

LIBBEY INC
Form 10-Q
July 30, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended June 30, 2010

OR

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 No

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 No

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

Accelerated Filer

Non-Accelerated Filer
(Do not check if a smaller reporting company)

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 No

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 16,186,983 shares at July 27, 2010.

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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 six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

The balance sheet at December 31, 2009 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, 2009.

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LIBBEY INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per-share amounts)
(unaudited)

	Three months ended June	
	30,	
	2010	2009
Net sales	\$ 203,036	\$ 195,826
Freight billed to customers	420	399
Total revenues	203,456	196,225
Cost of sales	155,425	161,942
Gross profit	48,031	34,283
Selling, general and administrative expenses	24,719	22,514
Special charges	156	278
Income from operations	23,156	11,491
Other income	1,656	2,758
Earnings before interest and income taxes	24,812	14,249
Interest expense	11,768	17,532
Income (loss) before income taxes	13,044	(3,283)
Provision for (benefit from) income taxes	3,477	(5,947)
Net income	\$ 9,567	\$ 2,664
Net income per share:		
Basic:	\$ 0.59	\$ 0.18
Diluted:	\$ 0.47	\$ 0.18
Dividends per share	\$	\$

See accompanying notes

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LIBBEY INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (dollars in thousands, except per-share amounts)
 (unaudited)

	Six months ended June 30,	
	2010	2009
Net sales	\$ 376,940	\$ 353,679
Freight billed to customers	854	744
Total revenues	377,794	354,423
Cost of sales	295,886	309,424
Gross profit	81,908	44,999
Selling, general and administrative expenses	47,543	44,888
Special charges	388	674
Income (loss) from operations	33,977	(563)
Gain on redemption of debt	56,792	
Other income	893	2,721
Earnings before interest and income taxes	91,662	2,158
Interest expense	21,388	34,711
Income (loss) before income taxes	70,274	(32,553)
Provision for (benefit from) income taxes	5,297	(7,324)
Net income (loss)	\$ 64,977	\$ (25,229)
Net income (loss) per share:		
Basic:	\$ 3.98	\$ (1.70)
Diluted:	\$ 3.21	\$ (1.70)
Dividends per share	\$	\$

See accompanying notes

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LIBBEY INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share amounts)

	June 30, 2010 (unaudited)	December 31, 2009
Assets:		
Cash and cash equivalents	\$ 46,173	\$ 55,089
Accounts receivable net	92,782	82,424
Inventories net	153,187	144,015
Prepaid and other current assets	12,538	11,783
Total current assets	304,680	293,311
Pension asset	9,822	9,454
Purchased intangible assets net	23,426	24,861
Goodwill	168,320	168,320
Other assets	20,871	8,854
Total other assets	222,439	211,489
Property, plant and equipment net	267,053	290,013
Total assets	\$ 794,172	\$ 794,813
Liabilities and Shareholders Deficit:		
Notes payable	\$ 770	\$ 672
Accounts payable	55,775	58,838
Salaries and wages	24,862	34,064
Accrued liabilities	53,679	35,699
Accrued special charges	725	1,016
Pension liability (current portion)	2,000	1,984
Non-pension postretirement benefits (current portion)	4,363	4,363
Derivative liability	4,836	3,346
Deferred income taxes	3,418	3,559
Long-term debt due within one year	9,873	9,843
Total current liabilities	160,301	153,384
Long-term debt	441,805	504,724
Pension liability	120,182	119,727
Non-pension postretirement benefits	65,428	64,780
Deferred income taxes	6,204	6,226
Other long-term liabilities	11,948	12,879

Total liabilities	805,868	861,720
Shareholders deficit:		
Common stock, par value \$.01 per share, 50,000,000 shares authorized, 18,697,930 shares issued at June 30, 2010 and 18,697,630 at December 31, 2009	187	187
Capital in excess of par value (includes warrants of \$15,560 based on 3,952,165 shares at June 30, 2010 and at December 31, 2009)	324,933	324,272
Treasury stock, at cost, 2,514,861 shares (2,599,769 shares in 2009)	(67,993)	(70,298)
Accumulated deficit	(141,631)	(205,344)
Accumulated other comprehensive loss	(127,192)	(115,724)
Total shareholders deficit	(11,696)	(66,907)
Total liabilities and shareholders deficit	\$ 794,172	\$ 794,813

See accompanying notes

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LIBBEY INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

(unaudited)

	Three months ended June	
	30,	
	2010	2009
Operating activities:		
Net income	\$ 9,567	\$ 2,664
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,568	10,518
Loss on asset disposals	185	23
Change in accounts receivable	(7,096)	(16,007)
Change in inventories	(3,896)	26,962
Change in accounts payable	5,078	2,156
Accrued interest and amortization of discounts, warrants and finance fees	10,585	(13,129)
Accrual of interest on PIK notes		11,916
Pension & non-pension postretirement benefits	(134)	194
Special charges	2,827	(2,301)
Accrued liabilities & prepaid expenses	6,955	10,104
Accrued income taxes	3,405	(6,674)
Other operating activities	68	(1,720)
Net cash provided by operating activities	38,112	24,706
Investing activities:		
Additions to property, plant and equipment	(7,231)	(4,610)
Proceeds from asset sales and other		21
Net cash used in investing activities	(7,231)	(4,589)
Financing activities:		
Net (repayments) borrowings on ABL credit facility		(10,803)
Other repayments	(632)	(2,006)
Debt issuance costs and other	(1,455)	
Net cash used in financing activities	(2,087)	(12,809)
Effect of exchange rate fluctuations on cash	(648)	311
Increase in cash	28,146	7,619
Cash at beginning of period	18,027	16,463
Cash at end of period	\$ 46,173	\$ 24,082

Supplemental disclosure of cash flows information:

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Cash paid during the period for interest	\$ 1,123	\$ 18,867
Cash (refunded) paid during the period for income taxes	\$ (232)	\$ 106

See accompanying notes

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LIBBEY INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (dollars in thousands)
 (unaudited)

	Six months ended June 30,	
	2010	2009
Operating activities:		
Net income (loss)	\$ 64,977	\$ (25,229)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	20,954	22,246
Loss on asset disposals	265	32
Change in accounts receivable	(13,612)	(15,597)
Change in inventories	(14,800)	38,246
Change in accounts payable	837	113
Accrued interest and amortization of discounts, warrants and finance fees	15,791	1,551
Accrual of interest on PIK notes		11,916
Gain on redemption of PIK notes	(70,193)	
Payment of interest on PIK notes	(29,400)	
Call premium on floating rate notes	8,415	
Write-off of bank fees & discounts on old ABL and floating rate notes	4,986	
Pension & non-pension postretirement benefits	2,871	3,165
Special charges	2,396	(751)
Accrued liabilities & prepaid expenses	(2,513)	12,784
Accrued income taxes	(239)	(8,637)
Other operating activities	1,212	(749)
Net cash (used in) provided by operating activities	(8,053)	39,090
Investing activities:		
Additions to property, plant and equipment	(11,379)	(9,550)
Call premium on floating rate notes	(8,415)	
Proceeds from asset sales and other		88
Net cash used in investing activities	(19,794)	(9,462)
Financing activities:		
Net (repayments) borrowings on ABL credit facility		(16,689)
Other repayments	(91)	(2,123)
Other borrowings	215	
Floating rate note payments	(306,000)	
PIK note payment	(51,031)	
Proceeds from senior secured notes	392,328	
Debt issuance costs and other	(15,488)	
Net cash provided by (used in) financing activities	19,933	(18,812)
Effect of exchange rate fluctuations on cash	(1,002)	(38)

(Decrease) increase in cash	(8,916)	10,778
Cash at beginning of period	55,089	13,304
Cash at end of period	\$ 46,173	\$ 24,082

Supplemental disclosure of cash flows information:

Cash paid during the period for interest	\$ 6,140	\$ 20,003
Cash paid during the period for income taxes	\$ 4,702	\$ 1,307

Supplemental disclosure of non-cash financing activities:

At December 31, 2009 our borrowings included a \$70.2 million liability representing carrying value in excess of the principal amount for our PIK notes (see notes 6 and 20 to our report on Form 10-K for 2009). During the first quarter of 2010, the PIK notes were redeemed, resulting in the recognition of a gain of \$70.2 million. The gain was offset by \$13.4 million of expenses related to the transaction, resulting in a net gain of \$56.8 million on the Condensed Consolidated Statement of Operations. See note 4 for further information on this transaction.

See accompanying notes

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LIBBEY INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share data
(unaudited)

1. Description of the Business

Libbey is the leading producer of glass tableware products in the Western Hemisphere, in addition to supplying key markets throughout the world. We produce glass tableware in five countries and sell to customers in over 100 countries. We have the largest manufacturing, distribution and service network among glass tableware manufacturers in the Western Hemisphere and are one of the largest glass tableware manufacturers in the world. We design and market an extensive line of high-quality glass tableware, ceramic dinnerware, metal flatware, hollowware and serveware, and plastic items to a broad group of customers in the foodservice, retail and business-to-business markets. We own and operate two glass tableware manufacturing plants in the United States as well as glass tableware manufacturing plants in the Netherlands, Portugal, China and Mexico. We also own and operate a plastics plant in Wisconsin. Prior to April 2009, we owned and operated a ceramic dinnerware plant in New York (see note 5 for information on closure costs). 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 Amex exchange under the ticker symbol LBY.

2. Significant Accounting Policies

See our Form 10-K for the year ended December 31, 2009 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.

Table of Contents***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* 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 and China, we have recorded a full valuation allowance against our deferred income tax assets. In addition, partial valuation allowances have been recorded in the Netherlands and Portugal.

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. Stock-based compensation expense charged to the Condensed Consolidated Statement of Operations for the three months and six months ended June 30, 2010 was \$1.4 million and \$1.8 million, respectively. Stock-based compensation expense charged to the Condensed Consolidated Statement of Operations for the three months and six months ended June 30, 2009 was \$0.3 million and \$1.1 million, respectively.

New Accounting Standards

On July 1, 2009 the FASB Accounting Standards Codification (FASB ASC) became the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Codification became effective for financial statements issued for interim and annual periods ending after September 15, 2009. Accordingly, in our discussion of New Accounting Standards in our third quarter 2009 filing on form 10-Q and in our annual filing on form 10-K, we incorporated references to the Codification Topics. For this report on Form 10-Q and in future filings, we will refer accounting standards as described in the FASB ASC.

In April 2009, the FASB issued guidance contained in FASB ASC 825, *Financial Instruments* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This guidance also requires those disclosures in summarized financial information at interim reporting periods effective for interim reporting periods ending after June 15, 2009. Adoption of this statement did not have a material impact on our Condensed Consolidated Financial Statements. See note 4 of the Condensed Consolidated Financial Statements for additional information.

In May 2009, the FASB issued guidance contained in FASB ASC 855, *Subsequent Events* to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance was effective for interim or annual financial periods ending after June 15, 2009. In February, 2010, the FASB issued Accounting Standards Update 2010-09 *Subsequent Events* which removed the requirement to disclose the date through which subsequent events had been considered for disclosure. This update was effective upon issuance. In accordance with this guidance, we have evaluated and, as necessary, made changes to these unaudited Condensed Consolidated Financial Statements for the events.

In August 2009, the FASB issued Accounting Standards Update 2009-5 *Fair Value Measurements and Disclosures (Topic 820) - Measuring Liabilities at Fair Value (ASU 2009-5)*. The objective of ASU 2009-5 is to provide clarification for the determination of fair value of liabilities in circumstances in which a quoted price in an active market for the identical liability is not available. The amendments in this update apply to all entities that measure liabilities at fair value within the scope of Topic 820. ASU 2009-5 was effective for the first reporting period (including interim periods) beginning after issuance, which for Libbey was the fourth quarter of 2009. The adoption of ASU 2009-5 did not have a material impact on our Condensed Consolidated Financial Statements.

In January 2010, the FASB issued Accounting Standards Update 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires new disclosures regarding the amounts transferring between the various Levels within the fair value hierarchy, and increased disclosures regarding the activities impacting the balance of items classified in Level 3 of the fair value hierarchy. In addition, ASU 2010-06 clarifies increases in

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existing disclosure requirements for classes of assets and liabilities carried at fair value, and regarding the inputs and valuation techniques used to arrive at the fair value measurements for items classified as Level 2 or Level 3 in the fair value hierarchy. The new disclosure requirements of ASU 2010-06 were effective for Libbey in the first quarter of 2010, except for certain disclosures regarding the activities within Level 3 fair value measurements, which are effective for Libbey in the first quarter of 2011. As this Standards Update only required additional disclosures, the adoption of ASU 2010-06 did not have a material impact on our Condensed Consolidated Financial Statements.

Reclassifications

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

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The following table provides detail of selected balance sheet items:

(dollars in thousands)	June 30, 2010	December 31, 2009
Accounts receivable:		
Trade receivables	\$ 91,338	\$ 81,032
Other receivables	1,444	1,392
Total accounts receivable, less allowances of \$6,790 and \$7,457	\$ 92,782	\$ 82,424
Inventories:		
Finished goods	\$ 136,213	\$ 126,858
Work in process	935	1,255
Raw materials	5,177	4,201
Repair parts	9,665	9,933
Operating supplies	1,197	1,768
Total inventories, less allowances of \$4,299 and \$4,528	\$ 153,187	\$ 144,015
Prepaid and other current assets:		
Value added tax	\$ 6,008	\$ 4,946
Prepaid expenses	4,166	6,362
Derivative asset	639	
Refundable and prepaid income taxes and other	1,725	475
Total prepaid and other current assets	\$ 12,538	\$ 11,783
Other assets:		
Deposits	\$ 573	\$ 583
Finance fees net of amortization	14,605	4,056
Long-term derivative asset	1,489	
Other assets	4,204	4,215
Total other assets	\$ 20,871	\$ 8,854
Accrued liabilities:		
Accrued incentives	\$ 18,858	\$ 13,790
Workers compensation	8,612	8,834
Medical liabilities	3,682	2,948
Interest	15,232	1,998
Commissions payable	890	1,134
Other accrued liabilities	6,405	6,995
Total accrued liabilities	\$ 53,679	\$ 35,699
Other long-term liabilities:		

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Derivative liability (long term portion)	\$	790	\$	2,061
Deferred liability		3,915		3,350
Other long-term liabilities		7,243		7,468
Total other long-term liabilities	\$	11,948	\$	12,879

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On February 8, 2010, 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 \$400.0 million in aggregate principal amount of 10.0 percent Senior Secured Notes of Libbey Glass due 2015;

the repurchase and cancellation of all of Libbey Glass's then outstanding \$306.0 million in aggregate principal amount of floating rate notes; and the redemption of all of Libbey Glass's then outstanding \$80.4 million in aggregate principal amount 16.0 percent PIK notes.

We used the proceeds of the offering of the Senior Secured Notes, together with cash on hand, to fund the repurchase of the floating rate notes, the redemption of the PIK notes and to pay certain related fees and expenses. Upon completion of the refinancing, we recorded a gain of \$70.2 million related to the redemption of the PIK notes. This gain was partially offset by \$13.4 million representing a write-off of bank fees, discounts and a call premium on the floating rate notes, resulting in a net gain of \$56.8 million as shown on the Condensed Consolidated Statement of Operations.

