

LIBBEY INC  
Form 10-Q  
May 10, 2011

**Table of Contents**

**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 March 31, 2011**

**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 19,833,046 shares at April 29, 2011.

**TABLE OF CONTENTS**

<u>Item 1. Financial Statements</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u>	4
<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	5
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	6
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	7
<u>1. Description of the Business</u>	7
<u>2. Significant Accounting Policies</u>	7
<u>3. Balance Sheet Details</u>	10
<u>4. Borrowings</u>	11
<u>5. Special Charges</u>	15
<u>6. Income Taxes</u>	16
<u>7. Pension and Non-pension Postretirement Benefits</u>	17
<u>8. Net (Loss) Income per Share of Common Stock</u>	17
<u>9. Derivatives</u>	18
<u>10. Comprehensive Income</u>	21
<u>11. Condensed Consolidated Guarantor Financial Statements</u>	21
<u>12. Segments</u>	27
<u>13. Fair Value</u>	28
<u>14. Other income (expense)</u>	28
<u>15. Subsequent Events</u>	29
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>Item 3. Qualitative and Quantitative Disclosures about Market Risk</u>	38
<u>Item 4. Controls and Procedures</u>	39
<u>PART II OTHER INFORMATION</u>	39
<u>Item 1A. Risk Factors</u>	40
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
<u>Item 6. Exhibits</u>	42
<u>EXHIBIT INDEX</u>	42
<u>SIGNATURES</u>	45
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

**Table of Contents**

**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 period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The balance sheet at December 31, 2010 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, 2010.

**Table of Contents**

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

	<b>Three months ended March</b>	
	<b>31,</b>	
	<b>2011</b>	<b>2010</b>
Net sales	\$ 181,015	\$ 173,904
Freight billed to customers	411	434
<b>Total revenues</b>	<b>181,426</b>	<b>174,338</b>
Cost of sales	145,280	140,461
<b>Gross profit</b>	<b>36,146</b>	<b>33,877</b>
Selling, general and administrative expenses	25,402	22,824
Special charges	51	232
<b>Income from operations</b>	<b>10,693</b>	<b>10,821</b>
(Loss) gain on redemption of debt	(2,803)	56,792
Other income (expense)	3,006	(763)
<b>Earnings before interest and income taxes</b>	<b>10,896</b>	<b>66,850</b>
Interest expense	11,583	9,620
<b>(Loss) income before income taxes</b>	<b>(687)</b>	<b>57,230</b>
Provision for income taxes	314	1,820
<b>Net (loss) income</b>	<b>\$ (1,001)</b>	<b>\$ 55,410</b>
<b>Net (loss) income per share:</b>		
Basic	\$ (0.05)	\$ 3.44
Diluted	\$ (0.05)	\$ 2.76
Dividends per share	\$	\$

See accompanying notes

4

**Table of Contents**

LIBBEY INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(dollars in thousands, except share amounts)

	<b>March 31, 2011 (unaudited)</b>	<b>December 31, 2010</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,112	\$ 76,258
Accounts receivable net	94,222	92,101
Inventories net	165,081	148,146
Prepaid and other current assets	10,185	6,437
<b>Total current assets</b>	<b>282,600</b>	<b>322,942</b>
Pension asset	13,969	12,767
Purchased intangible assets net	23,095	23,134
Goodwill	169,340	169,340
Derivative asset	1,999	2,589
Other assets	16,109	17,802
Total other assets	224,512	225,632
Property, plant and equipment net	271,761	270,397
<b>Total assets</b>	<b>\$ 778,873</b>	<b>\$ 818,971</b>
<b>Liabilities and Shareholders Equity</b>		
Accounts payable	\$ 60,164	\$ 59,095
Salaries and wages	28,816	32,087
Accrued liabilities	42,991	51,211
Accrued special charges	623	768
Accrued income taxes		3,121
Pension liability (current portion)	2,372	2,330
Non-pension postretirement benefits (current portion)	5,017	5,017
Derivative liability	3,222	3,392
Long-term debt due within one year	3,329	3,142
<b>Total current liabilities</b>	<b>146,534</b>	<b>160,163</b>
Long-term debt	408,742	443,983
Pension liability	116,427	115,521
Non-pension postretirement benefits	68,697	67,737
Deferred income taxes	8,661	8,376
Other long-term liabilities	9,525	11,925
<b>Total liabilities</b>	<b>758,586</b>	<b>807,705</b>

**Shareholders equity**

Common stock, par value \$.01 per share, 50,000,000 shares authorized, 19,833,046 shares issued at March 31, 2011 and 19,682,506 at December 31, 2010		198		197
Capital in excess of par value (includes warrants of \$1,034 based on 485,309 shares at March 31, 2011 and at December 31, 2010)		301,391		300,692
Retained deficit		(179,678)		(178,677)
Accumulated other comprehensive loss		(101,624)		(110,946)
<b>Total shareholders equity</b>		20,287		11,266
<b>Total liabilities and shareholders equity</b>	\$	778,873	\$	818,971

