1,781)
Interest expense	(4,797)	(7,706)	(17,984)	(24,267)
Income taxes	(3,527)	(835)	(4,703)	(6,380)
Net income (loss)	$13,758	$4,749	$(14,794)	$19,174
Depreciation & Amortization:				
Americas	$5,153	$5,975	$16,963	$19,824
EMEA	2,624	2,930	7,988	7,923
U.S. Sourcing	6	9	20	27
Other	1,444	2,578	4,716	5,350
Corporate	342	281	1,150	1,046
Consolidated	$9,569	$11,773	$30,837	$34,170
Capital Expenditures:				
Americas	$15,196	$4,231	$31,991	$18,140
EMEA	1,070	1,307	4,348	4,348
U.S. Sourcing	—	—	—	32
Other	359	3,955	1,251	5,578
Corporate	68	888	938	2,054
Consolidated	$16,693	$10,381	$38,528	$30,152

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12. Fair Value

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 — Unobservable inputs based on our own assumptions.

Asset / (Liability) (dollars in thousands)	Fair Value at September 30, 2014				Fair Value at December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Commodity futures natural gas contracts	$—	$(506)	$—	$(506)	$—	$413	$—	$413
Currency contracts	—	274	—	274	—	—	—	—
Interest rate agreement	—	—	—	—	—	(2,073)	—	(2,073)
Net derivative asset (liability)	$—	$(232)	$—	$(232)	$—	$(1,660)	$—	$(1,660)

The fair values of our commodity futures natural gas contracts and currency contracts are determined using observable market inputs. On May 9, 2014, the interest rate agreement was terminated. The fair value of our interest rate agreement was based on the market standard methodology of netting the discounted expected future fixed cash receipts and the discounted future variable cash payments. The variable cash payments were based on an expectation of future interest rates derived from observed market interest rate forward curves. Since these inputs are observable in active markets over the terms that the instruments are held, the derivatives are classified as Level 2 in the hierarchy. We also evaluate Company and counterparty risk in determining fair values. The commodity futures natural gas contracts, interest rate agreements and currency contracts are hedges of either recorded assets or liabilities or anticipated transactions. Changes in values of the underlying hedged assets and liabilities or anticipated transactions are not reflected in the above table.

The total derivative position is recorded on the Condensed Consolidated Balance Sheets as follows:

Asset / (Liability) (dollars in thousands)	September 30, 2014	December 31, 2013
Prepaid and other current assets	$274	$394
Other assets	—	19
Accrued liabilities	(438)	—
Other long-term liabilities	(68)	(2,073)
Net derivative asset (liability)	$(232)	$(1,660)

13. Other Income (Expense)

Items included in other income (expense) in the Condensed Consolidated Statements of Operations are as follows:

(dollars in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Gain (loss) on currency translation	$1,208	$(636)	$577	$(438)
Hedge ineffectiveness	—	(78)	70	(923)

Other non-operating income (expense)	132	8	693	271
Other income (expense)	$1,340	$(706)	$1,340	$(1,090)

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14. Contingencies

Legal Proceedings

From time to time, we are identified as a "potentially responsible party" (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and/or similar state laws that impose liability without regard to fault for costs and damages relating to the investigation and clean-up of contamination resulting from releases or threatened releases of hazardous substances. We are also subject to similar laws in some of the countries where our facilities are located. Our environmental, health, and safety department monitors compliance with applicable laws on a global basis.

On October 30, 2009, the United States Environmental Protection Agency ("U.S. EPA") designated Syracuse China Company ("Syracuse China"), our wholly-owned subsidiary, as one of eight PRPs with respect to the Lower Ley Creek sub-site of the Onondaga Lake Superfund site located near the ceramic dinnerware manufacturing facility that Syracuse China operated from 1995 to 2009 in Syracuse, New York.

U.S. EPA has completed its Remedial Investigation (RI), Feasibility Study (FS), Risk Assessment (RA) and Proposed Remedial Action Plan (PRAP). On October 13, 2014, Libbey was informed that EPA issued its Record of Decision (RoD) on September 30, 2014. The RoD indicates that EPA's estimate of the cost of remediation ranges between approximately $17.0 million (assuming local disposal of contaminated sediments is feasible) and approximately $24.8 million (assuming local disposal is not feasible). However, the RoD acknowledges that the final cost of the cleanup will depend upon the actual volume of contaminated material, the degree to which it is contaminated, and where the excavated soil and sediment is properly disposed. In connection with the General Motors Corporation bankruptcy, EPA recovered $22.0 million from Motors Liquidation Company (GM), the successor to General Motors Corporation. If the cleanup costs do not exceed the amount recovered by EPA from GM, Syracuse China may suffer no loss. If and to the extent the cleanup costs exceed the amount recovered by EPA from GM, it is not yet known whether other potentially responsible parties (PRPs) will be added to the current group of PRPs or how any excess costs may be allocated among the PRPs.

To the extent that Syracuse China may have liability with respect to the Lower Ley Creek sub-site and to the extent the liability arose prior to our 1995 acquisition of the Syracuse China assets, the liability would be subject to the indemnification provisions contained in the Asset Purchase Agreement between the Company and The Pfaltzgraff Co. (now known as TPC-York, Inc. ("TPC York")) and certain of its subsidiaries. Accordingly, Syracuse China has notified TPC York of its claim for indemnification under the Asset Purchase Agreement. Although we cannot predict the ultimate outcome of this proceeding, we believe that it will not have a material impact on our financial condition, results of operations or liquidity.

Insurance claim

In September of 2013, Libbey had a furnace malfunction at our manufacturing facility in Toledo, Ohio, resulting in an insurance claim. At December 31, 2013, partial insurance proceeds of $5.0 million were recognized in accounts receivable on the open claim. Cash was received in the first quarter of 2014, with $4.3 million recorded as an investing activity and $0.7 million recorded as cash from operations on the Condensed Consolidated Statements of Cash Flows. On October 13, 2014, we received notification from the insurance company of the final settlement of our insurance claim. See note 15 for further discussion of this subsequent event.

Abandoned Property Audit

We have completed an unclaimed property audit. The property subject to review in this audit process generally included unclaimed wages, vendor payments and customer refunds. State escheat laws generally require entities to report and remit abandoned and unclaimed property. Failure to timely report and remit the property can result in assessments that include interest and penalties, in addition to the payment of the escheat liability itself. At the completion of the audit in the three months ended June 30, 2013, we paid $4.5 million, which resulted in additional expense of $1.8 million in selling, general and administrative expenses on the Condensed Consolidated Statement of Operations. Expense of $2.7 million was recorded in the third quarter of 2011.

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15. Subsequent Event

On October 13, 2014, we received a settlement notification from our insurance company on our open claim related to the 2013 furnace malfunction at our manufacturing facility in Toledo, Ohio. The total reimbursement for the claim and related expenses is $15.7 million. $5.0 million was recognized in 2013 in accounts receivable and received in the first quarter of 2014. The remaining $10.7 million will be recognized in the fourth quarter of 2014 in accordance with gain contingency accounting standards.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes thereto appearing elsewhere in this report and in our Annual Report filed with the Securities and Exchange Commission. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ from those anticipated in these forward-looking statements as a result of many factors. Our risk factors are set forth in Part I, Item 1A. "Risk Factors" in our 2013 Annual Report on Form 10-K for the year ended December 31, 2013.