Borrowings consist of the following:

(dollars in thousands)	Interest Rate	Maturity Date	June 30, 2010	December 31, 2009
Borrowings under ABL facility	floating	April 8, 2014	\$	\$
Senior Secured Notes	10.00%(1)	February 15, 2015	400,000	
Floating rate notes				306,000
PIK notes (2)				80,431
Promissory note	6.00%	July, 2010 to September, 2016	1,401	1,492
Notes payable	floating	July, 2010	770	672
RMB loan contract	floating	July, 2012 to January, 2014	36,825	36,675
RMB working capital loan	floating	January, 2011	7,365	7,335
BES Euro line	floating	December, 2010 to December, 2013	12,086	14,190
Total borrowings			458,447	446,795
Less unamortized discount			7,072	1,749
Plus Carrying value adjustment on debt related to the Interest Rate Agreement (1)			1,073	
Plus Carrying value in excess of principal on PIK notes (2)				70,193
Total borrowings net			452,448	515,239
Less long term debt due within one year and notes payable			10,643	10,515
Total long-term portion of borrowings net			\$ 441,805	\$ 504,724

(1)

See Interest
Rate
Agreements
under Senior
Secured Notes
below and in
note 9.

- (2) On October 28, 2009, we exchanged approximately \$160.9 million of Old PIK Notes for approximately \$80.4 million of New PIK Notes and additional common stock and warrants to purchase common stock of Libbey Inc. Under U.S. GAAP, we were required to record the New PIK Notes at their carrying value of approximately \$150.6 million instead of their face value of \$80.4 million. During the first quarter of 2010, we redeemed the New PIK Notes in conjunction with the refinancing discussed above and recognized the \$70.2 million gain in gain on redemption of debt on the

Condensed
Consolidated
Statement of
Operations.

Amended and Restated ABL Credit Agreement

Pursuant to the refinancing, Libbey Glass and Libbey Europe entered into an Amended and Restated Credit Agreement, dated as of February 8, 2010 (ABL Facility), with a group of five financial institutions. The ABL Facility replaces the previous ABL Facility and provides for borrowings of up to \$110.0 million, subject to certain borrowing base limitations, reserves and outstanding letters of credit.

All borrowings under the ABL Facility are secured by:

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a first-priority security interest in substantially all of the existing and future real and personal property of Libbey Glass and its domestic subsidiaries (the Credit Agreement 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 present and future direct and indirect domestic subsidiaries;

100 percent of the non-voting stock of substantially all of Libbey Glass first-tier present and future foreign subsidiaries; and

65 percent of the voting stock of substantially all of Libbey Glass first-tier present and future foreign subsidiaries

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 (the New Notes 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.

Swing line borrowings are limited to \$15.0 million, with swing line borrowings for Libbey Europe being limited to the US 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 swing line borrowings (Eurocurrency Loans) bear interest calculated at the Netherlands swing line 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 2.5 percent and 3.5 percent, respectively, at June 30, 2010. 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 0.75 percent at June 30, 2010. No financial covenants or compensating balances are required by the Agreement. There were no Libbey Glass or Libbey Europe borrowings under the facility at June 30, 2010 or at December 31, 2009. Interest is payable on the last day of the interest period, which can range from one month to six months.

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 ERISA, rent and tax reserves totaling \$3.4 million and mark-to-market reserves for natural gas contracts of \$4.1 million. The ABL Facility also provides for the issuance of \$30.0 million of letters of credit, which are applied against the \$110.0 million limit. At June 30, 2010, we had \$18.2 million in letters of credit outstanding under the ABL Facility. Remaining unused availability on the new ABL Facility was \$55.9 million at June 30, 2010 compared to \$79.2 million under the old ABL Facility at December 31, 2009.

Senior Secured Notes

On February 8, 2010, Libbey Glass closed its offering of the \$400.0 million Senior Secured Notes. The net proceeds of the offering of Senior Secured Notes were approximately \$379.8 million, after the 1.918 percent original issue discount of \$7.7 million, \$10.0 million of commissions payable to the initial purchasers and \$2.5 million of fees related to the offering. These fees will be amortized to interest expense over the life of the notes.

The Senior Secured Notes were issued pursuant to an Indenture, dated February 8, 2010 (the "New Notes Indenture"), between Libbey Glass, the Company, the domestic subsidiaries of Libbey Glass listed as guarantors therein (the "Subsidiary Guarantors" and together with the Company, the "Guarantors"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "New Notes Trustee"), and collateral agent. Under the terms of the New Notes Indenture, the Senior Secured Notes bear interest at a rate of 10.0 percent per year and will mature on February 15, 2015. The New Notes Indenture contains covenants that restrict the ability of Libbey Glass and the Guarantors to, among other things:

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incur or guarantee additional indebtedness;

pay dividends, make certain investments or other restricted payments;

create liens;

enter into affiliate transactions;

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 New Notes Indenture provides for customary events of default. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Senior Secured Notes will become due and payable immediately without further action or notice. If any other event of default under the Indenture occurs or is continuing, the New Notes Trustee or holders of at least 25 percent in aggregate principal amount of the then outstanding Senior Secured Notes may declare all the Senior Secured Notes to be due and payable immediately.

The Senior Secured Notes and the related guarantees under the New Notes Indenture are secured by (i) first priority liens on the New Notes Priority Collateral and (ii) second priority liens on the Credit Agreement Priority Collateral. In connection with the sale of the Senior Secured Notes, Libbey Glass and the Guarantors entered into a registration rights agreement, dated February 8, 2010 (the "Registration Rights Agreement"), under which they agreed to make an offer to exchange the Senior Secured Notes and the related guarantees for registered, publicly tradable notes and guarantees that have substantially identical terms to the Senior Secured Notes and the related guarantees, and in certain limited circumstances, to file a shelf registration statement that would allow certain holders of Senior Secured Notes to resell their respective Senior Secured Notes to the public.

Prior to August 15, 2012, we may redeem in the aggregate up to 35 percent of the original principal amount Senior Secured Notes with the net cash proceeds of one or more equity offerings at a redemption price of 110 percent of the principal amount, provided that at least 65 percent of the original principal amount of the Senior Secured Notes must remain outstanding after each redemption and that each redemption occurs within 90 days of the closing of the equity offering. In addition, prior to August 15, 2012, but not more than once in any twelve-month period, we may redeem up to 10 percent of the Senior Secured Notes at a redemption price of 103 percent plus accrued and unpaid interest. The Senior Secured Notes are redeemable at our option, in whole or in part, at any time on or after August 15, 2012 at set redemption prices together with accrued and unpaid interest.

We have an Interest Rate Agreement (Rate Agreement) in place with respect to \$100.0 million of debt as a means to manage our fixed to variable interest rate ratio. The Rate Agreement effectively converts 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 Rate Agreement at June 30, 2010, excluding applicable fees, is 7.72 percent. This Rate Agreement expires on February 15, 2015. Total remaining Senior Secured Notes not covered by the Rate Agreement have a fixed interest rate of 10.0 percent per year through February 15, 2015. If the counterparty to this Rate Agreement were to fail to perform, this Rate Agreement would no longer afford us a variable rate. However, we do not anticipate non-performance by the counterparty. The interest rate swap counterparty was rated AA-, as of June 30, 2010, by Standard and Poor's. The fair market value for the Rate Agreement at June 30, 2010 was a \$1.5 million asset. An adjustment of \$1.1 million was recorded to increase the carrying value of the related long-term debt. The net impact of \$0.4 million income is recorded in other income on the Condensed Consolidated Statement of Operations. The fair value of the Rate Agreement is 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 are based on an expectation of future interest rates derived from observed market interest rate forward curves. We expect this agreement to expire as originally contracted.

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 June 30, 2010, we had \$1.4 million outstanding on the promissory note. Interest with respect to the promissory note is paid monthly.

Notes Payable

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We have an overdraft line of credit for a maximum of 1.1 million. The \$0.8 million outstanding at June 30, 2010, was the U.S. dollar equivalent under the euro-based overdraft line and the interest rate was 5.80 percent. Interest with respect to the note payable is paid monthly.

RMB Loan Contract

On January 23, 2006, Libbey Glassware (China) Co., Ltd. (Libbey China), an indirect wholly owned subsidiary of Libbey Inc., entered into an RMB Loan Contract (RMB Loan Contract) with China Construction Bank Corporation Langfang Economic Development Area Sub-Branch (CCB). Pursuant to the RMB Loan Contract, CCB agreed to lend to Libbey China RMB 250.0 million, or the equivalent of approximately \$36.8 million, for the construction of our production facility in China and the purchase of related equipment, materials and services. The loan has a term of eight years and bears interest at a variable rate as announced by the People's Bank of China. As of the date of the initial advance under the Loan Contract, the annual interest rate was 5.51 percent, and as of June 30, 2010, the annual interest rate was 5.35 percent. As of June 30, 2010, the outstanding balance was RMB 250.0 million (approximately \$36.8 million). Interest is payable quarterly. Payments of principal in the amount of RMB 30.0 million (approximately \$4.5 million) and RMB 40.0 million (approximately \$5.9 million) must be made on July 20, 2012, and December 20, 2012, respectively, and three payments of principal in the amount of RMB 60.0 million (approximately \$8.8 million) each must be made on July 20, 2013, December 20, 2013, and January 20, 2014, respectively. The obligations of Libbey China are secured by a guarantee executed by Libbey Inc. for the benefit of CCB and a mortgage lien on the Libbey China facility.

RMB Working Capital Loan

In March 2007, Libbey China entered into a RMB 50.0 million working capital loan with CCB. The 3-year term loan is secured by a Libbey Inc. guarantee and had an original principal payment at maturity on March 14, 2010. On February 25, 2010, the terms of the working capital loan were extended. Under the new terms, the loan matures in January, 2011 and is secured by a letter of credit. At June 30, 2010, the U.S. dollar equivalent on the line was \$7.4 million at a current interest rate of 5.31 percent. Interest is payable quarterly.

BES Euro Line

In January 2007, Crisal entered into a seven year, 11.0 million line of credit (approximately \$14.8 million) with Banco Espírito Santo, S.A. (BES). The \$12.1 million outstanding at June 30, 2010 was the U.S. dollar equivalent of the 9.9 million outstanding under the line at an interest rate of 3.77 percent. Payment of principal in the amount of 1.6 million (approximately \$2.0 million) is due in December 2010, payment of 2.2 million (approximately \$2.7 million) is due in December 2011, payment of 2.8 million (approximately \$3.4 million) is due in December 2012 and payment of 3.3 million (approximately \$4.0 million) is due in December 2013. Interest with respect to the line is paid every six months.

Fair Value of Borrowings

The fair value of our debt has been calculated based on quoted market prices for the same or similar issues. Our \$400.0 million senior secured notes due February 15, 2015 had an estimated fair value of \$414.0 million at June 30, 2010. The fair value of the remainder of our debt approximates carrying value at June 30, 2010.

Capital Resources and Liquidity

Historically, cash flows generated from operations and our borrowing capacity under our ABL Facility have enabled us to meet our cash requirements, including capital expenditures and working capital requirements. As of June 30, 2010 we had no amounts outstanding under our ABL Facility, although we had \$18.2 million of letters of credit issued under that facility. As a result, we had \$55.9 million of unused availability remaining under the ABL Facility at June 30, 2010. In addition, we had \$46.2 million of cash on hand at June 30, 2010.

On February 8, 2010, we used the proceeds of a debt offering of \$400.0 million of Senior Secured Notes due 2015, together with cash on hand, to redeem the \$80.4 million face amount of PIK notes that were outstanding at that date and to repurchase the \$306.0 million of floating rate notes due 2011. We also amended and restated our ABL Facility to, among other things, extend the maturity to 2014 and reduce the amount that we can borrow under that facility from \$150.0 million to \$110.0 million. In addition, effective February 25, 2010, we extended the maturity of our RMB 50.0 million working capital loan from March 2010 to January 2011.

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Based on our operating plans and current forecast expectations (including expectations that the global economy will not deteriorate further), we anticipate that our level of cash on hand, cash flows from operations and our borrowing capacity under our amended and restated ABL Facility will provide sufficient cash availability to meet our ongoing liquidity needs.

5. Special Charges

In December 2008, we announced that our Syracuse China manufacturing facility and our Mira Loma, California distribution center would be shut down in early to mid-2009 in order to reduce costs. The Syracuse China facility was closed on April 9, 2009 and the Mira Loma distribution center was closed on May 31, 2009. See Form 10-K for the year ended December 31, 2009 for further discussion.

We incurred additional charges of approximately \$0.2 million and \$0.5 million in the three months and six months ended June 30, 2010, respectively, related to these planned closures. Special charges of \$0.2 million and \$0.4 million were primarily related to employee termination and building site clean up costs in the three months and six months ended June 30, 2010, respectively. These amounts were included in special charges on the Condensed Consolidated Statement of Operations in the North American Other and North American Glass segments as detailed in the tables below.

Other income on the Condensed Consolidated Statement of Operations included a charge of \$0.1 million and \$0.2 million for the first six months of 2010 and 2009, respectively, for the change in fair value of ineffective natural gas hedges related to our Syracuse China operation. This amount was included in the North American Other segment. We incurred charges of approximately \$0.2 million and \$2.7 million related to these planned closures in the three months and six months ended June 30, 2009, respectively. This included a charge of \$1.1 million incurred in the first quarter of 2009 to write down certain raw materials and work in process inventory that could not be converted to finished product. An immaterial amount of this inventory was subsequently sold in the second quarter of 2009, resulting in a reversal of a portion of this write-down. These amounts were included in cost of sales on the Condensed Consolidated Statement of Operations in the North American Other segment.

Additional depreciation expense of \$0.7 million was recorded in the first quarter of 2009 to reflect the shorter remaining useful life of the assets. This amount was included in cost of sales on the Condensed Consolidated Statement of Operations in the North American Other segment.

Special charges of \$0.3 million and \$0.7 million recorded during the three months and six months ended June 30, 2009, respectively, included various legal, consulting and employee severance related costs. These amounts were included in special charges on the Condensed Consolidated Statement of Operations in the North American Other segment.

The following table summarizes the facility closure charges in the second quarter of 2010 and 2009:

(dollars in thousands)	Three months ended June 30, 2010			Three months ended June 30, 2009		
	North American Glass	North American Other	Total	North American Glass	North American Other	Total
Inventory write-down	\$	\$	\$	\$ 1	\$ (3)	\$ (2)
Included in cost of sales				1	(3)	(2)
Employee termination cost & other				(29)	307	278
Building site clean-up & fixed asset write-down		156	156			
Included in special charges		156	156	(29)	307	278
Ineffectiveness of natural gas hedge					43	43

Included in other (expense) income					43	43
Total pretax charge	\$	\$ 156	\$ 156	\$ (28)	\$ 261	\$ 233

The following table summarizes the facility closure charges in the first six months of 2010 and 2009:

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(dollars in thousands)	Six months ended June 30, 2010			Six months ended June 30, 2009		
	North American Glass	North American Other	Total	North American Glass	North American Other	Total
Inventory write-down	\$	\$	\$	\$ 1	\$ 1,115	\$ 1,116
Fixed asset depreciation					705	705
Included in cost of sales				1	1,820	1,821
Employee termination cost & other	29	76	105	(27)	658	631
Building site clean-up & fixed asset write-down		283	283		43	43
Included in special charges	29	359	388	(27)	701	674
Ineffectiveness of natural gas hedge		(130)	(130)		(186)	(186)
Included in other (expense) income		(130)	(130)		(186)	(186)
Total pretax charge	\$ 29	\$ 489	\$ 518	\$ (26)	\$ 2,707	\$ 2,681

The following reflects the balance sheet activity related to the facility closure charge for the period ended June 30, 2010:

(dollars in thousands)	Reserve Balances at December 31, 2009	Total Charge to Earnings	Cash Payments	Non-cash Utilization	Reserve Balances at June 30, 2010
Building site clean-up & fixed asset write-down	\$ 306	\$ 283	\$ (433)	\$	\$ 156
Employee termination cost & other	710	105	(246)		569
Ineffectiveness of natural gas hedges		130		(130)	
Total	\$ 1,016	\$ 518	\$ (679)	\$ (130)	\$ 725

The ending balance of \$0.7 million at June 30, 2010 was included in accrued special charges on the Condensed Consolidated Balance Sheet and we expect this to result in cash payments in the remainder of 2010. The carrying value of this balance approximates its fair value.