See accompanying notes

5

**Table of Contents**

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

	<b>Three months ended March</b>	
	<b>31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating activities:</b>		
Net (loss) income	\$ (1,001)	\$ 55,410
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	10,881	10,386
(Gain) loss on asset sales	(3,360)	80
Change in accounts receivable	(586)	(6,516)
Change in inventories	(14,741)	(10,904)
Change in accounts payable	(667)	(4,402)
Accrued interest and amortization of discounts, warrants and finance fees	(8,653)	5,206
Gain on redemption of new PIK notes		(70,193)
Payment of interest on new PIK notes		(29,400)
Call premium on senior notes and floating rate notes	1,203	8,415
Write-off of finance fees & discounts on senior notes, old ABL & floating rate notes	1,600	4,986
Pension & non-pension postretirement benefits	3,451	3,005
Restructuring charges	(145)	(431)
Accrued liabilities & prepaid expenses	(8,267)	(9,307)
Accrued income taxes	(4,303)	(3,644)
Share-based compensation expense	827	446
Other operating activities	681	698
<b>Net cash used in operating activities</b>	<b>(23,080)</b>	<b>(46,165)</b>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(8,506)	(4,148)
Call premium on senior notes and floating rate notes	(1,203)	(8,415)
Proceeds from asset sales and other	4,602	
<b>Net cash used in investing activities</b>	<b>(5,107)</b>	<b>(12,563)</b>
<b>Financing activities:</b>		
Net borrowings on ABL credit facility	4,350	
Other repayments	(48)	(45)
Other borrowings		801
Floating rate note payments		(306,000)
Senior note payments	(40,000)	
PIK note payment		(51,031)
Proceeds from senior secured notes		392,328
Stock options exercised	475	
Debt issuance costs	(116)	(14,033)



<b>Net cash (used in) provided by financing activities</b>	(35,339)	22,020
Effect of exchange rate fluctuations on cash	380	(354)
Decrease in cash	(63,146)	(37,062)
Cash at beginning of period	76,258	55,089
<b>Cash at end of period</b>	<b>\$ 13,112</b>	<b>\$ 18,027</b>

**Supplemental disclosure of cash flows information:**

Cash paid during the period for interest	\$ 20,171	\$ 5,017
Cash paid during the period for income taxes	\$ 4,480	\$ 4,934

**Supplemental disclosure of non-cash financing activities:**

During the first quarter of 2010, our 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

**Table of Contents**

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 owned and operated a plastics plant in Wisconsin. On April 28, 2011, we sold substantially all of the assets of our plastics plant, Traex, to the Vollrath Company. See note 15 for a further discussion of this subsequent event. 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](http://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](http://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, 2010 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 31<sup>st</sup>. All material intercompany accounts and transactions have been eliminated. The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from management's estimates.

***Condensed Consolidated Statements of Operations***

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

***Foreign Currency Translation***

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

**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, China, the Netherlands and Portugal we have recorded valuation allowances against our deferred income tax assets.

***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 ended March 31, 2011 and March 31, 2010 was \$0.8 million and \$0.4 million, respectively.

***New Accounting Standards***

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. See note 13 for a description of the levels. In addition, ASU 2010-06 clarifies increases in 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 were effective for Libbey in the first quarter of 2011. The adoption of ASU 2010-06 did not impact our disclosures to our Condensed Consolidated Financial Statements, as we do have any items classified as Level 3 nor amounts transferring between the various Levels.

In April 2010, the FASB issued Accounting Standards Update 2010-13, *Compensation - Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades* A consensus of the FASB Emerging Issues Task Force (ASU 2010-13). The provisions of ASU 2010-13 affect entities with equity awards that, because of their characteristics, have been classified as liabilities. This guidance applies to interim and annual periods beginning after December 15, 2010, and did not impact our Condensed Consolidated Financial Statements as our stock awards are classified as equity.

In July 2010, the FASB issued Accounting Standards Update 2010-20, *Receivables (Topic 310): Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-20). The amendments in this update affect all entities with financing receivables, generally excluding short-term trade accounts receivable or receivables measured at fair value or lower of cost or fair value. This update also requires additional disclosure of certain types of receivables, and disclosures of policies related to measurement and valuation of the receivables and related reserves. The effectiveness of this update was delayed until periods ending after June 15, 2011 by Update No. 2011-01. We do not expect the provisions of this update to have any impact on our Condensed Consolidated Financial Statements.