Overview

During the third quarter of 2014, we continued to operate in a very competitive environment in a soft global economy. The pressures on retailers, restaurants and consumer durables companies experienced in 2013 around the globe have continued through 2014. Consumer sentiment in the U.S. has improved slightly in the third quarter of 2014, as major foodservice indices indicate same-store restaurant traffic increased over the second quarter of 2014, but remains below the third quarter of 2013. The significant fiscal reform that was adopted in Mexico in late 2013 continued to impact the first nine months of 2014, dampening consumer confidence, which drives a sizable portion of the Mexican economy. In addition, Mexican retailers reported a decline in same-store sales compared to 2013. The European economy is negatively impacted by the geopolitical situation and the fear of deflation. In China the rate of economic growth within the consumer segment continues to be weak. Specifically affecting our business is the very tight credit environment and Chinese government restrictions on consumption and entertaining referred to collectively as the "Eight Regulations." Additionally, several of our competitors continue to experience financial difficulty and therefore the competitive environment remains very challenging. Despite these factors, our consolidated net sales were up 5.7 percent for the third quarter as compared to the third quarter of 2013. Our sales for the quarter and year to date period reached record levels in the Company's history.

Adjusted EBITDA for the third quarter of 2014 was $31.7 million, an increase of 10.5 percent compared to Adjusted EBITDA of $28.7 million in the prior year period. The primary factors contributing to the increase in Adjusted EBITDA were the 5.7 percent sales increase which positively impacted Adjusted EBITDA by $6.5 million, the realization of $4.6 million in savings from the recently completed North American capacity realignment, partially offset by lower production of $2.6 million primarily driven by an earlier than planned rebuild of a furnace, higher input costs for natural gas, packaging and electricity of $1.2 million and freight increases of $2.0 million, as well as increased selling and marketing expenses.

During the second quarter of 2014, we completed the refinancing of substantially all of the existing indebtedness of our wholly-owned subsidiaries Libbey Glass and Libbey Europe B.V. The refinancing included:

- the entry into an amended and restated credit agreement with respect to our ABL Facility;
- the issuance of $440.0 million in aggregate principal amount of the Senior Secured Term Loan B facility of Libbey Glass due 2021, which bears an interest rate of LIBOR plus 3.0 percent, subject to a LIBOR "floor" of 0.75 percent. The interest rate was 3.75 percent at commencement and June 30, 2104; and
- the repurchase and cancellation of all Libbey Glass's then outstanding $405.0 million in aggregate principal amount Senior Secured Notes ($360.0 million on April 9, 2014 and $45.0 million on May 9, 2014).

Based on current LIBOR rates, the Senior Secured Term Loan B facility is expected to generate annual interest expense savings in excess of $10.0 million.

Our three reportable segments are defined below. Our operating segment that does not meet the criteria to be a reportable segment is disclosed as Other.

Americas—includes worldwide sales of manufactured and sourced glass tableware having an end market destination in North and South America.

EMEA —includes worldwide sales of manufactured and sourced glass tableware having an end market destination in Europe, the Middle East and Africa.

U.S. Sourcing—includes U.S. sales of sourced ceramic dinnerware, metal tableware, hollowware, and serveware.

Other —includes worldwide sales of manufactured and sourced glass tableware having an end market destination in Asia Pacific.

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Results of Operations

The following table presents key results of our operations for the three and nine months ended September 30, 2014 and 2013:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands, except percentages and per-share amounts)	2014	2013	2014	2013
Net sales	$215,957	$204,386	$621,074	$597,766
Gross profit [(2)]	$50,315	$39,905	$142,921	$139,599
Gross profit margin	23.3 %	19.5 %	23.0 %	23.4 %
Income from operations (IFO) [(2)(3)]	$20,742	$13,996	$53,744	$53,429
IFO margin	9.6 %	6.8 %	8.7 %	8.9 %
Earnings before interest and income taxes (EBIT)[(1)(2)(3)(4)]	$22,082	$13,290	$7,893	$49,821
EBIT margin	10.2 %	6.5 %	1.3 %	8.3 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)[(1)(2)(3)(4)]	$31,651	$25,063	$38,730	$83,991
EBITDA margin	14.7 %	12.3 %	6.2 %	14.1 %
Adjusted EBITDA[(1)]	$31,651	$28,650	$92,788	$96,821
Adjusted EBITDA margin	14.7 %	14.0 %	14.9 %	16.2 %
Net income (loss)[(2)(3)(4)]	$13,758	$4,749	$(14,794)	$19,174
Net income (loss) margin	6.4 %	2.3 %	(2.4)%	3.2 %
Diluted net income (loss) per share	$0.62	$0.21	$(0.68)	$0.87

(1) We believe that EBIT, EBITDA and Adjusted EBITDA, all non-GAAP financial measures, are useful metrics for evaluating our financial performance, as they are measures that we use internally to assess our performance. For a reconciliation from net income (loss) to EBIT, EBITDA, and Adjusted EBITDA, see the "Adjusted EBITDA" section below in the Discussion of Third Quarter 2014 Compared to Third Quarter 2013 and the Discussion of First Nine Months 2014 Compared to First Nine Months 2013 and reasons we believe these non-GAAP financial measures are useful.

(2) The nine month period ended September 30, 2014 includes $5.9 million for the loss of production at our Toledo, Ohio, manufacturing facility due to a furnace malfunction; and $1.0 million of charges related to discontinuing production of certain glassware in North America and reducing manufacturing capacity at our Shreveport, Louisiana, facility. The three and nine month periods ended September 30, 2013 include $2.4 million for the loss of production and disposal of fixed assets at our Toledo, Ohio, manufacturing facility due to a furnace malfunction; and $0.3 million of pension settlement charges. The nine month period ended September 30, 2013 also includes $1.7 million of accelerated depreciation on fixed assets that were impaired from discontinuing production of certain glassware in North America and reducing manufacturing capacity at our Shreveport, Louisiana, manufacturing facility. (See notes 5 and 7 to the Condensed Consolidated Financial Statements.)

(3) In addition to item (2) above, the three and nine month periods ended September 30, 2013 include $0.4 million and $4.6 million, respectively, in charges related to discontinuing production of certain glassware in North America and reducing manufacturing capacity at our Shreveport, Louisiana, facility; and $0.4 million and $1.2 million, respectively of pension settlement charges. The nine month period ended September 30, 2013 also includes $1.8 million for abandoned property charges. (See notes 5, 7 and 14 to the Condensed Consolidated Financial Statements.)

(4) In addition to item (3) above, the nine month period ended September 30, 2014 includes a loss of $47.2 million related to the write-off of unamortized finance fees and call premium payments on the $405.0 million Senior Secured Notes redeemed in April and May 2014, and the write-off of the debt carrying value adjustment related to

the termination of the $45.0 million interest rate swap. The nine month period ended September 30, 2013 includes a loss of $2.5 million related to the redemption of $45.0 million of Senior Secured Notes in May 2013. (See note 4 to the Condensed Consolidated Financial Statements.)

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Discussion of Third Quarter 2014 Compared to Third Quarter 2013

Net Sales

For the quarter ended September 30, 2014, net sales increased 5.7 percent to $216.0 million, compared to $204.4 million in the year-ago quarter. When adjusted for currency impact, net sales increased by 5.8 percent. The increase in net sales was attributable to increased sales of $11.6 million in the Americas, EMEA, U.S. Sourcing, and Other.

	Three months ended September 30,	
(dollars in thousands)	2014	2013
Americas	$149,366	$141,390
EMEA	37,684	35,491
U.S. Sourcing	20,574	19,868
Other	8,333	7,637
Consolidated	$215,957	$204,386

Net Sales — Americas

Net sales in the Americas were $149.4 million, compared to $141.4 million in the third quarter of 2013, an increase of 5.6 percent (an increase of 5.9 percent excluding currency fluctuation). The primary contributors were a 7.3 percent increase in net sales within our foodservice channel and a 4.5 percent increase in sales within our retail channel due to a favorable mix and increased volume. Our business-to-business channel experienced a 5.7 percent increase in net sales over the prior year quarter due to a favorable mix, partially offset by lower volume, particularly in candle and floral items.