The following reflects the total cumulative expenses to date (incurred from the fourth quarter of 2008 through the Balance Sheet date) related to the facility closure activity:

(dollars in thousands)	North American Glass	North American Other	Total Charges To Date
Inventory write-down	\$ 192	\$ 10,553	\$ 10,745
Pension & postretirement welfare		4,448	4,448

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Fixed asset depreciation		966	966
Included in cost of sales	192	15,967	16,159
Employee termination cost & other	549	6,033	6,582
Building site clean-up & fixed asset write-down	177	9,805	9,982
Included in special charges	726	15,838	16,564
Ineffectiveness of natural gas hedge		745	745
Included in other income		745	745
Total pretax charge to date	\$ 918	\$ 32,550	\$ 33,468

We expect the total expenses for each of these activities to approximate the expenses incurred to date.

Table of Contents**Fixed Asset Write-down**

During the second quarter of 2010, we wrote down certain after-processing equipment within our International segment. The non-cash charge of \$2.7 million was included in cost of sales on the Consolidated Statements of Operations.

Summary of Total Special Charges

The following table summarizes the special charges mentioned above and their classifications in the Condensed Consolidated Statements of Operations:

(dollars in thousands)	Three months ended June		Six months ended June	
	2010	2009	2010	2009
Cost of sales	\$ 2,687	\$ (2)	\$ 2,687	\$ 1,821
Special charges	156	278	388	674
Other income		(43)	130	186
	\$ 2,843	\$ 233	\$ 3,205	\$ 2,681

6. Income Taxes

The Company's effective tax rate differs from the United States statutory tax rate primarily due to changes in the mix of earnings in countries with differing statutory tax rates, changes in accruals related to uncertain tax positions and changes in tax laws. At June 30, 2010 and December 31, 2009 we had \$1.4 million and \$1.0 million, respectively, of gross unrecognized tax benefits, exclusive of interest and penalties.

Further, our current and future provision for income taxes for 2010 is significantly impacted by valuation allowances. In the United States and China, we have recorded a full valuation allowance against our deferred income tax assets. In addition, partial valuation allowances have been recorded in the Netherlands and Portugal. During the first quarter of 2010, we released a valuation allowance of \$1.1 million in Mexico. In assessing the need for recording 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 and whether there was an unusual, infrequent, or extraordinary item to be considered. We intend to maintain these allowances until it is more likely than not that the deferred income tax assets will be realized.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care Education and Affordability Reconciliation Act (the Acts) were signed into law. The Acts contain provisions that eliminate the tax-free status of the Part D subsidy beginning in 2013. The affect of this change was a \$0.7 million reduction to our gross deferred income tax asset related to retiree medical benefits. However, since we have a valuation allowance against our U.S. deferred income tax asset, there was no impact to the Condensed Consolidated Balance Sheet or the Condensed Consolidated Statements of Operations.

7. Pension and Non-pension Postretirement Benefits

We have pension plans covering the majority of our employees. Benefits generally are based on compensation 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 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). The non-U.S. pension plans cover the employees of our wholly owned subsidiaries Royal Leerdam and Crisa. The Crisa plan is not funded.

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

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Three months ended June 30, (dollars in thousands)	U.S. Plans		Non-U.S. Plans		Total	
	2010	2009	2010	2009	2010	2009
Service cost	\$ 1,450	\$ 1,216	\$ 405	\$ 338	\$ 1,855	\$ 1,554
Interest cost	4,061	3,799	1,083	1,037	5,144	4,836
Expected return on plan assets	(4,186)	(4,275)	(518)	(633)	(4,704)	(4,908)
Amortization of unrecognized:						
Prior service cost (gain)	582	561	32	(23)	614	538
Loss	978	118	109	94	1,087	212
Settlement charge		200				200
Pension expense	\$ 2,885	\$ 1,619	\$ 1,111	\$ 813	\$ 3,996	\$ 2,432

Six months ended June 30, (dollars in thousands)	U.S. Plans		Non-U.S. Plans		Total	
	2010	2009	2010	2009	2010	2009
Service cost	\$ 2,900	\$ 2,490	\$ 801	\$ 676	\$ 3,701	\$ 3,166
Interest cost	8,122	7,896	2,245	2,074	10,367	9,970
Expected return on plan assets	(8,372)	(8,801)	(1,183)	(1,265)	(9,555)	(10,066)
Amortization of unrecognized:						
Prior service cost (gain)	1,164	1,121	62	(47)	1,226	1,074
Loss	1,956	435	210	188	2,166	623
Settlement charge		2,700				2,700
Pension expense	\$ 5,770	\$ 5,841	\$ 2,135	\$ 1,626	\$ 7,905	\$ 7,467

We incurred pension settlement charges of \$0.2 million and \$2.7 million during the three months and six months ended June 30, 2009, respectively. The pension settlement charges were triggered by excess lump sum distributions to retirees. Lump sum distributions to retirees during the first six months of 2010 have not been large enough to trigger settlement charges thus far during 2010.

We provide certain retiree health care and life insurance benefits covering our U.S and Canadian salaried and non-union hourly employees hired before January 1, 2004 and a majority of our union hourly employees. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. 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. 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 not funded.

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

Three months ended June 30, (dollars in thousands)	U.S. Plans		Non-U.S. Plans		Total	
	2010	2009	2010	2009	2010	2009
Service cost	\$ 389	\$ 341	\$ 1	\$ 1	\$ 390	\$ 342
Interest cost	918	955	31	26	949	981
Amortization of unrecognized:						
Prior service gain	(2)	(81)			(2)	(81)
Loss / (Gain)	236	177	(6)	(9)	230	168

Non-pension postretirement benefit expense	\$ 1,541	\$ 1,392	\$ 26	\$ 18	\$ 1,567	\$ 1,410
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Six months ended June 30, (dollars in thousands)	U.S. Plans		Non-U.S. Plans		Total	
	2010	2009	2010	2009	2010	2009
Service cost	\$ 778	\$ 666	\$ 1	\$ 1	\$ 779	\$ 667
Interest cost	1,836	1,892	62	55	1,898	1,947
Amortization of unrecognized:						
Prior service gain	(4)	(209)			(4)	(209)
Loss / (Gain)	472	382	(13)	(17)	459	365
Curtailement credit						
Non-pension postretirement benefit expense	\$ 3,082	\$ 2,731	\$ 50	\$ 39	\$ 3,132	\$ 2,770

In 2010, we expect to utilize approximately \$18.3 million to fund our pension plans and pay for non-pension postretirement benefits. Of that amount, \$5.0 million and \$8.5 million was utilized in the three months and six months ended June 30, 2010, respectively.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care Education and Affordability Reconciliation Act (the Acts) were signed into law. The Acts contain provisions which could impact our accounting for retiree medical benefits in future periods. However, the extent of that impact, if any, cannot be determined until additional interpretations of the Acts become available. Based on the analysis to date, the impact of provisions in the Acts which are reasonably determinable is not expected to have a material impact on our postretirement benefit plans. Accordingly, a re-measurement of our postretirement benefit obligation is not required at this time. We will continue to assess the provisions of the Acts and may consider plan amendments in future periods to better align these plans with the provisions of the Acts.

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

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

(dollars in thousands, except earnings per share)	Three Months Ended June 30,		Six months Ended June 30,	
	2010	2009	2010	2009
Numerators for earnings per share				
Net income (loss) that is available to common shareholders	\$ 9,567	\$ 2,664	\$ 64,977	\$ (25,229)
Denominator for basic earnings per share				
Weighted average shares outstanding	16,352,049	14,881,521	16,307,955	14,811,592
Effect of stock options and restricted stock units	535,143	269,147	430,018	
Effect of warrants	3,553,443		3,506,553	
Total effect of dilutive securities (1)	4,088,586	269,147	3,936,571	
Denominator for diluted earnings per share				
Adjusted weighted average shares and assumed conversions	20,440,635	15,150,668	20,244,526	14,811,592

Basic earnings (loss) per share:	\$	0.59	\$	0.18	\$	3.98	\$	(1.70)
Diluted earnings (loss) per share:	\$	0.47	\$	0.18	\$	3.21	\$	(1.70)

(1) *The effect of employee stock options, restricted stock units and the employee stock purchase plan (ESPP) (243,236 shares for the six months ended June 30, 2009), was anti-dilutive and thus not included in the earnings per share calculation. This amount would have been dilutive if not for the net loss.*

When applicable, diluted shares outstanding include the dilutive impact of warrants and restricted stock units. Diluted shares also include the impact of in-the-money 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.

Table of Contents**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 certain natural gas contracts originally designated to expected purchases at Syracuse China and the foreign currency contracts, 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.

Fair Values

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

(dollars in thousands)	Asset Derivatives:			
	June 30, 2010		December 31, 2009	
Derivatives designated as hedging instruments under FASB ASC 815:	Balance Sheet Location:	Fair Value	Balance Sheet Location:	Fair Value
Interest rate contract	Other assets	\$ 1,489		\$
Total designated		1,489		
Derivatives not designated as hedging instruments under FASB ASC 815:				
Currency contracts	Prepaid and other current assets	639		
Total undesignated		639		
Total		\$ 2,128		\$

(dollars in thousands)	Liability Derivatives:			
	June 30, 2010		December 31, 2009	
Derivatives designated as hedging instruments under FASB ASC 815:	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Natural gas contracts	Derivative liability	\$ 4,706	Derivative liability	\$ 3,129
Natural gas contracts	Other long-term liabilities	756	Other long-term liabilities	1,982
Total designated		5,462		5,111

Derivatives not

**designated as
hedging instruments
under FASB ASC 815:**

Natural gas contracts	Derivative liability	130	Derivative liability	217
Natural gas contracts	Other long-term liabilities	34	Other long-term liabilities	79
Total undesignated		164		296
Total		\$ 5,626		\$ 5,407

Interest Rate Swaps as Fair Value Hedges

In the first quarter of 2010, we entered into an interest rate swap agreement with a notional amount of \$100.0 million that is to mature in 2015. The swap was executed in order to convert a portion of the Senior Secured Note fixed rate debt into floating rate debt and maintain a capital structure containing appropriate amounts of fixed and floating rate debt.

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Our fixed-to-floating interest rate swap is designated and qualifies 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), as well as the offsetting change in the fair value of the hedged long-term debt attributable to the hedged risk are recognized in current earnings. We include the gain or loss on the hedged long-term debt in other income along with the offsetting loss or gain on the related interest rate swap.

(dollars in thousands)	Amount of gain (loss) recognized in other income			
	Three months ended June		Six months ended June	
	30,	30,	30,	30,
	2010	2009	2010	2009
Interest rate swap	\$ 2,374	\$	\$ 1,489	\$
Related long-term debt	(1,795)		(1,073)	
Net impact on other expense	\$ 579	\$	\$ 416	\$

Commodity Future Contracts and Interest Rate Swaps 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 and other derivatives 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. Certain of our natural gas futures contracts are now classified as ineffective, as the forecasted transactions are not probable of occurring due to the closure of our Syracuse China facility in April 2009. As of June 30, 2010, we had commodity contracts for 2,770,000 million British Thermal Units (BTUs) of natural gas. At December 31, 2009, we had commodity contracts for 3,610,000 million BTUs of natural gas.

Most of our natural gas derivatives qualify and are designated as cash flow hedges (except certain contracts originally designated to expected purchases at Syracuse China) at June 30, 2010. 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. 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 income to current expense in cost of sales in our Condensed Consolidated Statement of Operations. We paid cash of \$2.5 million and \$7.9 million in the three months ended June 30, 2010 and 2009, respectively, and \$7.0 million and \$14.4 million in the six months ended June 30, 2010 and 2009, respectively, 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 \$4.8 million of expense in our Condensed Consolidated Statement of Operations.

We also used Interest Rate Protection Agreements to manage our exposure to variable interest rates. These Interest Rate Protection Agreements effectively converted a portion of our borrowings from variable rate debt to fixed-rate debt, thus reducing the impact of interest rate changes on future results. These instruments were valued using the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts were based on an expectation of future interest rates derived from observed market interest rate forward curves. These agreements expired in December 2009.

As fixed interest payments were made pursuant to the interest rate protection agreements, they were classified together with the related receipt of variable interest, the payment of contractual interest expense to the banks and the reclassification of accumulated gains (losses) from accumulated other comprehensive income related to the interest

rate agreements.

Table of Contents**Amount of derivative gain/(loss) recognized in OCI (effective portion)**

(dollars in thousands)	Three months ended June		Six months ended June	
	2010	30, 2009	2010	30, 2009
Derivatives in Cash Flow Hedging relationships:				
Interest rate contracts	\$	\$ 1,433	\$	\$ 2,929
Natural gas contracts	271	(3,281)	(6,252)	(7,025)
Total	\$ 271	\$ (1,848)	\$ (6,252)	\$ (4,096)

Gain / (loss) reclassified from Accumulated Other Comprehensive Income (Loss) to income (effective portion)

(dollars in thousands)	Derivative:	Location:	Three months ended June		Six months ended June	
			2010	30, 2009	2010	30, 2009
	Natural gas contracts	Cost of sales	\$ (2,496)	\$ (7,910)	\$ (6,453)	\$ (14,361)
	Total impact on net income (loss)		\$ (2,496)	\$ (7,910)	\$ (6,453)	\$ (14,361)

The following table provides the impact on the Condensed Consolidated Statement of Operations from derivatives no longer designated as cash flow hedges, primarily related to the closure of our Syracuse China facility:

**Gain (loss) recognized in income
(ineffective portion and amount excluded from effectiveness testing)**

(dollars in thousands)	Derivative:	Location:	Three months ended		Six months ended June	
			2010	June 30, 2009	2010	30, 2009
	Natural gas contracts	Other income	\$ 29	\$ 290	\$ (101)	\$ (109)
	Total		\$ 29	\$ 290	\$ (101)	\$ (109)

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. 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. In April, 2010, we entered into a series of foreign currency contracts to sell Canadian dollars. As of June 30, 2010, we had contracts for \$12.0 million Canadian dollars.

Gains and losses for derivatives which were not designated as hedging instruments are recorded in current earnings as follows:

(dollars in thousands)	Derivative:	Location:	Three months ended		Six months ended June	
			2010	June 30, 2009	2010	30, 2009
	Currency contracts	Other income	\$ 639	\$	\$ 639	\$

Total \$ 639 \$ \$ 639 \$

We do not believe we are exposed to more than a nominal amount of credit risk in our interest rate and natural gas hedges, as the counterparties are established financial institutions. The counterparty is rated AA- for the Interest Rate Agreement and BBB+ or better for the counterparties to the other derivative agreements as of June 30, 2010, by Standard and Poor's.