Net Sales — EMEA

Net sales in EMEA were $37.7 million, compared to $35.5 million in the third quarter of 2013, an increase of 6.2 percent (an increase of 6.0 percent excluding currency fluctuation). The primary contributors to the increased net sales were sales increases in the retail and business-to-business channels of 15.3 percent and 6.2 percent, respectively, offset by a foodservice channel decline of 11.2 percent driven by lower volume, primarily from non-repeat of a major product introduction.

Net Sales — U.S. Sourcing

Net sales in U.S. Sourcing were $20.6 million, compared to $19.9 million in the third quarter of 2013, an increase of 3.6 percent. The increase in sales resulted from increased shipments to a variety of customers in our foodservice channel.

Gross Profit

Gross profit increased to $50.3 million in the third quarter of 2014, compared to $39.9 million in the prior year quarter. Gross profit as a percentage of net sales increased to 23.3 percent in the third quarter of 2014, compared to 19.5 percent in the prior year period. The primary drivers of the $10.4 million increase in gross profit were the favorable impact of increased sales of $6.5 million, current year savings of $4.6 million related to the realignment of capacity in the Americas, lower depreciation expense of $2.3 million and savings of $2.4 million related to the prior year's furnace malfunction at our Toledo, Ohio, manufacturing facility. Partially offsetting these factors were increased freight of $2.0 million, higher input costs of $1.2 million and lower production primarily driven by an earlier than planned furnace rebuild of $2.6 million.

Income From Operations

Income from operations for the quarter ended September 30, 2014 increased $6.7 million, to $20.7 million, compared to $14.0 million in the prior year quarter. Income from operations as a percentage of net sales was 9.6 percent for the quarter ended September 30, 2014, compared to 6.8 percent in the prior year quarter. The increase in income from operations is the result of the increase in gross profit of $10.4 million (discussed above). Partially offsetting the increase in gross profit was an increase in selling, general and administrative expense of $4.1 million, driven by our investment in new product development, sales, marketing, and research and development, which we expect will continue to drive 2014 sales and be the catalyst for growth in the future.

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Earnings Before Interest and Income Taxes (EBIT)

EBIT for the quarter ended September 30, 2014 increased by $8.8 million to $22.1 million from $13.3 million in the third quarter of 2013. EBIT as a percentage of net sales increased to 10.2 percent in the third quarter of 2014, compared to 6.5 percent in the prior year quarter. The increase in EBIT is primarily the result of the higher income from operations (discussed above) and a favorable $1.8 million change in the currency translation included in other income (expense).

Segment EBIT

The following table summarizes the change in Segment EBIT[(1)] by reportable segments:

	Three months ended September 30,		
(dollars in thousands)	Americas	EMEA	U.S. Sourcing
Segment EBIT, September 30, 2013	$21,224	$(135)	$2,067
Sales, excluding currency	7,581	(302)	200
Manufacturing and distribution	(3,493)	1,280	(253)
Selling, general, administrative and other income/expense	397	46	192
Effects of changing foreign currency rates	(220)	20	—
Segment EBIT, September 30, 2014	$25,489	$909	$2,206

(1) Segment EBIT represents earnings before interest and taxes and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs and other allocations that are not considered by management when evaluating performance. See note 11 to the Condensed Consolidated Financial Statements for reconciliation of Segment EBIT to net income (loss).

Segment EBIT — Americas

Segment EBIT was $25.5 million in the third quarter of 2014, compared to $21.2 million in the third quarter of 2013 an increase of over 20.0 percent. Segment EBIT as a percentage of net sales for the Americas was 17.1 percent in the third quarter of 2014, compared to 15.0 percent in the prior year period. The primary drivers of the $4.3 million increase in Segment EBIT were increased sales of $6.6 million, savings of $4.6 million from the recently completed North American capacity realignment and a $1.9 million favorable translation gain in other income (expense). These favorable items were partially offset by production inefficiencies primarily driven by an earlier than planned furnace rebuild of $2.6 million, other production inefficiencies of $2.5 million, higher input costs of $1.5 million and higher freight costs of $1.6 million.

Segment EBIT — EMEA

Segment EBIT increased to $0.9 million in the third quarter of 2014 compared to a loss of $(0.1) million in the third quarter of 2013. Segment EBIT as a percentage of net sales for EMEA increased to 2.4 percent in the third quarter of 2014, compared to (0.4) percent in the prior-year period. The primary drivers of the $1.0 million increase in Segment EBIT were the realization of $0.4 million from increased production activity and lower input costs of $0.3 million.

Segment EBIT — U.S. Sourcing

Segment EBIT was $2.2 million in the third quarter of 2014, compared to $2.1 million in the third quarter of 2013. Segment EBIT as a percentage of net sales for U.S. Sourcing was 10.7 percent in the third quarter of 2014, compared to 10.4 percent in the prior-year period. The primary driver of the $0.1 million increase in Segment EBIT was a favorable sales impact of $0.2 million due to higher volume.

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

EBITDA increased by $6.6 million in the third quarter of 2014, to $31.7 million, compared to $25.1 million in the year-ago quarter. As a percentage of net sales, EBITDA increased to 14.7 percent in the third quarter of 2014, from 12.3 percent in the year-ago quarter. The key contributors to the increase in EBITDA were those factors discussed above under Earnings Before Interest and Income Taxes (EBIT), partially offset by $2.2 million of lower depreciation and amortization.

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Adjusted EBITDA

Adjusted EBITDA increased by 10.5 percent, or $3.0 million, in the third quarter of 2014, to $31.7 million, compared to $28.7 million in the third quarter of 2013. As a percentage of net sales, Adjusted EBITDA was 14.7 percent for the third quarter of 2014, compared to 14.0 percent in the year-ago quarter. The key contributors to the increase in Adjusted EBITDA were those factors discussed above under Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) and the elimination of the special items noted below, in the reconciliation of net income to EBIT, EBITDA and Adjusted EBITDA.

	Three months ended September 30,	
(dollars in thousands)	2014	2013
Net income	$13,758	$4,749
Add: Interest expense	4,797	7,706
Add: Provision for income taxes	3,527	835
Earnings before interest and income taxes (EBIT)	22,082	13,290
Add: Depreciation and amortization	9,569	11,773
Earnings before interest, taxes, deprecation and amortization (EBITDA)	31,651	25,063
Add: Special items before interest and taxes:		
Furnace malfunction (see note 14) (1)	—	2,437
Pension settlement (see note 7)	—	760
Restructuring charges (see note 5) (2)	—	390
Adjusted EBITDA	$31,651	$28,650

(1) Furnace malfunction relates to loss of production and disposal of fixed assets at our Toledo, Ohio, manufacturing facility.

(2) Restructuring charges relate to discontinuing production of certain glassware in North America and reducing manufacturing capacity at our Shreveport, Louisiana, facility.

We sometimes refer to data derived from condensed consolidated financial information but not required by GAAP to be presented in financial statements. Certain of these data are considered “non-GAAP financial measures” under Securities and Exchange Commission (SEC) Regulation G. We believe that certain non-GAAP data provide investors with a more complete understanding of underlying results in our core business and trends. In addition, we use non-GAAP data internally to assess performance. Although we believe that the non-GAAP financial measures presented enhance investors’ understanding of our business and performance, these non-GAAP measures should not be considered an alternative to GAAP.

We define EBIT as net income (loss) before interest expense and income taxes. The most directly comparable U.S. GAAP financial measure is net income (loss).

We believe that EBIT is an important supplemental measure for investors in evaluating operating performance in that it provides insight into company profitability. Libbey’s senior management uses this measure internally to measure profitability. EBIT also allows for a measure of comparability to other companies with different capital and legal structures, which accordingly may be subject to different interest rates and effective tax rates.

The non-GAAP measure of EBIT does have certain limitations. It does not include interest expense, which is a necessary and ongoing part of our cost structure resulting from debt incurred to expand operations. Because this is a material and recurring item, any measure that excludes it has a material limitation. EBIT may not be comparable to similarly titled measures reported by other companies.

We define EBITDA as net income (loss) before interest expense, income taxes, depreciation and amortization. The most directly comparable U.S. GAAP financial measure is net income (loss).

We believe that EBITDA is an important supplemental measure for investors in evaluating operating performance in that it provides insight into company profitability and cash flow. Libbey’s senior management uses this measure

internally to measure profitability. EBITDA also allows for a measure of comparability to other companies with different capital and legal structures, which accordingly may be subject to different interest rates and effective tax rates, and to companies that may incur different depreciation and amortization expenses or impairment charges.
The non-GAAP measure of EBITDA does have certain limitations. It does not include interest expense, which is a necessary and ongoing part of our cost structure resulting from debt incurred to expand operations. EBITDA also excludes depreciation

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and amortization expenses. Because these are material and recurring items, any measure that excludes them has a material limitation. EBITDA may not be comparable to similarly titled measures reported by other companies.
We present Adjusted EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Adjusted EBITDA internally to measure profitability and to set performance targets for managers.
Adjusted EBITDA has limitations as an analytical tool. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP.

Net Income and Diluted Net Income Per Share

We recorded net income of $13.8 million, or $0.62 per diluted share, in the third quarter of 2014, compared to net income of $4.7 million, or $0.21 per diluted share, in the year-ago quarter. Net income as a percentage of net sales was 6.4 percent in the third quarter of 2014, compared to 2.3 percent in the year-ago quarter. The increase in net income and diluted net income per share is due to the factors discussed in Earnings Before Interest and Income Taxes (EBIT) above and a $2.9 million reduction in interest expense, partially offset by a $2.7 million increase in the provision for income taxes. The decrease in interest expense is primarily driven by lower interest rates as a result of the debt refinancing completed in the second quarter of 2014. The effective tax rate was 20.4 percent for the third quarter of 2014, compared to 15.0 percent in the year-ago quarter. The effective tax rate was generally influenced by foreign earnings with differing statutory tax rates, foreign withholding tax, accruals related to uncertain tax positions, intra-period tax allocation and other activity in jurisdictions with recorded valuation allowances.

Discussion of First Nine Months 2014 Compared to First Nine Months 2013

Net Sales

For the nine months ended September 30, 2014, net sales increased 3.9 percent to $621.1 million, compared to $597.8 million in the year-ago period. The increase in net sales was attributable to increased sales in the Americas, EMEA and U.S. Sourcing, partially offset by decreased sales in Other.

	Nine months ended September 30,	
(dollars in thousands)	2014	2013
Americas	$425,741	$406,740
EMEA	111,413	107,714
U.S. Sourcing	59,704	58,548
Other	24,216	24,764

Consolidated	$621,074	$597,766

Net Sales — Americas

Net sales in the Americas were $425.7 million in the first nine months of 2014 compared to $406.7 million in the first nine months of 2013, an increase of 4.7 percent (a 5.4 percent increase excluding the impact of currency). The primary contributor was a 12.3 percent increase in sales in our business-to-business market channel due to stronger volume in the candles and floral

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product lines, as well as smaller increases in both foodservice and retail sales in the first nine months of the year of 2.0 percent and 1.3 percent, respectively. Partially offsetting this was the negative currency impact of $2.9 million on Latin America shipments. In aggregate the severe winter weather in the U.S. and Canada during the first quarter 2014 reduced sales by $2.0 million, with over half of the impact in the foodservice channel. Additionally, the retail channel was impacted by our decision to exit the sale of certain low margin items as we reconfigured our Americas manufacturing footprint.

Net Sales — EMEA

Net sales in EMEA were $111.4 million in the first nine months of 2014, compared to $107.7 million in the first nine months of 2013, an increase of 3.4 percent (an increase of 0.6 percent excluding the impact of currency). The primary contributors to the increased net sales were the favorable currency impact of the euro and increased shipments, partially offset by an unfavorable product mix to EMEA customers.

Net Sales — U.S. Sourcing

Net sales in U.S. Sourcing were $59.7 million in the first nine months of 2014, compared to $58.5 million in the first nine months of 2013, an increase of 2.0 percent. The increase in sales resulted from increased shipments in our foodservice channel, partially offset by a $0.7 million impact due to the severe winter weather experienced during the first quarter of 2014.

Gross Profit

Gross profit increased to $142.9 million in the first nine months of 2014, compared to $139.6 million in the prior year period. Gross profit as a percentage of net sales slightly decreased to 23.0 percent in the nine months ended September 30, 2014, compared to 23.4 percent in the prior year period. The primary drivers of the $3.3 million increase in gross profit were the impact of increased sales of $6.2 million, the net increase in production activity of $5.2 million compared to 2013, when significant furnace rebuilds resulted in a reduction in capacity utilization, realization of savings of $6.7 million from the recently completed North American capacity realignment, and lower pension expense of $3.6 million. Partially offsetting these factors were an unfavorable impact of the severe winter weather of $1.3 million in the first quarter of 2014, higher input costs for natural gas, packaging and electricity of $5.2 million, the change in loss of production related to the furnace malfunction at our Toledo, Ohio, manufacturing facility of $3.4 million, increased freight of $4.5 million, an unfavorable currency impact of $2.7 million, and first quarter expenses related to the realignment of capacity in the Americas of $1.0 million.

Income From Operations

Income from operations for the nine months ended September 30, 2014 increased $0.3 million, to $53.7 million, compared to $53.4 million in the prior year period. Income from operations as a percentage of net sales was 8.7 percent for the nine months ended September 30, 2014, compared to 8.9 percent in the prior-year period. The increase in income from operations is the result of the increase in gross profit of $3.3 million (discussed above) and the favorable impact in 2014 of a reduction in special charges compared to the prior-year period, when we recorded $4.6 million of special charges related to the discontinuation of production of certain glassware in North America and the reduction of manufacturing capacity at our Shreveport, Louisiana, manufacturing facility. Mostly offsetting these factors was an increase in selling, general and administrative expense of $7.6 million, primarily the result of a $1.2 million increase in labor and benefits, including added sales and marketing professionals, additional selling and marketing expenses of $1.4 million, an increase in legal and professional fees of $3.0 million, and an increase of research and development of $1.3 million.

Earnings Before Interest and Income Taxes (EBIT)

EBIT for the nine months ended September 30, 2014 decreased by $41.9 million to $7.9 million from $49.8 million in the first nine months of 2013. EBIT as a percentage of net sales decreased to 1.3 percent in the first nine months of 2014, compared to 8.3 percent in the prior year period. The decrease in EBIT is a result of the inclusion in 2014 of $47.2 million for loss on redemption of debt, as compared to $2.5 million in the first nine months of 2013, partially offset by a favorable change of $2.4 million in other income (expense) and the increase in income from operations (discussed above).

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Segment EBIT

The following table summarizes Segment EBIT[1] by operating segments:

	Nine months ended September 30,		
(dollars in thousands)	Americas	EMEA	U.S. Sourcing
Segment EBIT, September 30, 2013	$73,149	$(806)	$7,186
Sales, excluding currency	8,681	(444)	(626)
Manufacturing and distribution	(3,133)	4,552	(944)
Selling, general, administrative and other income/expense	(2,103)	(553)	(241)
Effects of changing foreign currency rates	(3,130)	323	—
Segment EBIT, September 30, 2014	$73,464	$3,072	$5,375

(1) Segment EBIT represents earnings before interest and taxes and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs. See note 11 to the Condensed Consolidated Financial Statements for reconciliation of Segment EBIT to net income (loss).