10. Comprehensive Income (Loss)

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Components of comprehensive income (loss) (net of tax) are as follows:

(dollars in thousands)	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 9,567	\$ 2,664	\$ 64,977	\$ (25,229)
Change in pension and nonpension postretirement liability (1)	2,332	5,436	3,910	4,481
Change in fair value of derivatives (2)	2,442	4,431	284	2,642
Exchange rate fluctuations	(9,148)	3,900	(15,662)	(170)
Total comprehensive income (loss)	\$ 5,193	\$ 16,431	\$ 53,509	\$ (18,276)
(1) Net of the following tax amounts for the respective periods	\$ (77)	\$ (3,741)	\$ 25	\$ (6,316)
(2) Net of the following tax amounts for the respective periods	\$ (491)	\$ (1,633)	\$ (83)	\$ (2,271)

Accumulated other comprehensive loss (net of tax) is as follows:

(dollars in thousands)	June 30,	December
	2010	31, 2009
Minimum pension liability and intangible pension asset	\$ (112,976)	\$ (116,886)
Derivatives	(3,886)	(4,170)
Exchange rate fluctuations	(10,330)	5,332
Balance at end of period	\$ (127,192)	\$ (115,724)

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11. Condensed Consolidated Guarantor Financial Statements

Libbey Glass is a direct, 100 percent owned subsidiary of Libbey Inc. and the issuer of the Senior Secured Notes. The obligations of Libbey Glass under the Senior Secured Notes are fully and unconditionally and jointly and severally guaranteed by Libbey Inc. and by certain indirect, 100 percent owned domestic subsidiaries of Libbey Inc., as described below. All are related parties that are included in the Condensed Consolidated Financial Statements for the three month and six month periods ended June 30, 2010 and June 30, 2009.

At June 30, 2010, December 31, 2009 and June 30, 2009, Libbey Inc.'s indirect, 100 percent owned domestic subsidiaries were Syracuse China Company, World Tableware Inc., LGA4 Corp., LGA3 Corp., The Drummond Glass Company, LGC Corp., Traex Company, Libbey.com LLC, LGFS Inc., LGAC LLC and Crisa Industrial LLC (collectively, the **Subsidiary Guarantors**). The following tables contain Condensed Consolidating Financial Statements of (a) the parent, Libbey Inc., (b) the issuer, Libbey Glass, (c) the **Subsidiary Guarantors**, (d) the indirect subsidiaries of Libbey Inc. that are not **Subsidiary Guarantors** (collectively, **Non-Guarantor Subsidiaries**), (e) the consolidating elimination entries, and (f) the consolidated totals.

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Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

	Three months ended June 30, 2010					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 103,534	\$ 23,158	\$ 91,728	\$ (15,384)	\$ 203,036
Freight billed to customers		159	215	46		420
Total revenues		103,693	23,373	91,774	(15,384)	203,456
Cost of sales		78,792	16,235	75,782	(15,384)	155,425
Gross profit		24,901	7,138	15,992		48,031
Selling, general and administrative expenses		13,845	2,422	8,452		24,719
Special charges			156			156
Income (loss) from operations		11,056	4,560	7,540		23,156
Other income (expense)		399	6	1,251		1,656
Earnings (loss) before interest and income taxes		11,455	4,566	8,791		24,812
Interest expense		10,656	(6)	1,118		11,768
Earnings (loss) before income taxes		799	4,572	7,673		13,044
Provision (benefit) for income taxes		(763)	(86)	4,326		3,477
Net income (loss)		1,562	4,658	3,347		9,567
Equity in net income (loss) of subsidiaries	9,567	8,005			(17,572)	
Net income (loss)	\$ 9,567	\$ 9,567	\$ 4,658	\$ 3,347	\$ (17,572)	\$ 9,567

The following represents the total special items included in the above Condensed Consolidated Statement of Operations (see note 5):

	Three months ended June 30, 2010					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated

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Cost of sales	\$	\$	\$	\$ 2,687	\$	\$ 2,687
Special charges			156			156
Total pretax special items	\$	\$	\$ 156	\$ 2,687	\$	\$ 2,843
Special items net of tax	\$	\$	\$ 156	\$ 2,687	\$	\$ 2,843

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Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

	Three months ended June 30, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$ 102,180	\$ 24,341	\$ 77,707	\$ (8,402)	\$ 195,826
Freight billed to customers		141	222	36		399
Total revenues		102,321	24,563	77,743	(8,402)	196,225
Cost of sales		77,641	18,823	73,880	(8,402)	161,942
Gross profit		24,680	5,740	3,863		34,283
Selling, general and administrative expenses		12,353	2,158	8,003		22,514
Special charges		(29)	307			278
Income (loss) from operations		12,356	3,275	(4,140)		11,491
Other income (expense)		2,248	129	381		2,758
Earnings (loss) before interest and income taxes		14,604	3,404	(3,759)		14,249
Interest expense		16,017		1,515		17,532
Earnings (loss) before income taxes		(1,413)	3,404	(5,274)		(3,283)
Provision (benefit) for income taxes		(4,623)	(82)	(1,242)		(5,947)
Net income (loss)		3,210	3,486	(4,032)		2,664
Equity in net income (loss) of subsidiaries	2,664	(546)			(2,118)	
Net income (loss)	\$ 2,664	\$ 2,664	\$ 3,486	\$ (4,032)	\$ (2,118)	\$ 2,664

The following represents the total special items included in the above Condensed Consolidated Statement of Operations (see note 5):

	Three months ended June 30, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated

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Cost of sales	\$	\$ 1	\$ (3)	\$	\$	\$ (2)
Special charges		(29)	307			278
Other income (expense)			43			43
Total pretax special items	\$	\$ (28)	\$ 261	\$	\$	\$ 233
Special items net of tax	\$	\$ (28)	\$ 261	\$	\$	\$ 233

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Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)

	Six months ended June 30, 2010					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$189,697	\$42,720	\$172,795	\$(28,272)	\$376,940
Freight billed to customers		325	429	100		854
Total revenues		190,022	43,149	172,895	(28,272)	377,794
Cost of sales		150,348	30,342	143,468	(28,272)	295,886
Gross profit		39,674	12,807	29,427		81,908
Selling, general and administrative expenses		26,251	4,588	16,704		47,543
Special charges		29	359			388
Income (loss) from operations		13,394	7,860	12,723		33,977
Other income (expense)		56,391	(142)	1,436		57,685
Earnings (loss) before interest and income taxes		69,785	7,718	14,159		91,662
Interest expense		19,134	(6)	2,260		21,388
Earnings (loss) before income taxes		50,651	7,724	11,899		70,274
Provision (benefit) for income taxes		(743)	58	5,982		5,297
Net income (loss)		51,394	7,666	5,917		64,977
Equity in net income (loss) of subsidiaries	64,977	13,583			(78,560)	
Net income (loss)	\$64,977	\$ 64,977	\$ 7,666	\$ 5,917	\$(78,560)	\$ 64,977

The following represents the total special items included in the above Condensed Consolidated Statement of Operations (see notes 4 and 5):

	Six months ended June 30, 2010					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cost of sales	\$	\$	\$	\$2,687	\$	\$ 2,687
Special charges		29	359			388

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Other expense (income)		(56,792)	130			(56,662)
Total pretax special items	\$	\$(56,763)	\$ 489	\$2,687	\$	\$(53,587)
Special items net of tax	\$	\$(56,763)	\$ 489	\$2,687	\$	\$(53,587)

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(unaudited) Libbey Inc.
Condensed Consolidating Statement of Operations
(dollars in thousands)
(unaudited)

	Six months ended June 30, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$	\$184,946	\$45,718	\$140,816	\$(17,801)	\$353,679
Freight billed to customers		252	427	65		744
Total revenues		185,198	46,145	140,881	(17,801)	354,423
Cost of sales		154,564	38,719	133,942	(17,801)	309,424
Gross profit		30,634	7,426	6,939		44,999
Selling, general and administrative expenses		24,853	4,334	15,701		44,888
Special charges		(27)	701			674
Income (loss) from operations		5,808	2,391	(8,762)		(563)
Other income (expense)		2,194	(133)	660		2,721
Earnings (loss) before interest and income taxes		8,002	2,258	(8,102)		2,158
Interest expense		31,905		2,806		34,711
Earnings (loss) before income taxes		(23,903)	2,258	(10,908)		(32,553)
Provision (benefit) for income taxes		(5,710)	254	(1,868)		(7,324)
Net income (loss)		(18,193)	2,004	(9,040)		(25,229)
Equity in net income (loss) of subsidiaries	(25,229)	(7,036)			32,265	
Net income (loss)	\$(25,229)	\$ (25,229)	\$ 2,004	\$ (9,040)	\$ 32,265	\$ (25,229)

The following represents the total special items included in the above Condensed Consolidated Statement of Operations (see note 5):

	Six months ended June 30, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated

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Cost of sales	\$	\$	1	\$ 1,820	\$	\$	\$ 1,821
Special charges			(27)	701			674
Other expense (income)				186			186
Total pretax special items	\$	\$	(26)	\$ 2,707	\$	\$	\$ 2,681
Special items net of tax	\$	\$	(26)	\$ 2,707	\$	\$	\$ 2,681

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Libbey Inc.
Condensed Consolidating Balance Sheet
(dollars in thousands)

	June 30, 2010 (unaudited)					Consolidated
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	
Cash and equivalents	\$	\$ 33,137	\$ 246	\$ 12,790	\$	\$ 46,173
Accounts receivable net		37,770	5,941	49,071		92,782
Inventories net		58,366	17,050	77,771		153,187
Other current assets		(5,284)	14,717	15,513	(12,408)	12,538
Total current assets		123,989	37,954	155,145	(12,408)	304,680
Other non-current assets		5,545	2,779	41,133	(18,764)	30,693
Investments in and advances to subsidiaries	(11,696)	387,070	271,640	(4,096)	(642,918)	
Goodwill and purchased intangible assets net		26,833	15,766	149,147		191,746
Total other assets	(11,696)	419,448	290,185	186,184	(661,682)	222,439
Property, plant and equipment net		74,817	5,621	186,615		267,053
Total assets	\$(11,696)	\$618,254	\$333,760	\$527,944	\$(674,090)	\$794,172
Accounts payable	\$	\$ 11,570	\$ 3,301	\$ 40,904	\$	\$ 55,775
Accrued and other current liabilities		47,259	29,332	29,700	(12,408)	93,883
Notes payable and long-term debt due within one year		215		10,428		10,643
Total current liabilities		59,044	32,633	81,032	(12,408)	160,301
Long-term debt		395,188		46,617		441,805
Other long-term liabilities		137,143	21,785	63,968	(19,134)	203,762
Total liabilities		591,375	54,418	191,617	(31,542)	805,868
Total shareholders equity (deficit)	(11,696)	26,879	279,342	336,327	(642,548)	(11,696)
	\$(11,696)	\$618,254	\$333,760	\$527,944	\$(674,090)	\$794,172

Total liabilities and
shareholders' equity
(deficit)

	December 31, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash and equivalents	\$	\$ 37,386	\$ 419	\$ 17,284	\$	\$ 55,089
Accounts receivable net		36,173	5,125	41,126		82,424
Inventories - net		48,493	18,024	77,498		144,015
Other current assets		13,840	946	12,382	(15,385)	11,783
Total current assets		135,892	24,514	148,290	(15,385)	293,311
Other non-current assets		(4,912)	3,535	38,819	(19,134)	18,308
Investments in and advances to subsidiaries	(66,907)	403,403	276,755	140,289	(753,540)	
Goodwill and purchased intangible assets - net		26,833	15,771	150,577		193,181
Total other assets	(66,907)	425,324	296,061	329,685	(772,674)	211,489
Property, plant and equipment - net		79,773	5,990	204,250		290,013
Total assets	\$(66,907)	\$640,989	\$326,565	\$682,225	\$(788,059)	\$794,813
Accounts payable	\$	\$ 13,503	\$ 3,289	\$ 42,046	\$	\$ 58,838
Accrued and other current liabilities		48,440	9,375	35,064	(8,848)	84,031
Notes payable and long-term debt due within one year		215		10,300		10,515
Total current liabilities		62,158	12,664	87,410	(8,848)	153,384
Long-term debt		456,152		48,572		504,724
Other long-term liabilities		151,754	15,618	61,911	(25,671)	203,612
Total liabilities		670,064	28,282	197,893	(34,519)	861,720
Total shareholders equity (deficit)	(66,907)	(29,075)	298,283	484,332	(753,540)	(66,907)
Total liabilities and shareholders' equity	\$(66,907)	\$640,989	\$326,565	\$682,225	\$(788,059)	\$794,813

(deficit)

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Libbey Inc.
Condensed Consolidating Statement of Cash Flows
(dollars in thousands)
(unaudited)

	Three months ended June 30, 2010					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 9,567	\$ 9,567	\$ 4,658	\$ 3,347	\$ (17,572)	\$ 9,567
Depreciation and amortization		3,862	192	6,514		10,568
Other operating activities	(9,567)	11,514	(4,860)	3,318	17,572	17,977
Net cash provided by (used in) operating activities		24,943	(10)	13,179		38,112
Additions to property, plant & equipment		(1,945)	(14)	(5,272)		(7,231)
Other investing activities						
Net cash (used in) investing activities		(1,945)	(14)	(5,272)		(7,231)
Net borrowings		(46)		(586)		(632)
Other financing activities		(1,455)				(1,455)
Net cash provided by (used in) financing activities		(1,501)		(586)		(2,087)
Exchange effect on cash				(648)		(648)
Increase (decrease) in cash		21,497	(24)	6,673		28,146
Cash at beginning of period		11,640	270	6,117		18,027
Cash at end of period	\$	\$ 33,137	\$ 246	\$ 12,790	\$	\$ 46,173

	Three months ended June 30, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated

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Net income (loss)	\$ 2,664	\$ 2,664	\$ 3,486	\$ (4,032)	\$ (2,118)	\$ 2,664
Depreciation and amortization		3,848	243	6,427		10,518
Other operating activities	(2,664)	(1,880)	(3,707)	17,657	2,118	11,524
Net cash provided by (used in) operating activities		4,632	22	20,052		24,706
Additions to property, plant & equipment		(1,997)	(54)	(2,559)		(4,610)
Other investing activities		21				21
Net cash (used in) investing activities		(1,976)	(54)	(2,559)		(4,589)
Net borrowings		(79)		(12,730)		(12,809)
Other financing activities						
Net cash provided by (used in) financing activities		(79)		(12,730)		(12,809)
Exchange effect on cash				311		311
Increase (decrease) in cash		2,577	(32)	5,074		7,619
Cash at beginning of period		9,207	293	6,963		16,463
Cash at end of period	\$	\$ 11,784	\$ 261	\$ 12,037	\$	\$ 24,082

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Libbey Inc.
Condensed Consolidating Statement of Cash Flows
(dollars in thousands)
(unaudited)

	Six months ended June 30, 2010						
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated	
Net income (loss)	\$ 64,977	\$ 64,977	\$ 7,666	\$ 5,917	\$ (78,560)	\$ 64,977	
Depreciation and amortization		7,711	386	12,857		20,954	
Other operating activities	(64,977)	(85,196)	(8,211)	(14,160)	78,560	(93,984)	
Net cash provided by (used in) operating activities		(12,508)	(159)	4,614		(8,053)	
Additions to property, plant & equipment		(3,044)	(14)	(8,321)		(11,379)	
Other investing activities		(8,415)				(8,415)	
Net cash (used in) investing activities		(11,459)	(14)	(8,321)		(19,794)	
Net borrowings		35,206		215		35,421	
Other financing activities		(15,488)				(15,488)	
Net cash provided by (used in) financing activities		19,718		215		19,933	
Exchange effect on cash				(1,002)		(1,002)	
Increase (decrease) in cash		(4,249)	(173)	(4,494)		(8,916)	
Cash at beginning of period		37,386	419	17,284		55,089	
Cash at end of period	\$	\$ 33,137	\$ 246	\$ 12,790	\$	\$ 46,173	
		Six months ended June 30, 2009					
	Libbey Inc. (Parent)	Libbey Glass (Issuer)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated	

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Net income (loss)	\$ (25,229)	\$ (25,229)	\$ 2,004	\$ (9,040)	\$ 32,265	\$ (25,229)
Depreciation and amortization		7,776	1,586	12,884		22,246
Other operating activities	25,229	26,139	(3,528)	26,498	(32,265)	42,073
Net cash provided by (used in) operating activities		8,686	62	30,342		39,090
Additions to property, plant & equipment		(3,361)	(214)	(5,975)		(9,550)
Other investing activities		88				88
Net cash (used in) investing activities		(3,273)	(214)	(5,975)		(9,462)
Net borrowings		(82)		(18,730)		(18,812)
Other financing activities						
Net cash provided by (used in) financing activities		(82)		(18,730)		(18,812)
Exchange effect on cash				(38)		(38)
Increase (decrease) in cash		5,331	(152)	5,599		10,778
Cash at beginning of period		6,453	413	6,438		13,304
Cash at end of period	\$	\$ 11,784	\$ 261	\$ 12,037	\$	\$ 24,082

Table of Contents**12. Segments**

Our segments are described as follows:

North American Glass includes sales of glass tableware from subsidiaries throughout the United States, Canada and Mexico.