Segment EBIT — Americas

Segment EBIT increased to $73.5 million in the first nine months of 2014, compared to $73.1 million in the first nine months of 2013. Segment EBIT as a percentage of net sales decreased to 17.3 percent for the nine months ended September 30, 2014, compared to 18.0 percent in the prior year nine month period. The primary drivers of the $0.3 million Segment EBIT increase were the realization of savings of $6.7 million from the recently completed North American capacity realignment, lower healthcare and pension costs of $4.6 million, and increased sales of $9.4 million. These favorable items were predominately offset by the unfavorable impact of the severe winter weather of $1.1 million; higher input costs for natural gas, packaging and electricity of $5.5 million; increased freight of $3.6 million; increased repairs and maintenance of $2.6 million; increased selling, general and administrative and other income (expense) of $2.1 million; an unfavorable currency impact of $3.1 million; and an unfavorable net $2.6 million from production inefficiencies and furnace rebuilds.

Segment EBIT — EMEA

Segment EBIT increased by $3.9 million to $3.1 million for the first nine months of 2014, compared to a loss of $(0.8) million in the prior year period. Segment EBIT as a percentage of net sales increased to 2.8 percent for the nine months ended September 30, 2014, compared to (0.7) percent in the prior year nine month period. The primary drivers of the $3.9 million increase in Segment EBIT were increased production activity of $3.4 million and lower input costs of $1.5 million. These favorable items were partially offset by increased freight of $0.3 million and increased repairs and maintenance of $0.6 million.

Segment EBIT — U.S. Sourcing

Segment EBIT decreased to $5.4 million for the first nine month of 2014, compared to $7.2 million in the prior year period. Segment EBIT as a percentage of net sales for U.S. Sourcing decreased to 9.0 percent for the first nine months of 2014, compared to 12.3 percent in the prior-year period. The primary drivers of the $1.8 million decrease in Segment EBIT were an unfavorable sales mix impact of $0.4 million, the unfavorable impact of the severe first quarter winter weather of $0.2 million, increased selling and marketing support of $0.6 million, and increased freight and input costs of $0.2 million.

Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)

EBITDA decreased by $45.3 million in the first nine months of 2014, to $38.7 million, compared to $84.0 million in the year-ago period. As a percentage of net sales, EBITDA decreased to 6.2 percent in the first nine months of 2014, from 14.1 percent in the year ago period. The key contributors to the decrease in EBITDA were those factors discussed above under Earnings Before Interest and Income Taxes (EBIT), including the $47.2 million loss on redemption of debt in 2014, which was the largest driver, as compared to $2.5 million in 2013. Additionally, the prior year period included $3.3 million of additional depreciation and amortization, whereby $1.7 million related to accelerated depreciation on certain fixed assets included in the capacity realignment.

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Adjusted EBITDA

Adjusted EBITDA decreased by $4.0 million in the first nine months of 2014, to $92.8 million, compared to $96.8 million in the first nine months of 2013. As a percentage of net sales, Adjusted EBITDA was 14.9 percent for the first nine months of 2014, compared to 16.2 percent in the year ago period. The key contributors to the decrease in Adjusted EBITDA were those factors discussed above under Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) and the elimination of the special items noted below in the reconciliation of net income (loss) to EBIT, EBITDA and Adjusted EBITDA.

	Nine months ended September 30,	
(dollars in thousands)	2014	2013
Net income (loss)	$(14,794)	$19,174
Add: Interest expense	17,984	24,267
Add: Provision for income taxes	4,703	6,380
Earnings before interest and income taxes (EBIT)	7,893	49,821
Add: Depreciation and amortization	30,837	34,170
Earnings before interest, taxes, deprecation and amortization (EBITDA)	38,730	83,991
Add: Special items before interest and taxes:		
Loss on redemption of debt (see note 4) (1)	47,191	2,518
Pension settlement (see note 7)	—	1,475
Furnace malfunction (see note 14) (2)	5,882	2,437
Abandoned property (see note 14)	—	1,781
Restructuring charges (see note 5) (3)	985	6,318
Less: Accelerated depreciation expense included in special items and also in depreciation and amortization above	—	(1,699)
Adjusted EBITDA	$92,788	$96,821

(1) Loss on redemption of debt for the nine months ended September 30, 2014 includes a loss of $47.2 million related to the write-off of unamortized finance fees and call premium payments on the $405.0 million Senior Secured Notes redeemed in April and May 2014, and the write-off of the debt carrying value adjustment related to the termination of the $45.0 million interest rate swap. The nine months ended September 30, 2013 include a loss of $2.5 million related to the redemption of $45.0 million of Senior Secured Notes in May 2013.

(2) Furnace malfunction relates to loss of production and disposal of fixed assets at our Toledo, Ohio, manufacturing facility.

(3) Restructuring charges relate to discontinuing production of certain glassware in North America and reducing manufacturing capacity at our Shreveport, Louisiana, facility.

We sometimes refer to data derived from condensed consolidated financial information but not required by GAAP to be presented in financial statements. Certain of these data are considered “non-GAAP financial measures” under SEC Regulation G. We believe that certain non-GAAP data provide investors with a more complete understanding of underlying results in our core business and trends. In addition, we use non-GAAP data internally to assess performance. Although we believe that the non-GAAP financial measures presented enhance investors’ understanding of our business and performance, these non-GAAP measures should not be considered an alternative to GAAP. For our definition of these non-GAAP measures and certain limitations, see the Adjusted EBITDA section in the Discussion of Third Quarter 2014 Compared with Third Quarter 2013 above.

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Net Income (Loss) and Diluted Net Income (Loss) Per Share

We recorded a net loss of $(14.8) million, or $(0.68) per diluted share, in the first nine months of 2014, compared to net income of $19.2 million, or $0.87 per diluted share, in the year ago period. Net income (loss) as a percentage of net sales was (2.4) percent in the first nine months of 2014, compared to 3.2 percent in the first nine months of 2013. The decrease in net income and diluted net income per share is generally due to the factors discussed in Earnings Before Interest and Income Taxes (EBIT) above, including the $47.2 million loss on redemption of debt in 2014, which was the largest driver, as compared to $2.5 million in 2013, a $6.3 million reduction in interest expense and a $1.7 million decrease in the provision for income taxes. The decrease in interest expense is primarily driven by the debt refinancing completed in the second quarter of 2014. The effective tax rate was (46.6) percent for the first nine months of 2014, compared to 25.0 percent in year-ago period. The effective tax rate was generally influenced by foreign earnings with differing statutory tax rates, foreign withholding tax, accruals related to uncertain tax positions, intra-period tax allocation and other activity in jurisdictions with recorded valuation allowances.

Capital Resources and Liquidity

Historically, cash flows generated from operations, cash on hand and our borrowing capacity under our ABL Facility have enabled us to meet our cash requirements, including capital expenditures and working capital requirements. At September 30, 2014, we had $8.9 million borrowed under our ABL Facility and we had $6.8 million in letters of credit issued under that facility. As a result, we had $83.1 million of unused availability remaining under the ABL Facility at September 30, 2014. In addition, we had $24.1 million of cash on hand at September 30, 2014, compared to $42.2 million of cash on hand at December 31, 2013. Of our total cash on hand at September 30, 2014 and December 31, 2013, $24.1 million and $20.1 million, respectively, were held in foreign subsidiaries and can be repatriated primarily through the repayment of intercompany loans without creating additional income tax expense. For further information regarding potential dividends from our non-U.S. subsidiaries, see note 8, Income Taxes, in our 2013 Annual Report on Form 10-K for the year ended December 31, 2013.

During the second quarter of 2014, we completed the refinancing of substantially all of the existing indebtedness of our wholly-owned subsidiaries Libbey Glass and Libbey Europe B.V. The refinancing included:

- the entry into an amended and restated credit agreement with respect to our ABL Facility;
- the issuance of $440.0 million in aggregate principal amount of the Term Loan B of Libbey Glass due 2021, which bears an interest rate of LIBOR plus 3.0 percent, subject to a LIBOR "floor" of 0.75 percent. The interest rate was 3.75 percent at commencement; and
- the repurchase and cancellation of all Libbey Glass's then outstanding $405.0 million in aggregate principal amount Senior Secured Notes ($360.0 million on April 9, 2014 and $45.0 million on May 9, 2014).