North American Other includes sales of ceramic dinnerware; metal tableware, hollowware and serveware; and plastic items from subsidiaries in the United States.

International includes worldwide sales of glass tableware from subsidiaries outside the United States, Canada and Mexico.

Some operating segments were aggregated to arrive at the disclosed reportable segments. The accounting policies of the segments are the same as those described in Note 2 of the Notes to Condensed Consolidated Financial Statements. No customer represents more than 10 percent of total net sales. We evaluate the performance of our segments based upon net sales and Earnings Before Interest and Taxes (EBIT). Intersegment sales are consummated at arm's length and are reflected in eliminations in the table below.

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net Sales:				
North American Glass	\$ 146,415	\$ 137,744	\$ 266,982	\$ 246,487
North American Other	23,158	24,341	42,720	45,718
International	36,870	34,533	73,136	63,384
Eliminations	(3,407)	(792)	(5,898)	(1,910)
Consolidated	\$ 203,036	\$ 195,826	\$ 376,940	\$ 353,679
EBIT:				
North American Glass	\$ 24,451	\$ 11,758	\$ 89,241	\$ 3,133
North American Other	4,589	3,430	7,767	2,310
International	(4,228)	(939)	(5,346)	(3,285)
Consolidated	\$ 24,812	\$ 14,249	\$ 91,662	\$ 2,158
Special Items - (income) expense:				
North American Glass	\$	\$ (28)	\$ (56,763) (1)	\$ (26)
North American Other	156	261	489	2,707
International	2,687		2,687	
Consolidated	\$ 2,843	\$ 233	\$ (53,587)	\$ 2,681
Depreciation & Amortization:				
North American Glass	\$ 6,169	\$ 6,336	\$ 12,282	\$ 12,783
North American Other	192	243	386	1,586
International	4,207	3,939	8,286	7,877
Consolidated	\$ 10,568	\$ 10,518	\$ 20,954	\$ 22,246

Capital Expenditures:

North American Glass	\$ 4,253	\$ 2,622	\$ 6,631	\$ 5,141
North American Other	14	54	14	214
International	2,964	1,934	4,734	4,195
Consolidated	\$ 7,231	\$ 4,610	\$ 11,379	\$ 9,550

Reconciliation of EBIT to Net Income (Loss):

Segment EBIT	\$ 24,812	\$ 14,249	\$ 91,662	\$ 2,158
Interest Expense	(11,768)	(17,532)	(21,388)	(34,711)
Benefit from (provision for) Income Taxes	(3,477)	5,947	(5,297)	7,324
Net Income (Loss)	\$ 9,567	\$ 2,664	\$ 64,977	\$ (25,229)

(1) Includes a \$56,792 gain on redemption of debt as discussed in note 4 and \$29 of restructuring charges as discussed in note 5.

Table of Contents**13. 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, which 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 June 30, 2010				Fair Value at December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Commodity futures								
natural gas contracts	\$	\$ (5,626)	\$	\$ (5,626)	\$	\$ (5,407)	\$	\$ (5,407)
Currency contracts		639		639				
Interest rate agreements		1,489		1,489				
Net derivative liability	\$	\$ (3,498)	\$	\$ (3,498)	\$	\$ (5,407)	\$	\$ (5,407)

The fair values of our commodity futures natural gas contracts and currency contracts are determined using observable market inputs. 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. The fair value of our interest rate agreement is 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 are based on an expectation of future interest rates derived from observed market interest rate forward curves. We also evaluate Company and counterparty risk in determining fair values. The total derivative position is recorded on the Condensed Consolidated Balance Sheets with \$0.6 million in prepaid and other current assets, \$1.5 million in other assets, \$4.8 million in derivative liability and \$0.8 million in other long-term liabilities as of June 30, 2010. As of December 31, 2009 \$3.3 million was recorded in derivative liability and \$2.1 million in other long-term liabilities.

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.

Table of Contents**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. These factors are discussed in Risk Factors under Item 1A of Part II Other Information .

Overview

Market conditions continue to show signs of gradual improvement. Our sales have improved compared to the same period last year and our retail business has continued its strong performance, but, as expected, the overall recovery has continued to move slowly, particularly in our foodservice business. We have increased our production volume from the reduced levels of 2009, and this has helped our margins recover from the downward pressures experienced with our reduced production last year. We refinanced most of our debt during the first quarter, generating a \$56.8 million gain after absorbing certain expenses and call premium related to the transaction, and have already received some benefit from the lower interest rates and reduced borrowings. Please see note 4 to the Condensed Consolidated Financial Statements for a further discussion of this transaction.

Results of Operations Second Quarter 2010 Compared with Second Quarter 2009

(dollars in thousands, except percentages and per-share amounts)	Three months ended June 30,		Variance	
	2010	2009	In dollars	In percent
Net sales	\$ 203,036	\$ 195,826	\$ 7,210	3.7%
Gross profit (2)	\$ 48,031	\$ 34,283	\$ 13,748	40.1%
<i>Gross profit margin</i>	<i>23.7%</i>	<i>17.5%</i>		
Income from operations (IFO) (2)(3)	\$ 23,156	\$ 11,491	\$ 11,665	101.5%
<i>IFO margin</i>	<i>11.4%</i>	<i>5.9%</i>		
Earnings before interest and income taxes (EBIT)(1)(2)(3)	\$ 24,812	\$ 14,249	\$ 10,563	74.1%
<i>EBIT margin</i>	<i>12.2%</i>	<i>7.3%</i>		
Earnings before interest, taxes, depreciation and amortization (EBITDA)(1)(2)(3)	\$ 35,380	\$ 24,767	\$ 10,613	42.9%
<i>EBITDA margin</i>	<i>17.4%</i>	<i>12.6%</i>		
Adjusted EBITDA (1)	\$ 37,278	\$ 25,200	\$ 12,078	47.9%
<i>Adjusted EBITDA margin</i>	<i>18.4%</i>	<i>12.9%</i>		
Net income (2)(3)	\$ 9,567	\$ 2,664	\$ 6,903	259.1%
<i>Net income margin</i>	<i>4.7%</i>	<i>1.4%</i>		
Diluted net income per share	\$ 0.47	\$ 0.18	\$ 0.29	161.1%

NM = Not
Meaningful

- (1) We believe that EBIT, EBITDA and Adjusted EBITDA, non-GAAP financial measures, are useful metrics for evaluating our financial performance, as they are measures that we use internally to assess our performance. See Table 1 for a reconciliation of net income (loss) to EBIT, EBITDA and Adjusted EBITDA and a further discussion as to the reasons we believe these non-GAAP financial measures are useful.
- (2) Includes a pretax fixed asset write-down of \$2.7 million in 2010 related to after-processing equipment in our International segment. (See note 5 to the Condensed Consolidated Financial Statements).

(3) *In addition to item (2) above, includes pre-tax restructuring charges of \$0.2 million in 2010 and \$0.3 million in 2009 related to the closing of our Syracuse China manufacturing facility and our Mira Loma distribution center, and \$0.2 million in 2009 related to pension settlement charges. (See notes 5 and 7 to the Condensed Consolidated Financial Statements).*

Net Sales

For the quarter ended June 30, 2010, net sales increased 3.7 percent to \$203.0 million from second quarter sales of \$195.8 million in the year-ago quarter. The improvement was primarily attributable to our North American Glass operations, where net sales increased 6.3 percent to \$146.4 million from \$137.7 million in the year-ago quarter. The increase in sales was mainly attributable to a 29.2

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percent increase in sales of Crisa products, which included a 4.3 percent increase from the currency impact of the Mexican peso. Sales to U.S. and Canadian retail customers increased 13.5 percent. These increases were offset by a 3.4 percent decline in sales to our U.S. and Canadian foodservice glassware customers, as restaurant traffic continues to fluctuate from week to week. North American Other net sales decreased 4.9 percent, primarily due to a 22.1 percent decline in sales of Syracuse China products related to the April 2009 closure of the Syracuse China production facility and the decision to reduce the Syracuse China product offering. Sales to World Tableware customers increased 5.2 percent when compared to the second quarter of 2009, while sales to Traex customers were 3.1 percent below sales for the comparable period in 2009. International net sales increased 6.8 percent compared to the year-ago quarter. Excluding the impact of currency exchange, sales growth was 13.4 percent compared to the prior year quarter. This increase in International sales resulted primarily from a 13.8 percent increase in sales to Royal Leerdam customers and increases of 13.6 percent and 3.3 percent in sales to Libbey China and Crisal customers, respectively.

Gross Profit

For the quarter ended June 30, 2010, gross profit increased by \$13.7 million, or 40.1 percent, to \$48.0 million, compared to \$34.3 million in the year-ago quarter. Gross profit as a percentage of net sales increased to 23.7 percent, compared to 17.5 percent in the year-ago quarter. The major reason for the improvement in gross profit was increased production activity which resulted in a \$13.7 million benefit, net of cost increases inherent with higher activity levels. A favorable currency impact contributed another \$5.2 million primarily due to the impact of changes in the value of the Mexican peso. Unfavorable mix on the higher sales levels lowered gross profit by \$1.8 million. Distribution costs increased by \$1.6 million related to the higher level of sales, and margins were impacted by the \$2.7 million write-down of certain after-processing equipment recorded in our International segment, offset by a \$0.9 million insurance claim recovery.

Income From Operations

Income from operations for the quarter ended June 30, 2010 increased \$11.7 million, or 101.5 percent, to \$23.2 million, compared to \$11.5 million in the year-ago quarter. Income from operations as a percentage of net sales increased to 11.4 percent in the second quarter of 2010, compared to 5.9 percent in the year-ago quarter. The improvement in income from operations is a result of higher gross profit and gross profit margin (discussed above), offset by a \$2.2 million increase in selling, general and administrative expenses related primarily to increases in employee labor and benefit costs.

Earnings Before Interest and Income Taxes (EBIT)

Earnings before Interest and Income Taxes (EBIT) for the quarter ended June 30, 2010 increased by \$10.6 million, or 74.1 percent, to \$24.8 million in 2010 from \$14.2 million in 2009. EBIT as a percentage of net sales increased to 12.2 percent in the second quarter of 2010, compared to 7.3 percent in the year-ago quarter. Key contributors to the increase in EBIT compared to the year-ago quarter are the same as those discussed above under Income from operations. These factors were offset by a \$1.1 million decline in other income versus the prior year quarter primarily related to an unfavorable swing in foreign currency translation gains, and receipt of a government grant in the prior year.

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

EBITDA increased by \$10.6 million in the second quarter of 2010, to \$35.4 million, compared to \$24.8 million in the year-ago quarter. As a percentage of net sales, EBITDA increased to 17.4 percent for the second quarter 2010, from 12.6 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).

Adjusted EBITDA

Adjusted EBITDA increased by \$12.1 million in the second quarter of 2010, to \$37.3 million, compared to \$25.2 million in the year-ago quarter. As a percentage of net sales, Adjusted EBITDA was 18.4 percent for the second quarter 2010, compared to 12.9 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 and Amortization (EBITDA), the exclusion of a \$2.7 million write-down on certain after-processing equipment in our International segment offset by a \$0.9 million insurance claim recovery in 2010, and \$0.2 million of pension settlement charges in 2009.

Net Income and Diluted Net Income Per Share

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We recorded net income of \$9.6 million, or \$0.47 per diluted share, in the second quarter of 2010, compared to \$2.7 million, or \$0.18 per diluted share, in the year-ago quarter. Net income as a percentage of net sales was 4.7 percent in the second quarter 2010, compared to 1.4 percent in the year-ago quarter. The improvement in Net Income and Diluted Net Income Per Share is generally due to the factors discussed in EBIT above and a \$5.8 million reduction in interest expense offset by a \$9.4 million increase in provision for (benefit from) income taxes. The reduction in interest expense is driven by lower debt levels and the impact of the debt refinancing completed in February 2010. The effective tax rate was a 26.7 percent expense for the quarter compared to a 181.1 percent benefit in the year-ago quarter. The effective tax rate was influenced by valuation allowances, changes in the mix of earnings in countries with differing statutory tax rates and changes in accruals related to uncertain tax positions.

Results of Operations First Six Months 2010 Compared with First Six Months 2009

(dollars in thousands, except percentages and per-share amounts)	Six months ended June 30,		Variance	
	2010	2009	In dollars	In percent
Net sales	\$ 376,940	\$ 353,679	\$ 23,261	6.6%
Gross profit (2)	\$ 81,908	\$ 44,999	\$ 36,909	82.0%
<i>Gross profit margin</i>	21.7%	12.7%		
Income (loss) from operations (IFO)(2)(3)	\$ 33,977	\$ (563)	\$ 34,540	NM
<i>IFO margin</i>	9.0%	(0.2)%		
Earnings before interest and income taxes (EBIT)(1)(2)(3)(4)	\$ 91,662	\$ 2,158	\$ 89,504	NM
<i>EBIT margin</i>	24.3%	0.6%		
Earnings before interest, taxes, depreciation and amortization (EBITDA)(1)(2)(3)(4)	\$ 112,616	\$ 24,404	\$ 88,212	361.5%
<i>EBITDA margin</i>	29.9%	6.9%		
Adjusted EBITDA(1)	\$ 58,084	\$ 29,080	\$ 29,004	99.7%
<i>Adjusted EBITDA margin</i>	15.4%	8.2%		
Net income (loss)(2)(3)(4)	\$ 64,977	\$ (25,229)	\$ 90,206	357.5%
<i>Net income (loss) margin</i>	17.2%	(7.1)%		
Diluted net income (loss) per share	\$ 3.21	\$ (1.70)	\$ 4.91	288.8%

NM = Not
Meaningful

- (1) We believe that EBIT, EBITDA and Adjusted EBITDA, non-GAAP financial measures, are useful metrics for evaluating our financial performance, as they are measures that we use internally to assess our performance. See Table 1 for a reconciliation of net income (loss) to EBIT, EBITDA and Adjusted EBITDA and a further discussion as to the reasons we believe these non-GAAP financial measures are useful.
- (2) Includes a pre-tax fixed asset write-down of \$2.7 million in 2010 related to after-processing equipment in our International segment and pre-tax restructuring charges of \$1.8 million in 2009 related to the closing of our Syracuse China manufacturing facility and our Mira Loma distribution center. (See note 5 to the Condensed Consolidated Financial Statements).
- (3) In addition to item (2) above, includes pre-tax restructuring charges of \$0.4 million in 2010 and \$0.7 million in 2009 related to the closing of our Syracuse China manufacturing facility and our Mira Loma distribution center, and \$2.7 million in 2009 related to pension settlement charges. (See notes 5 and 7 to the Condensed Consolidated Financial Statements).
- (4)

In addition to item (3) above, includes pre-tax income of \$56.8 million in 2010 related to the gain on redemption of the PIK Notes and pre-tax restructuring charges of \$0.1 million in 2010 and \$0.2 million in 2009 related to the closing of our Syracuse China manufacturing facility and our Mira Loma distribution center. (See notes 4 and 5 to the Condensed Consolidated Financial Statements).

Net Sales

For the six months ended June 30, 2010, net sales increased 6.6 percent to \$376.9 million from \$353.7 million in the year-ago period. The improvement was primarily attributable to our North American Glass operations, where net sales increased 8.3 percent to \$267.0 million from \$246.5 million in the year-ago period. The increase in sales was mainly attributable to a 30.5 percent increase in sales of Crisa products, which included a 5.8 percent increase from the currency impact of the Mexican peso. Sales to U.S. and Canadian retail customers increased 13.2 percent. These increases were offset by a 3.9 percent decline in sales to our U.S. and Canadian foodservice glassware customers. North American Other net sales decreased 6.6 percent, primarily due to a 28.0 percent decline in

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sales of Syracuse China products related to the April 2009 closure of the Syracuse China production facility and the decision to reduce the Syracuse China product offering. Sales to World Tableware customers increased 6.5 percent when compared to the first six months of 2009, while sales to Traex customers were 4.3 percent below sales for the comparable period in 2009. International net sales increased 15.4 percent compared to the year-ago period, resulting primarily from an 18.4 percent increase in sales to Royal Leerdam customers. Increases of 30.1 percent in sales to Libbey China customers and 9.3 percent in sales to Crisal customers also contributed to the International sales improvement. Excluding the currency impact, International sales increased approximately 16.3 percent.

Gross Profit

For the six months ended June 30, 2010, gross profit increased by \$36.9 million, or 82.0 percent, to \$81.9 million, compared to \$45.0 million in the year-ago period. Gross profit as a percentage of net sales increased to 21.7 percent, compared to 12.7 percent in the year-ago period. The major reason for the improvement in gross profit was increased production activity which resulted in a \$28.3 million benefit, net of cost increases inherent with the higher level of activity. Favorable currency impact contributed another \$9.3 million to the margin, as the movement in the Mexican peso contributed \$9.0 million with the other \$0.3 million from movement in the euro. Higher levels of net sales and favorable mix contributed another \$0.9 million to gross profit, while special charges related to facility closures decreased by \$1.8 million. These improvements were offset by a \$2.3 million increase in distribution costs compared to the first six months of last year and the \$2.7 million fixed asset write-down in 2010 related to after-processing equipment in our International segment.

Income (Loss) From Operations

Income (loss) from operations for the six months ended June 30, 2010 increased \$34.5 million, to \$34.0 million, compared to a loss of \$(0.6) million in the year-ago period. Income from operations as a percentage of net sales increased to 9.0 percent in the first six months of 2010, compared to (0.2) percent in the year-ago period. The improvement in income from operations is a result of higher gross profit and gross profit margin (discussed above) and a \$0.3 million decrease in special charges, offset by a \$2.7 million increase in selling, general and administrative expenses. The increase in selling, general and administrative expenses was caused by increases of \$4.2 million in labor and benefits, \$0.5 million in legal and professional fees, \$0.3 million in supplies and \$0.3 million of unfavorable exchange impact, offset by \$2.7 million of pension settlement expenses in 2009 that did not occur in 2010.

Earnings Before Interest and Income Taxes (EBIT)

Earnings before Interest and Income Taxes (EBIT) for the six months ended June 30, 2010 increased by \$89.5 million, to \$91.7 million in 2010 from \$2.2 million in 2009. EBIT as a percentage of net sales increased to 24.3 percent in the first six months of 2010, compared to 0.6 percent in the year-ago period. Key contributors to the increase in EBIT compared to the year-ago period are the same as those discussed above under Income (Loss) From Operations. In addition, we recorded a \$56.8 million gain on redemption of debt in 2010, net of certain transaction expenses. See note 4 for a further discussion of this gain. Other income decreased by \$1.8 million primarily related to an unfavorable swing in foreign currency translation gains versus the prior year period and a decrease in miscellaneous income.

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

EBITDA increased by \$88.2 million, or 361.5 percent in the first six months of 2010, to \$112.6 million, compared to \$24.4 million in the year-ago period. As a percentage of net sales, EBITDA was 29.9 percent for the first six months of 2010, compared to 6.9 percent in the year-ago period. The key contributors to the increase in EBITDA were those factors discussed above under Earnings Before Interest and Income Taxes (EBIT). These improvements were slightly offset as EBITDA does not include the benefit of a \$1.3 million decrease in depreciation and amortization expenses primarily due to the shutdown of our Syracuse China operations.

Adjusted EBITDA

Adjusted EBITDA increased by \$29.0 million, or 99.7 percent in the first six months of 2010, to \$58.1 million, compared to \$29.1 million in the year-ago period. As a percentage of net sales, Adjusted EBITDA was 15.4 percent for the first six months of 2010, compared to 8.2 percent in the year-ago period. The key contributors to the increase in Adjusted EBITDA were those factors discussed above under Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), and the exclusion of a \$56.8 million gain on redemption of debt in 2010, a \$2.7 million fixed asset write down of after-processing equipment in our International segment in 2010, a \$0.9 million insurance

claim recovery in 2010 and a \$0.5 million facility closure charge in 2010, pension settlement charges of \$2.7

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million in 2009 and facility closure charges of \$2.7 million less \$0.7 million of accelerated depreciation included in those charges in 2009.

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

We recorded net income of \$65.0 million, or \$3.21 per diluted share, in the first six months of 2010, compared to a net loss of \$(25.2) million, or \$(1.70) per diluted share, in the year-ago period. Net income (loss) as a percentage of net sales was 17.2 percent in the first six months 2010, compared to (7.1) percent in the year-ago period. The improvement in Net Income (Loss) and Diluted Net Income (Loss) Per Share is generally due to the factors discussed in EBIT above, and a \$13.3 million reduction in interest expense offset by a \$12.6 million increase in provision for (benefit from) income taxes. The reduction in interest expense is driven by lower debt levels and the impact of the debt refinancing completed in February 2010. The effective tax rate was a 7.5 percent expense for the current six month period compared to a 22.5 percent benefit in the year-ago period, due to changes in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, valuation allowances and changes in accruals related to uncertain tax positions.

Segment Results of Operations

(dollars in thousands)	Three months ended June 30,		Variance		Six months ended June 30,		Variance	
	2010	2009	In dollars	In percent	2010	2009	In dollars	In percent
Net Sales:								
North American Glass	\$ 146,415	\$ 137,744	\$ 8,671	6.3%	\$ 266,982	\$ 246,487	\$ 20,495	8.3%
North American Other	23,158	24,341	(1,183)	(4.9)%	42,720	45,718	(2,998)	(6.6)%
International	36,870	34,533	2,337	6.8%	73,136	63,384	9,752	15.4%
Eliminations	(3,407)	(792)			(5,898)	(1,910)		
Consolidated	\$ 203,036	\$ 195,826	\$ 7,210	3.7%	\$ 376,940	\$ 353,679	\$ 23,261	6.6%
EBIT:								
North American Glass	\$ 24,451	\$ 11,758	\$ 12,693	108.0%	\$ 89,241	\$ 3,133	\$ 86,108	NM
North American Other	4,589	3,430	1,159	33.8%	7,767	2,310	5,457	236.2%
International	(4,228)	(939)	(3,289)	(350.3)%	(5,346)	(3,285)	(2,061)	(62.7)%
Consolidated	\$ 24,812	\$ 14,249	\$ 10,563	74.1%	\$ 91,662	\$ 2,158	\$ 89,504	NM
EBIT Margin:								
North American Glass	16.7%	8.5%			33.4%	1.3%		
North American Other	19.8%	14.1%			18.2%	5.1%		
International	(11.5)%	(2.7)%			(7.3)%	(5.2)%		
Consolidated	12.2%	7.3%			24.3%	0.6%		
Special items - (income) expense:								
North American Glass	\$	\$ (28)	\$ 28	(100.0)%	\$ (56,763)	\$ (26)	\$ (56,737)	NM
North American Other	156	261	(105)	(40.2)%	489	2,707	(2,218)	(81.9)%
International	2,687		2,687	NM	2,687		2,687	NM
Consolidated	\$ 2,843	\$ 233	\$ 2,610	NM	\$ (53,587)	\$ 2,681	\$ (56,268)	NM

NM = Not Meaningful

Segment Results of Operations Second Quarter 2010 Compared to Second Quarter 2009

North American Glass

For the quarter ended June 30, 2010, net sales increased 6.3 percent to \$146.4 million from \$137.7 million in the year-ago quarter. Of the increase in net sales, approximately 5.3 percent was attributable to increased sales of Crisa's products and 3.0 percent was attributable to increased sales to U.S. and Canadian retail glassware customers, offset by a 1.2 percent decline in sales to U.S. and Canadian foodservice glassware customers. Of the 5.3 percent attributable to increased sales of Crisa's products, 1.3 percent was related to a favorable currency impact.

EBIT increased to \$24.5 million for the second quarter of 2010, compared to \$11.8 million for the year-ago quarter.

EBIT as a percentage of net sales increased to 16.7 percent in the second quarter of 2010, compared to 8.5 percent in the year-ago quarter. The

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key factors in the increase in EBIT compared to the year-ago quarter were a \$15.4 million improvement due to higher production activity offset by higher manufacturing costs, and \$5.2 million due to favorable currency exchange movement. Selling, general and administrative costs increased \$1.9 million due primarily to higher employee labor and benefit costs in 2010 and unfavorable changes in sales and sales mix, excluding currency exchange impact, caused a \$6.0 million reduction versus the prior year quarter.

North American Other

For the quarter ended June 30, 2010, net sales declined 4.9 percent to \$23.2 million from \$24.3 million in the year-ago quarter. Components of the total decrease in net sales were declines of approximately 5.6 percent in sales of Syracuse China products related to the closure of the Syracuse China facility in April, 2009 and the decision to reduce the Syracuse China product offering and approximately 0.6 percent in sales of Traex products and 1.4 percent in other sales. These declines were offset by an increase of 2.7 percent in sales of products to World Tableware customers. EBIT increased by \$1.2 million, or 33.8 percent, to \$4.6 million for the second quarter of 2010, compared to \$3.4 million in the year-ago quarter. EBIT as a percentage of net sales increased to 19.8 percent in the second quarter of 2010, compared to 14.1 percent in the year-ago quarter. The key contributors to the increased EBIT were an improvement of \$1.9 million due to improved sales volume and mix, and a \$0.1 million decrease in special charges. These improvements were primarily the result of the April 2009 closure of our Syracuse China production facility, as EBIT excluding special charges for the Syracuse China operations showed a \$2.1 million improvement compared to the prior year period. These improvements were offset by increases of \$0.3 million in increased manufacturing costs primarily related to increased purchases of finished products, \$0.2 million in distribution costs and a \$0.3 million increase in selling, general and administrative expenses.

International

For the quarter ended June 30, 2010, net sales increased 6.8 percent to \$36.9 million from \$34.5 million in the year-ago quarter. Components of the increase were increases of 6.5 percent, 2.5 percent and 1.3 percent in sales to customers of Royal Leerdam, Libbey China, and Crisal, respectively. These increases in net sales included a 6.6 percent reduction of sales due to a weaker euro.

EBIT declined by \$3.3 million to a loss of \$(4.2) million in the second quarter of 2010 from a loss of \$(0.9) million in the year-ago quarter. EBIT as a percentage of net sales declined to (11.5) percent in the second quarter 2010, compared to (2.7) percent in the year-ago quarter. Improved sales volume and mix produced a \$2.3 million favorable impact. This was offset by a \$2.7 million fixed asset write-down on after-processing equipment, increases of \$1.4 million in manufacturing costs, \$0.3 million in selling, general and administrative costs, \$0.3 million in distribution costs related to the higher sales volume and \$0.8 million in other expense related to lower foreign currency translation gains.

Segment Results of Operations – First Six Months 2010 Compared to First Six Months 2009***North American Glass***

For the six months ended June 30, 2010, net sales increased 8.3 percent to \$267.0 million from \$246.5 million in the year-ago period. Of the increase in net sales, approximately 6.4 percent was attributable to increased sales of Crisals products and 3.2 percent was attributable to increased sales to U.S. and Canadian retail glassware customers offset by a 0.9 percent decline in sales to U.S. and Canadian foodservice glassware customers. Of the 6.4 percent attributable to increased sales of Crisals products, 1.8 percent was related to a favorable currency impact.

EBIT increased to \$89.2 million for the first six months 2010, compared to \$3.1 million for the year-ago period. EBIT as a percentage of net sales increased to 33.4 percent in the first six months 2010, compared to 1.3 percent in the year-ago period. The key factors in the increase in EBIT compared to the year-ago period were a \$56.8 million gain on redemption of debt, \$29.7 million due to higher production activity offset by higher manufacturing costs, \$8.6 million due to favorable currency exchange movement. Selling, general and administrative costs included a \$2.7 million pension settlement charge in 2009, which did not recur in 2010. Excluding the impact of these pension charges, selling, general and administrative expenses increased \$4.1 million in the first six months of 2010 due primarily to higher labor and benefit costs and legal and professional fees. Distribution costs increased \$1.4 million, unfavorable changes in sales and sales mix, excluding exchange impact, caused a \$6.9 million impact and other income decreased \$0.8 million related to an unfavorable swing in foreign currency translation gains versus the prior year period.

North American Other

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For the six months ended June 30, 2010, net sales declined 6.6 percent to \$42.7 million from \$45.7 million in the year-ago period. Components of the total decrease in net sales were declines of approximately 7.9 percent in sales of Syracuse China products related to the closure of the Syracuse China facility in April 2009 and the decision to reduce the Syracuse China product offering and approximately 0.8 percent in sales of Traex products. These declines were offset by an increase of 3.2 percent in sales of products to World Tableware customers.