Libbey Glass used the proceeds of the Term Loan B, together with cash on hand and borrowings under the ABL Facility to repurchase $360.0 million of the Senior Secured Notes, redeem the remaining $45.0 million of the Senior Secured Notes, and pay certain related fees and expenses.

Based on our operating plans and current forecast expectations, we anticipate that our level of cash on hand, cash flows from operations and our borrowing capacity under our ABL Facility will provide sufficient cash availability to meet our ongoing liquidity needs.

Balance Sheet and Cash Flows

Cash and Equivalents

See the cash flow section below for a discussion of our cash balance.

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Working Capital

The following table presents our working capital components:

(dollars in thousands, except percentages and DSO, DIO, DPO and DWC)	September 30, 2014	December 31, 2013
Accounts receivable — net	$106,459	$94,549
Less: Receivable on furnace malfunction insurance claim	—	5,000
Accounts receivable — net, excluding receivable on insurance claim	$106,459	$89,549
DSO (1)	46.1	39.9
Inventories — net	$189,221	$163,121
DIO (2)	82.0	72.7
Accounts payable	$78,895	$79,620
DPO (3)	34.2	35.5
Working capital (4)	$216,785	$173,050
DWC (5)	94.0	77.1
Percentage of net sales	25.7 %	21.1 %

(1) Days sales outstanding (DSO) measures the number of days it takes to turn receivables into cash.
(2) Days inventory outstanding (DIO) measures the number of days it takes to turn inventory into cash.
(3) Days payable outstanding (DPO) measures the number of days it takes to pay the balances of our accounts payable.
(4) Working capital is defined as net accounts receivable excluding receivables on insurance claims related to the furnace malfunction plus net inventories less accounts payable. See below for further discussion as to the reasons we believe this non-GAAP financial measure is useful.
(5) Days working capital (DWC) measures the number of days it takes to turn our working capital into cash.
DSO, DIO, DPO and DWC are calculated using the last twelve months' net sales as the denominator and are based on a 365-day year.
We believe that working capital is important supplemental information for investors in evaluating liquidity in that it provides insight into the availability of net current resources to fund our ongoing operations. Working capital is a measure used by management in internal evaluations of cash availability and operational performance.
Working capital is used in conjunction with and in addition to results presented in accordance with U.S. GAAP. Working capital is neither intended to represent nor be an alternative to any measure of liquidity and operational performance recorded under U.S. GAAP. Working capital may not be comparable to similarly titled measures reported by other companies.

Working capital (as defined above) was $216.8 million at September 30, 2014, an increase of $43.7 million from December 31, 2013. Our working capital normally increases during the first nine months of the year due to the seasonality of our business. In particular, inventory normally increases to prepare for seasonally higher orders that typically exceed production levels in the later part of the year. Our increase is primarily due to additional inventories resulting from seasonality and increased accounts receivable related to increased sales in the month of September. The impact of currency (primarily driven by the euro and peso) decreased total working capital by $3.9 million at September 30, 2014. As a result of the factors above, working capital as a percentage of the last twelve-month net sales increased to 25.7 percent at September 30, 2014 from 21.1 percent at December 31, 2013, and was slightly higher compared to 25.0 percent for the period ended September 30, 2013.

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Borrowings

The following table presents our total borrowings:

(dollars in thousands)	Interest Rate	Maturity Date	September 30, 2014	December 31, 2013
Borrowings under ABL Facility	floating	April 9, 2019	$8,900	$—
Term Loan B	floating	April 9, 2021	438,900	—
Senior Secured Notes	6.875% [1]	May 15, 2020	—	405,000
Promissory Note	6.00%	October, 2014 to September, 2016	506	681
RMB Working Capital Loan	floating	September, 2014	—	5,157
RMB Working Capital Loan	6.78%	July, 2015	3,250	—
AICEP Loan	0.00%	January, 2016 to July 30, 2018	4,015	2,389
Total borrowings			455,571	413,227
Less — unamortized discount			1,022	—
Plus — carrying value adjustment on debt related to the Interest Rate Agreement [1]			—	(1,324)
Total borrowings — net [2]			$454,549	$411,903

(1) See "Derivatives" below and notes 4 and 9 to the Condensed Consolidated Financial Statements.

(2) The total borrowings — net includes long-term debt due within one year and long-term debt as stated in our Condensed Consolidated Balance Sheets.

We had total borrowings of $455.6 million and $413.2 million at September 30, 2014 and December 31, 2013, respectively. The $42.3 million increase in borrowings was primarily a result of the refinancing of our Senior Secured Notes on April 9, 2014.

Of our total borrowings, $447.8 million, or approximately 98.3 percent, was subject to variable interest rates at September 30, 2014. A change of one percentage point in such rates would result in a change in interest expense of approximately $4.5 million on an annual basis.

Included in interest expense is the amortization of discounts and financing fees. These items amounted to $0.4 million and $0.5 million for the three months ended September 30, 2014 and 2013, respectively, and $1.1 million and $1.4 million for the nine months ended September 30, 2014 and 2013, respectively.

Cash Flow

The following table presents key drivers to our free cash flow for the periods presented.

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	2014	2013	2014	2013
Net cash provided by operating activities	$19,073	$34,767	$17,057	$31,472
Capital expenditures	(16,693)	(10,381)	(38,528)	(30,152)
Proceeds from furnace malfunction insurance recovery	—	—	4,346	—
Proceeds from asset sales and other	3	73	7	81
Free Cash Flow [1]	$2,383	$24,459	$(17,118)	$1,401

(1) We define Free Cash Flow as net cash provided by operating activities less capital expenditures plus proceeds from furnace malfunction insurance recovery and proceeds from asset sales and other. The most directly comparable U.S. GAAP financial measure is net cash provided by operating activities.

We believe that Free Cash Flow is important supplemental information for investors in evaluating cash flow performance in that it provides insight into the cash flow available to fund such things as discretionary debt service, acquisitions and other strategic investment opportunities. It is a measure of performance we use to internally evaluate the overall performance of the business.

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Free Cash Flow is used in conjunction with and in addition to results presented in accordance with U.S. GAAP. Free Cash Flow is neither intended to represent nor be an alternative to the measure of net cash provided by operating activities recorded under U.S. GAAP. Free Cash Flow may not be comparable to similarly titled measures reported by other companies.

Discussion of Third Quarter 2014 vs. Third Quarter 2013 Cash Flow

Our net cash provided by operating activities was $19.1 million in the third quarter of 2014, compared to $34.8 million in the third quarter of 2013, a decrease of $15.7 million. Unfavorably impacting cash flow from operations was an unfavorable change in working capital of $15.4 million (accounts receivable, inventories, and accounts payable).

Our net cash used in investing activities was ($16.7) million and ($10.3) million in the third quarter of 2014 and 2013, respectively, primarily representing capital expenditures.

Net cash used in financing activities was ($0.5) million in the third quarter of 2014, compared to ($6.0) million in the year-ago quarter. Third quarter 2014 reflects a quarterly Term Loan B payment of $1.1 million and other net repayments of $2.0 million, offset by the net proceeds drawn on the ABL facility of $1.9 million and proceeds from stock option exercises of $0.8 million. The third quarter 2013 reflects net repayments on the ABL credit facility of $9.8 million offset by other net borrowings of $1.7 million and proceeds from stock option exercises of $2.1 million.

Our Free Cash Flow of $2.4 million during the third quarter of 2014 declined by $22.1 million compared to $24.5 million in the year-ago quarter. The primary contributors to this change were the unfavorable cash flow impacts in the current period of $15.7 million and $6.4 million from operating and investing activities, respectively, as discussed above.