EBIT increased by \$5.5 million, or 236.2 percent, to \$7.8 million for the first six months of 2010, compared to \$2.3 million in the year-ago period. EBIT as a percentage of net sales increased to 18.2 percent in the first six months of 2010, compared to 5.1 percent in the year-ago period. The key contributors to the increased EBIT were a decrease of \$1.5 million in special charges, an improvement of \$3.3 million due to improved sales volume and mix, and a \$1.2 million decrease in depreciation and amortization expense. These improvements were primarily the result of the April 2009 closure of our Syracuse China production facility, as EBIT excluding special charges for the Syracuse China operations showed a \$4.6 million improvement compared to the prior year period. These improvements were offset by increases \$0.4 million in distribution costs and an increase of \$0.3 million in selling, general and administrative expenses.

International

For the six months ended June 30, 2010, net sales increased 15.4 percent to \$73.1 million from \$63.4 million in the year-ago period. The impact of movement in the euro was essentially flat, with a 1.0 percent decline from currency movement. Other components of the increase were increases of 9.1 percent, 5.0 percent and 3.6 percent in sales to customers of Royal Leerdam, Libbey China, and Crisal, respectively.

EBIT declined by \$2.1 million to a loss of \$(5.3) million in the first six months of 2010 from a loss of \$(3.3) million in the year-ago period. EBIT as a percentage of net sales declined to (7.3) percent in the first six months 2010, compared to (5.2) percent in the year-ago period. Improved sales volume and mix produced a \$4.4 million favorable impact and currency impact on expenses contributed an additional \$0.4 million improvement, offset by a fixed asset write-down on certain after-processing equipment of \$2.7 million, impact of \$1.5 million from increased production costs, increases of \$0.7 million in selling, general and administrative costs, \$0.5 million in distribution costs related to the higher sales volume and \$1.1 million in other expense.

Capital Resources and Liquidity***Balance Sheet and Cash Flows******Cash and Equivalents***

At June 30, 2010 our cash balance was \$46.2 million, a decrease of \$8.9 million from \$55.1 million at December 31, 2009. The decrease was due to utilization of a portion of our cash on hand to complete the refinancing of our indebtedness in February, 2010 and to fund the seasonal increase in working capital.

Working Capital

The following table presents our working capital components:

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(dollars in thousands, except percentages and DSO, DIO, DPO and DWC)	June 30, 2010	December 31, 2009	Variance	
			In dollars	In percent
Accounts receivable net	\$ 92,782	\$ 82,424	\$ 10,358	12.6%
<i>DSO (1)</i>	43.9	40.2		
Inventories net	\$ 153,187	\$ 144,015	\$ 9,172	6.4%
<i>DIO (2)</i>	72.4	70.2		
Accounts payable	\$ 55,775	\$ 58,838	\$ (3,063)	(5.2)%
<i>DPO (3)</i>	26.4	28.7		
Working capital (4)	\$ 190,194	\$ 167,601	\$ 22,593	13.5%
<i>DWC (5)</i>	89.9	81.7		
<i>Percentage of net sales</i>	24.6%	22.4%		

DSO, DIO, DPO and DWC are calculated using net sales as the denominator and are based on a 365-day calendar year.

- (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 plus net inventories less accounts*

payable. See Table 3 for the calculation of this non-GAAP financial measure and 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.

Working capital (as defined above) was \$190.2 million at June 30, 2010, an increase of \$22.6 million from December 31, 2009. Our working capital normally increases during the first half of the year due to the seasonality of our business. In particular, inventory normally increases to prepare for seasonally higher orders which typically exceed production levels in the later part of the year. This quarter, our increase is primarily due to higher inventories and accounts receivable, as we began to experience the effects of both higher sales and production levels. We also experienced a decrease in accounts payable when compared to the end of 2009, as cash payments typically are slower during the final weeks of the year due to holidays. Our DSO also increased compared to the end of the year as increased collections will typically lag any increase in sales volume. As a result of the factors above, working capital as a percentage of net sales increased to 24.6 percent at June 30, 2010 from 22.4 percent at December 31, 2009. Working capital as a percentage of net sales at June 30, 2010 is comparable to that of 24.3 percent at June 30, 2009.

Table of Contents**Borrowings**

The following table presents our total borrowings:

(dollars in thousands)	Interest Rate	Maturity Date	June 30, 2010	December 31, 2009
Borrowings under ABL facility	floating	April 8, 2014	\$	\$
Senior Secured Notes	10.0% (1)	February 15, 2015	400,000	
Floating rate notes				306,000
PIK Notes (2)				80,431
Promissory note	6.00%	July, 2010 to September, 2016	1,401	1,492
Notes payable	floating	July, 2010	770	672
RMB loan contract	floating	July, 2012 to January, 2014	36,825	36,675
RMB working capital loan	floating	January, 2011	7,365	7,335
BES Euro line	floating	December, 2010 to December, 2013	12,086	14,190
Total borrowings			458,447	446,795
Less unamortized discount			7,072	1,749
Plus Carrying value adjustment on debt related to the Interest Rate Agreement (1)			1,073	-
Plus Carrying value in excess of principal on PIK Notes (2)			-	70,193
Total borrowings net (3)			\$ 452,448	\$ 515,239

(1) See

*Derivatives
below and note
9 to the
Condensed
Consolidated
Financial
Statements.*

(2) *On October 28, 2009, we exchanged approximately \$160.9 million of Old PIK Notes for approximately \$80.4 million of New PIK Notes and additional common stock*

and warrants to purchase common stock of Libbey Inc. Under U.S. GAAP, we were required to record the New PIK Notes at their carrying value of approximately \$150.6 million instead of their face value of \$80.4 million. During the first quarter of 2010, we redeemed the New PIK Notes in conjunction with the refinancing of the senior floating rate notes and recognized the \$70.2 million gain in gain on redemption of debt on the Condensed Consolidated Statement of Operations.

- (3) *The total borrowings net include notes payable, long-term debt due within one year and long-term debt as stated in our Condensed Consolidated Balance Sheets.*

We had total borrowings of \$458.4 million at June 30, 2010, compared to total borrowings of \$446.8 million at December 31, 2009. The \$11.6 million increase in borrowings was the result of the debt refinancing completed on February 8, 2010, when we used the proceeds of a \$400.0 million debt offering and cash on hand to redeem the PIK

notes and repurchase the \$306.0 million Floating Rate notes. We also amended and restated the credit agreement relating to our ABL facility. See note 4 to the Condensed Consolidated Financial Statements.

Of our total borrowings, \$157.0 million, or approximately 34.3 percent, was subject to variable interest rates at June 30, 2010. A change of one percentage point in such rates would result in a change in interest expense of approximately \$1.6 million on an annual basis.

Included in interest expense is the amortization of discounts, warrants and financing fees. These items amounted to \$1.2 million and \$1.3 million for the three months ended June 30, 2010 and 2009, respectively, and \$2.2 million and \$2.5 million for the six months ended June 30, 2010 and 2009, respectively.

Cash Flow

The following table presents key drivers to our free cash flow for the second quarter.

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(dollars in thousands, except percentages)	Three months ended June 30,		Variance	
	2010	2009	In dollars	In percent
Net cash provided by operating activities	\$ 38,112	\$ 24,706	\$ 13,406	54.3%
Capital expenditures	(7,231)	(4,610)	(2,621)	(56.9)%
Proceeds from asset sales and other		21	(21)	(100.0)%
Free cash flow (1)	\$ 30,881	\$ 20,117	\$ 10,764	53.5%

(1) *We believe that Free cash flow [net cash provided by operating activities, less capital expenditures, plus proceeds from assets sales and other] is a useful metric for evaluating our financial performance, as it is a measure we use internally to assess performance. See Table 2 for a reconciliation of net cash provided by operating activities to Free cash flow and a further discussion as to the reasons we believe this non-GAAP financial measure is useful.*

Our net cash provided by operating activities was \$38.1 million in the second quarter of 2010, compared to net cash provided by operating activities of \$24.7 million in the year-ago quarter, or an increase of \$13.4 million. The major factors impacting cash flow from operations were improvements of \$6.9 million from net income, \$23.7 million from changes in accrued interest and amortization of discounts, warrants and finance fees and a \$5.1 million improvement in the cash impact of restructuring, offset by unfavorable cash flow impact of \$19.0 million due to increased working capital related to increased sales and production.

Our net cash used in investing activities increased to \$7.2 million in the second quarter of 2010, compared to \$4.6 million in the year-ago period, primarily as a result of the \$2.6 million increase in capital expenditures compared to the prior year second quarter.

Net cash used in financing activities was \$2.1 million in the second quarter of 2010, compared to \$12.8 million in the year-ago quarter. During the second quarter of 2009, we utilized \$10.8 million for repayments on our ABL credit facility, while there were no borrowings or repayments on this facility for the first six months of 2010.

Our free cash flow was \$30.9 million during the second quarter of 2010, compared to \$20.1 million in the year-ago quarter, an increase of \$10.8 million. The primary contributors to this change were the increase in cash flow from operating activities, offset by increased capital expenditures in the current period, as discussed above.

The following table presents key drivers to our free cash flow for the first six months.

(dollars in thousands, except percentages)	Six months ended June 30,		Variance	
	2010	2009	In dollars	In percent
Net cash (used in) provided by operating activities	\$ (8,053)	\$ 39,090	\$ (47,143)	(120.6)%
Capital expenditures	(11,379)	(9,550)	(1,829)	(19.2)%
Proceeds from asset sales and other		88	(88)	(100.0)%
Free cash flow (1)	\$ (19,432)	\$ 29,628	\$ (49,060)	(165.6)%
Payment of interest on PIK Notes	29,400		29,400	NM
Adjusted Free cash flow (1)	\$ 9,968	\$ 29,628	\$ (19,660)	(66.4)%

(1) We believe that Free cash flow and Adjusted free cash flow [net cash (used in) provided by operating activities, less capital expenditures, plus proceeds from assets sales and other; further adjusted for payment of interest on PIK notes in the case of Adjusted free cash flow] are

useful metrics for evaluating our financial performance, as they are measures we use internally to assess performance. See Table 2 for a reconciliation of net cash (used in) provided by operating activities to Free cash flow and Adjusted free cash flow and a further discussion as to the reasons we believe these non-GAAP financial measures are useful.

Our net cash used in operating activities was \$(8.1) million in the first six months of 2010, compared to net cash provided by operating activities of \$39.1 million in the year-ago period, or a decrease of \$47.1 million. The major factors impacting cash flow from operations were the \$90.2 million improvement in net income (loss) and \$14.2 million from changes in accrued interest and amortization of discounts, warrants and finance fees, offset by \$86.2 million of items related to our debt refinancing, \$50.3 million from the impact of increased working capital related to increased sales and production and \$15.3 million from a decrease in accrued liabilities net of prepaid expenses primarily the result of incentive compensation payments in the first quarter of 2010.

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Our net cash used in investing activities increased to \$19.8 million in the first six months of 2010, compared to \$9.5 million in the year-ago period, primarily as a result of the \$8.4 million payment of call premiums on our floating rate notes as part of our debt refinancing and an increase of \$1.8 million in capital expenditures compared to the prior year period.

Net cash provided by (used in) financing activities was \$19.9 million in the first six months of 2010, compared to a use of cash of \$(18.8) million in the year-ago period. During the first half of 2010, our proceeds from the Senior Secured Notes were only partially offset by the repurchase of our floating rate notes, the redemption of the PIK notes and payment of debt issuance costs. The increase in cash provided by financing activities, along with cash on hand, was used to pay interest on the PIK notes and the call premium on the floating rate notes.

Our Free cash flow was \$(19.4) million during the first six months of 2010, compared to \$29.6 million in the year-ago period, a decrease of \$49.0 million. The primary contributors to this change were the decrease in cash flow from operating activities, which included payment of interest on the PIK Notes, and increased capital expenditures in the current period, as discussed above.

Our Adjusted free cash flow was \$10.0 million during the first six months of 2010, compared to \$29.6 million in the year-ago period, a decrease of \$19.6 million. The primary contributors to this change were the decrease in cash flow from operating activities excluding payment of interest on the PIK Notes, and increased capital expenditures in the current period.

Derivatives

We have an Interest Rate Agreement (Rate Agreement) with respect to \$100.0 million of debt in order to convert a portion of the Senior Secured Note fixed rate debt into floating rate debt, maintain a capital structure containing appropriate amounts of fixed and floating rate debt. The interest rate for our borrowings related to the Rate Agreement at June 30, 2010 is 7.72 percent per year. This Rate Agreement expires on February 15, 2015. Total remaining Senior Secured Notes not covered by the Rate Agreement have a fixed interest rate of 10.0 percent. If the counterparty to this Rate Agreement was to fail to perform, the Rate Agreement would no longer provide the desired results. However, we do not anticipate nonperformance by the counterparty. The counterparty was rated AA- as of June 30, 2010, by Standard and Poor's.

The fair market value for the Rate Agreement at June 30, 2010, was a \$1.5 million asset. The fair value of the Rate Agreement is 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 are based on an expectation of future interest rates derived from observed market interest rate forward curves. We do not expect to cancel this agreement and expect it to mature as originally contracted.

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 June 30, 2010, we had commodity futures contracts for 2,770,000 million British Thermal Units (BTUs) of natural gas with a fair market value of an \$(5.6) million liability. We have hedged approximately 59.0 percent of forecasted transactions through December 2010. At December 31, 2009, we had commodity futures contracts for 3,610,000 million BTUs of natural gas with a fair market value of a \$(5.4) million liability. The counterparties for these derivatives were rated BBB+ or better as of June 30, 2010, by Standard & Poor's.

Capital Resources and Liquidity

Historically, cash flows generated from operations and our borrowing capacity under our ABL Facility have enabled us to meet our cash requirements, including capital expenditures and working capital requirements. As of June 30, 2010 we had no amounts outstanding under our ABL Facility, although we had \$18.2 million of letters of credit issued under that facility. As a result, we had \$55.9 million of unused availability remaining under the ABL Facility at June 30, 2010. In addition, we had \$46.2 million of cash on hand at June 30, 2010.

On February 8, 2010, we used the proceeds of a debt offering of \$400.0 million of Senior Secured Notes due 2015, together with cash on hand, to redeem the \$80.4 million face amount of PIK notes that were outstanding at that date and to repurchase the \$306.0 million of floating rate notes due 2011. We also amended and restated our ABL Facility to, among other things, extend the maturity to 2014

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and reduce the amount that we can borrow under that facility from \$150.0 million to \$110.0 million. In addition, effective February 25, 2010, we extended the maturity of our RMB 50.0 million working capital loan from March 2010 to January 2011.

Based on our operating plans and current forecast expectations (including expectations that the global economy will not deteriorate further), we anticipate that our level of cash on hand, cash flows from operations and our borrowing capacity under our amended and restated ABL Facility will provide sufficient cash availability to meet our ongoing liquidity needs.

Table of Contents**Reconciliation of Non-GAAP Financial Measures**

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 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.

Table 1

Reconciliation of net income (loss) to EBIT, EBITDA and adjusted EBITDA (dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net income (loss)	\$ 9,567	\$ 2,664	\$ 64,977	\$ (25,229)
Add: Interest expense	11,768	17,532	21,388	34,711
Add: provision for (benefit from) income taxes	3,477	(5,947)	5,297	(7,324)
Earnings before interest and income taxes (EBIT)	24,812	14,249	91,662	2,158
Add: Depreciation and amortization	10,568	10,518	20,954	22,246
Earnings before interest, taxes, depreciation and amortization (EBITDA)	35,380	24,767	112,616	24,404
Add: Special items before interest and taxes:				
Gain on redemption of debt (see note 4)			(56,792)	
Pension settlement charges (see note 7)		200		2,700
Facility closure charges (see note 5)	156	233	518	2,681
Fixed asset write-down (see note 5)	2,687		2,687	
Insurance claim recovery	(945)		(945)	
Less: Depreciation expense included in special charges and also in depreciation and amortization above				(705)
Adjusted EBITDA	\$ 37,278	\$ 25,200	\$ 58,084	\$ 29,080

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 and to set performance targets for managers. It also has been used regularly as one

of the means of publicly providing guidance on possible future results. 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.