Discussion of First Nine Months 2014 vs. First Nine Months 2013 Cash Flow

Our net cash provided by operating activities was $17.1 million and $31.5 million in the first nine months of 2014 and 2013, respectively, a decrease of $14.4 million. Unfavorably impacting cash flow from operations was an unfavorable change in working capital of $14.1 million (accounts receivable, inventories, and accounts payable), an unfavorable change in prepaids of $3.1 million, and payment on the terminated interest rate swap of $1.1 million and lower net income. Partially offsetting these were lower income tax payments of $4.2 million and the non-repeat of abandoned property payments of $4.5 million from 2013.

Our net cash used in investing activities was ($34.2) million and ($30.1) million in the first nine months of 2014 and 2013, respectively, primarily representing capital expenditures. 2014 capital expenditures are partially offset by receipt of proceeds from the furnace malfunction insurance recovery.

Net cash provided by (used in) financing activities was $0.2 million in the first nine months of 2014, compared to ($39.7) million in the year-ago period. The first nine months of 2014 reflects the impact of the Senior Secured Notes refinanced to the Term Loan B of ($10.4) million, the first quarterly Term Loan B payment of ($1.1) million, and other payments of ($0.1) million, offset by the net proceeds drawn on the ABL facility of $8.9 million and proceeds from stock option exercises of $2.9 million. The first nine months of 2013 reflects Senior Secured Note payments of ($45.0) million and call premium payments of ($1.4) million, offset by $1.6 million in other borrowings and proceeds from stock options exercised of $5.1 million.

Our Free Cash Flow was ($17.1) million during the first nine months of 2014, compared to $1.4 million in the first nine months of 2013, a decrease of $18.5 million. The primary contributors to this change were the unfavorable cash flow impact in the current period of $14.4 million and $4.1 million from operating and investing activities, respectively, as discussed above.

Derivatives

In 2012, we entered into an Interest Rate Agreement (Rate Agreement) with a notional amount of $45.0 million that was to mature in 2020. The Rate Agreement was executed in order to convert a portion of the fixed rate debt under the Senior Secured Notes into floating rate debt and maintain a capital structure containing fixed and floating rate debt. As of July 1, 2013, we de-designated 10 percent of the Rate Agreement representing $4.5 million in order to keep the designated notional amount of the Rate Agreement in alignment with 10 percent of our Senior Secured Notes. Upon the refinancing of the Senior Secured Notes, the Rate Agreement was called at fair value on May 9, 2014. We paid $1.1 million. The remaining balance of the carrying value adjustment on debt related to the Rate Agreement of $0.8 million was recognized as a loss in loss on redemption of debt on the Condensed Consolidated Statements of Operations. See notes 4 and 9 to the Condensed Consolidated Financial Statements for further discussion.

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The fair market value for the Rate Agreement at December 31, 2013, was a $2.1 million liability. The fair market value of the Rate Agreement was based on the market standard methodology of netting the discounted expected future fixed cash receipts and the discounted future variable cash payments. The variable cash payments were based on an expectation of future interest rates derived from observed market interest rate forward curves.

We also use commodity futures contracts related to forecasted future North American natural gas requirements. The objective of these futures contracts is to reduce the effects of fluctuations and price movements in the underlying commodity. We consider our forecasted natural gas requirements in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements up to eighteen months in the future. The fair values of these instruments are determined from market quotes. At September 30, 2014, we had commodity futures contracts for 3,650,000 million British Thermal Units (BTUs) of natural gas with a fair market value of a $0.5 million liability. We have hedged a portion of our forecasted transactions through June 2016. At December 31, 2013, we had commodity futures contracts for 1,520,000 million BTUs of natural gas with a fair market value of a $0.4 million asset. The counterparties for these derivatives were rated BBB+ or better as of September 30, 2014, by Standard & Poor’s.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

Currency

We are exposed to market risks due to changes in currency values, although the majority of our revenues and expenses are denominated in the U.S. dollar. The currency market risks include devaluations and other major currency fluctuations relative to the U.S. dollar, Canadian dollar, euro, RMB or Mexican peso that could reduce the cost competitiveness of our products compared to foreign competition.

Interest Rates

We are exposed to market risks associated with changes in interest rates on our debt. We had $447.8 million of debt subject to variable interest rates at September 30, 2014. A change of one percentage point in such rates would result in a change in interest expense of approximately $4.5 million on an annual basis.

Natural Gas

We are exposed to market risks associated with changes in the price of natural gas. We use commodity futures contracts related to forecasted future natural gas requirements of our manufacturing operations in North America. The objective of these futures contracts is to limit the fluctuations in prices paid and potential volatility in earnings or cash flows from price movements in the underlying natural gas commodity. We consider the forecasted natural gas requirements of our manufacturing operations in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements up to six quarters in the future. For our natural gas requirements that are not hedged, we are subject to changes in the price of natural gas, which affect our earnings. If the counterparties to these futures contracts were to fail to perform, we would no longer be protected from natural gas fluctuations by the futures contracts. However, we do not anticipate nonperformance by these counterparties. All counterparties were rated BBB+ or better by Standard and Poor’s as of September 30, 2014.

Retirement Plans

We are exposed to market risks associated with changes in the various capital markets. Changes in long-term interest rates affect the discount rate that is used to measure our benefit obligations and related expense. Changes in the equity and debt securities markets affect our pension plans' asset performance and related pension expense. Sensitivity to these key market risk factors is as follows:

- A change of 1.0 percent in the discount rate would change our total annual pension and nonpension postretirement expense by approximately $4.9 million.
- A change of 1.0 percent in the expected long-term rate of return on plan assets would change annual pension expense by approximately $3.8 million.

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Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the “Exchange Act”) reports are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II — OTHER INFORMATION

This document and supporting schedules contain statements that are not historical facts and constitute projections, forecasts or forward-looking statements. These forward-looking statements reflect only our best assessment at this time, and may be identified by the use of words or phrases such as “anticipate,” “target,” “believe,” “expect,” “intend,” “may,” “planned,” “potential,” “should,” “will,” “would” or similar phrases. Such forward-looking statements involve risks and uncertainty; actual results may differ materially from such statements, and undue reliance should not be placed on such statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Item 1A. Risk Factors

Our risk factors are set forth in Part I, Item 1A. "Risk Factors" in our 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer’s Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 to July 31, 2014	—	—	—	1,000,000
August 1 to August 31, 2014	—	—	—	1,000,000
September 1 to September 30, 2014	—	—	—	1,000,000
Total	—	—	—	1,000,000

(1) We announced on December 10, 2002, that our Board of Directors authorized the purchase of up to 2,500,000 shares of our common stock in the open market and negotiated purchases. There is no expiration date for this plan. In 2003, 1,500,000 shares of our common stock were purchased for $38.9 million. No additional shares have been purchased from 2003 through the nine months ended September 30, 2014.

Item 6. Exhibits

Exhibits: The exhibits listed in the accompanying “Exhibit Index” are filed as part of this report.