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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 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.

Table 2

Reconciliation of net cash provided by (used in) operating activities to free cash flow and adjusted free cash flow (dollars in thousands)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net cash (used in) provided by operating activities	\$ 38,112	\$ 24,706	\$ (8,053)	\$ 39,090
Capital expenditures	(7,231)	(4,610)	(11,379)	(9,550)
Proceeds from asset sales and other		21		88
Free cash flow	30,881	20,117	(19,432)	29,628
Payment of interest on PIK Notes			29,400	
Adjusted free cash flow	\$ 30,881	\$ 20,117	\$ 9,968	\$ 29,628

We define Free cash flow as net cash provided by (used in) operating activities less capital expenditures, adjusted for proceeds from asset sales and other. The most directly comparable U.S. GAAP financial measure is net cash (used in) 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.

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 (used in) provided by operating activities recorded under U.S. GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies.

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We present Adjusted free cash flow 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 free cash flow internally to measure profitability and to set performance targets for managers.

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

Table 3

Reconciliation of working capital (dollars in thousands)	June 30, 2010	December 31, 2009
Accounts receivable (net)	\$ 92,782	\$ 82,424
Plus: Inventories (net)	153,187	144,015
Less: Accounts payable	55,775	58,838
Working capital	\$ 190,194	\$ 167,601

We define working capital as net accounts receivable plus net inventories less accounts payable.

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.

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, euro, RMB or Mexican peso that could reduce the cost competitiveness of our products compared to foreign competition.

Interest Rates

We have an Interest Rate Agreement (Rate Agreement) with respect to \$100.0 million of debt in order to convert a portion of the Senior Secured Note fixed rate debt into floating rate debt and maintain a capital structure containing appropriate amounts of fixed and floating rate debt. The interest rate for our borrowings related to the Rate Agreement at June 30, 2010 is 7.72 percent per year. The Rate Agreement expires on February 15, 2015. Total remaining Senior Secured Notes not covered by the Rate Agreement have a fixed interest rate of 10.0 percent. If the counterparty to the Rate Agreement was to fail to perform, the Rate Agreement would no longer provide the desired results. However, we do not anticipate nonperformance by the counterparty. The counterparty was rated AA- as of June 30, 2010, by Standard and Poor's.

Natural Gas

We are also exposed to market risks associated with changes in the price of natural gas. We use commodity futures contracts related to forecasted future North American natural gas requirements of our manufacturing operations. 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 eighteen months 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

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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 June 30, 2010.

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 the performance of 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 \$3.6 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 \$2.4 million.

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.

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, believe, expect, intend, may, plan, 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

The following factors are the most significant factors that can impact period-to-period comparisons and may affect the future performance of our businesses. New risks may emerge, and management cannot predict those risks or estimate the extent to which they may affect our financial performance.

Slowdowns in the retail, travel, restaurant and bar or entertainment industries, such as those caused by general economic downturns, terrorism, health concerns or strikes or bankruptcies within those industries, could reduce our revenues and production activity levels.

Our high level of debt, as well as incurrence of additional debt, may limit our operating flexibility, which could adversely

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affect our results of operations and financial condition.

We have a high degree of financial leverage. As of June 30, 2010, we had \$458.4 million aggregate principal amount of debt outstanding. Of that amount:

\$400.0 million consisted of our Senior Secured Notes, which were secured by a first-priority lien on 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 and a second-priority lien on substantially all of the existing and future real and personal property (including without limitation tangible and intangible assets) of Libbey Glass and its domestic subsidiaries (other than certain real property and equipment located in the United States and certain general intangibles, instruments, books and records and supporting obligations related to such real property and equipment, and certain proceeds of the foregoing);

we had no debt outstanding under our amended and restated ABL Facility, which was secured by a first-priority lien on certain inventories and receivables, although we had \$18.2 million of letters of credit issued under that facility;

RMB 250 million (approximately \$36.8 million at June 30, 2010) consisted of a loan made by China Construction Bank Corporation Langfang Economic Development Area Sub-branch, or CCBC. We used the proceeds of this loan to finance the construction of our manufacturing facility in China that began operations in early 2007;

RMB 50 million (approximately \$7.4 million at June 30, 2010) consisted of a loan, which is fully drawn, made by CCBC to finance the working capital needs of our China facility;

9.9 million (approximately \$12.1 million at June 30, 2010) consisted of a loan made by Banco Espirito Santo, S.A., or the BES Euro Line, to finance operational improvements associated with our Portuguese operations;

\$1.4 million consisted of amounts we owed under a promissory note related to the purchase of our Laredo, Texas warehouse; and

\$0.8 million consisted of amounts drawn on the overdraft lines of credit extended to our European operations.

Although neither our amended and restated ABL Facility nor the indenture governing our Senior Secured Notes contain financial covenants, they do contain other covenants that limit our operational and financial flexibility, such as by limiting the additional indebtedness that we may incur, limiting certain business activities, investments and payments, and limiting our ability to dispose of certain assets. These covenants may limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our debt.

We are permitted, subject to limitations contained in the agreements relating to our existing debt, to incur additional debt in the future. Our high degree of leverage, as well as the incurrence of additional debt, could have important consequences for our business, such as:

making it more difficult for us to satisfy our financial obligations;

limiting our ability to make capital investments in order to expand our business;

limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, product development, debt service requirements, acquisitions or other purposes;

limiting our ability to invest operating cash flow in our business and future business opportunities, because we use a substantial portion of these funds to service debt and because our covenants restrict the amount of our investments;

limiting our ability to withstand business and economic downturns and/or placing us at a competitive disadvantage compared to our competitors that have less debt, because of the high percentage of our operating cash flow that is dedicated to servicing our debt; and

limiting our ability to pay dividends.

If cash generated from operations is insufficient to satisfy our liquidity requirements, if we cannot service our debt, or if we fail to meet our covenants, we could have substantial liquidity problems. In those circumstances, we might have to sell assets,

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delay planned investments, obtain additional equity capital or restructure our debt. Depending on the circumstances at the time, we may not be able to accomplish any of these actions on favorable terms or at all.

In addition, our failure to comply with the covenants contained in our loan agreements could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness.

Natural gas, the principal fuel we use to manufacture our products, is subject to fluctuating prices; fluctuations in natural gas prices could adversely affect our results of operations and financial condition.

International economic and political factors could affect demand for imports and exports, and our financial condition and results of operations could be adversely impacted as a result.

Fluctuation of the currencies in which we conduct operations could adversely affect our financial condition and results of operations or reduce the cost competitiveness of our products or those of our subsidiaries.

Our business requires us to maintain a large fixed cost base that can affect our profitability.

We may not be able to achieve the international growth contemplated by our strategy.

We face intense competition and competitive pressures, which could adversely affect our results of operations and financial condition.

We may not be able to renegotiate collective bargaining agreements successfully when they expire; organized strikes or work stoppages by unionized employees may have an adverse effect on our operating performance.

The inability to extend or refinance debt of our foreign subsidiaries, or the calling of that debt before scheduled maturity, could adversely impact our liquidity and financial condition.

Our cost-reduction projects may not result in anticipated savings in operating costs.

We are subject to risks associated with operating in foreign countries. These risks could adversely affect our results of operations and financial condition.

If we have a fair value impairment in a business segment, our net earnings and net worth could be materially and adversely affected by a write-down of goodwill, intangible assets or fixed assets.

A severe outbreak, epidemic or pandemic of the H1N1 virus or other contagious disease in a location where we have a facility could adversely impact our results of operations and financial condition.

We are subject to various environmental legal requirements and may be subject to new legal requirements in the future; these requirements could have a material adverse effect on our operations.

If we are unable to obtain sourced products or materials at favorable prices, our operating performance may be adversely affected.

Unexpected equipment failures may lead to production curtailments or shutdowns.

High levels of inflation and high interest rates in Mexico could adversely affect the operating results and cash flows of Crisa. In addition, similar issues could impact China in the future.

Charges related to our employee pension and postretirement welfare plans resulting from market risk and headcount realignment may adversely affect our results of operations and financial condition.

If our 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.

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Our business may suffer if we do not retain our senior management.

We rely on increasingly complex information systems for management of our manufacturing, distribution, sales and other functions. If our information systems fail to perform these functions adequately, or if we experience an interruption in their operation, our business and results of operations could suffer.

We may not be able to effectively integrate future businesses we acquire or joint ventures we enter into.

Our business requires significant capital investment and maintenance expenditures that we may be unable to fulfill.

If our investments in new technology and other capital expenditures do not yield expected returns, our results of operations could be reduced.

Our failure to protect our intellectual property or prevail in any intellectual property litigation could materially and adversely affect our competitive position, reduce revenue or otherwise harm our business.

Devaluation or depreciation of, or governmental conversion controls over, the foreign currencies in which we operate could affect our ability to convert the earnings of our foreign subsidiaries into U.S. dollars.

Payment of severance or retirement benefits earlier than anticipated could strain our cash flow.

We are involved in litigation from time to time in the ordinary course of business.

Our products are subject to various health and safety requirements and may be subject to new health and safety requirements in the future; these requirements could have a material adverse effect on our operations.

Our glass tableware, ceramic dinnerware, metal flatware, hollowware and serveware and plastic products are subject to certain legal requirements relating to health and safety. These legal requirements frequently change and vary among jurisdictions. Compliance with these requirements, or the failure to comply with these requirements, may have a material adverse effect on our operations. If any of our products becomes subject to new regulations, or if any of our products becomes specifically regulated by additional governmental or other regulatory entities, the cost of compliance could be material. For example, the U.S. Consumer Product Safety Commission (CPSC) regulates many consumer products, including glass tableware products that are externally decorated with certain ceramic enamels. New regulations or policies by the CPSC could require us to change our manufacturing processes, which could materially raise our manufacturing costs. Furthermore, a significant order or judgment against us by any such governmental or regulatory entity relating to health or safety matters, or the imposition of a significant fine relating to such matters, may have a material adverse effect on our operations.

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

Issuer's Purchases of Equity Securities

		Total Number of Shares Purchased as Part of Publicly Announced Plans or	Maximum Number of Shares that May Yet Be Purchased Under the
Total Number of	Average Price		

Period	Shares Purchased	Paid per Share	Programs	Plans or Programs (1)
April 1 to April 30, 2010				1,000,000
May 1 to May 31, 2010				1,000,000
June 1 to June 30, 2010				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 were purchased in 2009, 2008, 2007, 2006, 2005 or 2004. Our ABL Facility and the indentures governing the Senior Secured Notes significantly restrict our ability to repurchase*

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*additional
shares.*

Item 5. Other Information

- (b) There has been no material change to the procedures by which security holders may recommend nominees to the Company's board of directors.

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Item 6. Exhibits

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

EXHIBIT INDEX

**Exhibit
Number**

Description

- | Exhibit
Number | Description |
|---------------------------|--|
| 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 Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, as amended as set forth in Exhibit 3.01 to Libbey Inc.'s Form 8-K filed February 7, 2005, both of which filings are incorporated herein by reference). |
| 4.1 | Warrant, issued June 16, 2006. (filed as Exhibit 4.7 to Registrant's Form 8-K filed June 21, 2006 and incorporated herein by reference). |
| 4.2 | Amended and Restated Registration Rights Agreement, dated October 28, 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). |
| 4.3 | Series I Warrant, issued October 28, 2009 (filed as Exhibit 4.3 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference). |
| 4.4 | Amendment 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). |
| 4.5 | New Notes Indenture, dated February 8, 2010, among Libbey Glass Inc., Libbey Inc., the domestic subsidiaries of Libbey Glass Inc. listed as guarantors therein, and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (filed as Exhibit 4.2 to Libbey Inc.'s Current Report on Form 8-K filed on February 12, 2010 and incorporated herein by reference). |
| 4.6 | Registration Rights Agreement, dated February 8, 2010, among Libbey Glass Inc., Libbey Inc., and the domestic subsidiaries of Libbey Glass Inc. listed as guarantors (filed as Exhibit 4.4 to Libbey Inc.'s Current Report on Form 8-K filed on February 12, 2010 and incorporated herein by reference). |
| 4.7 | Intercreditor Agreement, dated February 8, 2010, among Libbey Glass Inc., Libbey Inc., and the domestic subsidiaries of Libbey Glass Inc. listed as guarantors (filed as Exhibit 4.5 to Libbey Inc.'s Current Report on Form 8-K filed on February 12, 2010 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). |
| 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

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Exhibit Number	Description
	the year ended December 31, 1999 and incorporated herein by reference).
10.8	Stock Promissory Sale and Purchase Agreement between VAA Vista Alegre Atlantis SGPS, SA and Libbey Europe B.V. dated January 10, 2005 (filed as Exhibit 10.76 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
10.9	RMB Loan Contract between Libbey Glassware (China) Company Limited and China Construction Bank Corporation Langfang Economic Development Area Sub-branch entered into January 23, 2006 (filed as exhibit 10.75 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
10.10	Guarantee Contract executed by Libbey Inc. for the benefit of China Construction Bank Corporation Langfang Economic Development Area Sub-branch (filed as exhibit 10.76 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference).
10.11	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).
10.12	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).
10.13	2006 Omnibus Incentive Plan of Libbey Inc. (filed as Exhibit 10.1 to Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference).
10.14	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).
10.15	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).
10.16	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).
10.17	Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and John F. Meier (filed as exhibit 10.29 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.18	Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and Richard I. Reynolds (filed as exhibit 10.30 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
10.19	Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and Gregory T. Geswein (filed as exhibit 10.31 to Libbey Inc. s Annual Report on Form 10-K for the year

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ended December 31, 2008 and incorporated herein by reference).

- 10.20 Form of Amended and Restated Employment Agreement dated as of December 31, 2008 between Libbey Inc. and the respective executive officers identified on Appendix 1 thereto (filed as exhibit 10.32 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
- 10.21 Amended and restated change in control agreement dated as of December 31, 2008 between Libbey Inc. and John F. Meier (filed as exhibit 10.33 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
- 10.22 Form of amended and restated change in control agreement dated as of December 31, 2008 between Libbey Inc. and the respective executive officers identified on Appendix 1 thereto (filed as exhibit 10.34 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
- 10.23 Form of amended and restated change in control agreement dated as of December 31, 2008 between Libbey Inc. and the respective individuals identified on Appendix 1 thereto (filed as exhibit 10.35 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
- 10.24 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).
- 10.25 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).
- 10.26 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).
- 10.27 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).
- 10.28 Employment Agreement dated as of January 1, 2010 between Libbey Inc. and Roberto B. Rubio (filed as exhibit 10.39 to

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Exhibit Number	Description
	Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference).
10.29	Change in control agreement dated as of January 1, 2010 between Libbey Inc. and Roberto B. Rubio (filed as exhibit 10.40 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference).
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).

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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: July 30, 2010

By /s/ Richard I. Reynolds
Richard I. Reynolds,
Executive Vice President, Chief
Financial Officer

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