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EXHIBIT INDEX

S-K Item 601 No.	Document
3.1	Restated Certificate of Incorporation of Libbey Inc. (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
3.2	Amended and Restated By-Laws of Libbey Inc. (filed as Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference).
3.3	Certificate of Incorporation of Libbey Glass Inc. (filed as Exhibit 3.3 to Libbey Glass Inc.'s Form S-4 (Reg No. 333-139358) filed December 14, 2006, and incorporated herein by reference).
3.4	Amended and Restated By-Laws of Libbey Glass Inc. (filed as Exhibit 3.4 to Libbey Glass Inc.'s Form S-4 (Reg No. 333-139358) filed December 14, 2006, and incorporated herein by reference).
4.1	Amended and Restated Registration Rights Agreement, dated October 29, 2009, among Libbey Inc. and Merrill Lynch PCG, Inc. (filed as Exhibit 4.4 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.2	Amended and Restated Credit Agreement, dated February 8, 2010, among Libbey Glass Inc. and Libbey Europe B.V., as borrowers, Libbey Inc., as a loan guarantor, the other loan parties party thereto as guarantors, JPMorgan Chase Bank, N.A., as administrative agent with respect to the U.S. loans, J.P. Morgan Europe Limited, as administrative agent with respect to the Netherlands loans, Bank of America, N.A. and Barclays Capital, as Co-Syndication Agents, Wells Fargo Capital Finance, LLC, as Documentation Agent, and the other lenders and agents party thereto (filed as Exhibit 4.1 to Libbey Inc.'s Current Report on Form 8-K filed on February 12, 2010 and incorporated herein by reference).
4.3	Amendment No. 1 to Amended and Restated Credit Agreement dated as of January 14, 2011 among Libbey Glass Inc. and Libbey Europe B.V. as borrowers, the other loan parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders with respect to the U.S. loans, and J.P. Morgan Europe Limited, as Administrative Agent for the Lenders with respect to the Netherlands loans (filed as Exhibit 4.6 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference).
4.4	Amendment No. 2 to the Amended and Restated Credit Agreement dated as of April 29, 2011 (filed as Exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed on May 3, 2011 and incorporated herein by reference).
4.5	Amendment No. 3 to Amended and Restated Credit Agreement dated as of September 14, 2011 among Libbey Glass Inc. and Libbey Europe B.V., as borrowers, the other loan parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders with respect to the U.S. loans, and J.P. Morgan Europe Limited, as Administrative Agent for the Lenders with respect to the Netherlands loans (filed as Exhibit 4.8 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference).
4.6	Amendment No. 4 to Amended and Restated Credit Agreement dated as of May 18, 2012 among Libbey Glass Inc. and Libbey Europe B.V., as borrowers, the other loan parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders with respect to the U.S. loans, and J.P. Morgan Europe

	Limited, as Administrative Agent for the Lenders with respect to the Netherlands loans (filed as Exhibit 4.1 to Libbey Inc.'s Current Report on Form 8-K filed on May 18, 2012 and incorporated herein by reference).
4.7	Amendment No. 5 to Amended and Restated Credit Agreement dated as of April 9, 2014 among Libbey Glass Inc. and Libbey Europe B.V., as borrowers, the other loan parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders with respect to the U.S. loans, and J.P. Morgan Europe Limited, as Administrative Agent for the Lenders with respect to the Netherlands loans (filed as Exhibit 4.1 to Libbey Inc.'s Current Report on Form 8-K filed on April 9, 2014 and incorporated herein by reference).
4.8	Term Loan B Credit Facility, dated April 9, 2014, among Libbey Glass Inc., Libbey Inc., and the domestic subsidiaries of Libbey Glass Inc. (filed as Exhibit 4.2 to Libbey Inc.'s Current Report on Form 8-K filed on April 9, 2014 and incorporated herein by reference).
4.9	Intercreditor Agreement, dated April 9, 2014, among Libbey Glass Inc., Libbey Inc., and the domestic subsidiaries of Libbey Glass Inc. (filed as Exhibit 4.3 to Libbey Inc.'s Current Report on Form 8-K filed on April 9, 2014 and incorporated herein by reference).
10.1	Pension and Savings Plan Agreement dated as of June 17, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.4 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).

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S-K Item 601 No.	Document
10.2	Cross-Indemnity Agreement dated as of June 24, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.5 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
10.3	Libbey Inc. Guarantee dated as of October 10, 1995 in favor of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada Ltd. guaranteeing certain obligations of LG Acquisition Corp. and Libbey Canada Inc. under the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) in the event certain contingencies occur (filed as Exhibit 10.17 to Libbey Inc.'s Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
10.4	Susquehanna Pfaltzgraff Co. Guarantee dated as of October 10, 1995 in favor of LG Acquisition Corp. and Libbey Canada Inc. guaranteeing certain obligations of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada, Ltd. under the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) in the event certain contingencies occur (filed as Exhibit 10.18 to Libbey Inc.'s Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
10.5	First Amended and Restated Libbey Inc. Executive Savings Plan (filed as Exhibit 10.23 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
10.6	Form of Non-Qualified Stock Option Agreement between Libbey Inc. and certain key employees participating in The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.69 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
10.7	The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.67 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
10.8	Guaranty, dated May 31, 2006, executed by Libbey Inc. in favor of Fondo Stiva S.A. de C.V. (filed as exhibit 10.2 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated herein by reference).
10.9	Guaranty Agreement, dated June 16, 2006, executed by Libbey Inc. in favor of Vitro, S.A. de C.V. (filed as exhibit 10.3 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 and incorporated herein by reference).
10.10	Libbey Inc. Amended and Restated Deferred Compensation Plan for Outside Directors (incorporated by reference to Exhibit 10.61 to Libbey Glass Inc.'s Registration Statement on Form S-4; File No. 333-139358).
10.11	

	2009 Director Deferred Compensation Plan (filed as Exhibit 10.51 to Libbey Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.12	Executive Deferred Compensation Plan (filed as Exhibit 10.52 to Libbey Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.13	Form of Amended and Restated Indemnity Agreement dated as of December 31, 2008 between Libbey Inc. and the respective officers identified on Appendix 1 thereto (filed as exhibit 10.36 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.14	Form of Amended and Restated Indemnity Agreement dated as of December 31, 2008 between Libbey Inc. and the respective outside directors identified on Appendix 1 thereto (filed as exhibit 10.37 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.15	Amended and Restated Libbey Inc. Supplemental Retirement Benefit Plan effective December 31, 2008 (filed as exhibit 10.38 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.16	Amendment to the First Amended and Restated Libbey Inc. Executive Savings Plan effective December 31, 2008 (filed as exhibit 10.39 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.17	Amended and Restated 2006 Omnibus Incentive Plan of Libbey Inc. (filed as Exhibit 10.29 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and incorporated herein by reference).
10.18	Employment Agreement dated as of June 22, 2011 between Libbey Inc. and Stephanie A. Streeter (filed as Exhibit 10.30 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 and incorporated herein by reference).

S-K Item 601 No.	Document
10.19	Form of Employment Agreement dated as of October 31, 2011 (filed as Exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed on November 3, 2011 and incorporated herein by reference) (as to each of Kenneth A. Boerger, Daniel P. Ibele and Timothy T. Paige).
10.20	Form of Employment Agreement dated as of October 31, 2011 (filed as Exhibit 10.2 to Libbey Inc.'s Current Report on Form 8-K filed on November 3, 2011 and incorporated herein by reference) (as to Susan A. Kovach).
10.21	Form of Indemnity Agreement dated as of February 7, 2012 between Libbey Inc. and Stephanie A. Streeter (filed as Exhibit 10.25 to Libbey Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference).
10.22	Form of Change in Control Agreement dated as of August 1, 2012 (filed as Exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed on July 19, 2012 and incorporated herein by reference) (as to Sherry Buck and Anthony W. Gardner, Jr.).
10.23	Executive Severance Compensation Policy dated as of August 1, 2012 (filed as Exhibit 10.2 to Libbey Inc.'s Current Report on Form 8-K filed on July 19, 2012 and incorporated herein by reference).
10.24	CEO Retention Award Agreement dated as of December 16, 2013 (filed as Exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed on December 18, 2013 and incorporated herein by reference).
10.25	Agreement and General Release dated as of October 23, 2014 between Libbey Inc., Libbey Glass Inc. and Daniel P. Ibele.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).
32.1	Chief Executive Officer Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (filed herein).
32.2	Chief Financial Officer Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (filed herein).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	Libbey Inc.
Date: November 5, 2014	by: /s/ Sherry L. Buck Sherry L. Buck Vice President, Chief Financial Officer