In December 2010, the FASB issued Accounting Standards Update 2010-28, *Intangibles - Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force)* (ASU 2010-28). ASU 2010-28 addresses the decision process involved in testing for impairment of goodwill when the carrying value of a reporting unit is zero or

less. The provisions of this update are effective for periods beginning after December 15, 2010. We do not expect the provisions of this update to have any impact on our Condensed Consolidated Financial Statements or on our process of testing for potential impairment of goodwill.

In December 2010, the FASB issued Accounting Standards Update 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB Emerging Issues Task Force) (ASU

**Table of Contents**

2010-29 ). ASU 2010-29 clarifies the extent to which pro forma historical information must be prepared and presented in comparative financial statements for periods following a merger or acquisition. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU 2010-29 also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. For Libbey, the required disclosures are effective for combinations with acquisition dates during or after 2011. The impact on our Condensed Consolidated Financial Statements will depend on the nature and timing of any potential future business combinations.

***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.

**Table of Contents****3. Balance Sheet Details**

The following table provides detail of selected balance sheet items:

(dollars in thousands)	March 31, 2011	December 31, 2010
<b>Accounts receivable:</b>		
Trade receivables	\$ 93,642	\$ 90,899
Other receivables	580	1,202
Total accounts receivable, less allowances of \$5,399 and \$5,518	\$ 94,222	\$ 92,101
<b>Inventories:</b>		
Finished goods	\$ 148,164	\$ 132,169
Work in process	752	653
Raw materials	4,643	4,444
Repair parts	9,932	9,496
Operating supplies	1,590	1,384
Total inventories, less allowances of \$4,769 and \$4,658	\$ 165,081	\$ 148,146
<b>Prepaid and other current assets:</b>		
Value added tax	\$ 2,113	\$ 1,332
Prepaid expenses	4,313	4,822
Refundable, deferred and prepaid income taxes	3,759	283
Total prepaid and other current assets	\$ 10,185	\$ 6,437
<b>Other assets:</b>		
Deposits	\$ 914	\$ 904
Finance fees net of amortization	11,293	13,012
Other assets	3,902	3,886
Total other assets	\$ 16,109	\$ 17,802
<b>Accrued liabilities:</b>		
Accrued incentives	\$ 17,142	\$ 15,060
Workers compensation	9,244	9,608
Medical liabilities	3,461	3,785
Interest	4,555	14,416
Commissions payable	981	904
Other accrued liabilities	7,608	7,438
Total accrued liabilities	\$ 42,991	\$ 51,211
<b>Other long-term liabilities:</b>		
Deferred liability	\$ 5,000	\$ 4,622
Other long-term liabilities	4,525	7,303

Total other long-term liabilities	\$ 9,525	\$ 11,925
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**Table of Contents****4. Borrowings**

As previously announced, on March 25, 2011, Libbey Glass redeemed an aggregate principal amount of \$40.0 million of its outstanding 10.0 percent Senior Secured Notes due 2015, on a pro rata basis in accordance with the terms of the New Notes Indenture. Pursuant to the terms of the New Notes Indenture, the redemption price for the Senior Secured Notes was 103.0 percent of the principal amount of the redeemed Senior Secured Notes, plus accrued and unpaid interest. At completion of the redemption, the aggregate principal amount of the Senior Secured Notes outstanding was \$360.0 million. In conjunction with this redemption, we recorded \$2.8 million of expense, representing \$1.2 million of an early call premium and \$1.6 million for the write off of a pro rata amount of financing fees and discounts.

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 New 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 New PIK notes and to pay certain related fees and expenses. Upon completion of the refinancing, we recorded a gain of \$71.7 million related to the redemption of the New PIK notes, of which \$70.2 million of this gain was recorded in the three months ended March 31, 2010. 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 \$58.3 million, of which \$56.8 million of this gain was recorded in the three months ended March 31, 2010 as shown on the Condensed Consolidated Statement of Operations.

Borrowings consist of the following:

(dollars in thousands)	Interest Rate	Maturity Date	March 31, 2011	December 31, 2010
Borrowings under ABL facility	floating	April 8, 2014	\$ 4,350	\$
Senior Secured Notes	10.00%(1)	February 15, 2015 April, 2011 to	360,000	400,000
Promissory note	6.00%	September, 2016 July, 2012 to	1,260	1,307
RMB loan contract	floating	January, 2014 December, 2011 to	38,175	37,925
BES Euro line	floating	December, 2013	11,632	10,934
Total borrowings			415,417	450,166
Less unamortized discount			5,332	6,307
Plus Carrying value adjustment on debt related to the Interest Rate Agreement (1)			1,986	3,266
Total borrowings net			412,071	447,125



Less long term debt due within one year	3,329	3,142
Total long-term portion of borrowings net	\$408,742	\$443,983

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

***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 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:

- 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:

**Table of Contents**

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 March 31, 2011. 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 March 31, 2011. No financial covenants or compensating balances are required by the Agreement. Libbey Europe had no borrowings under the facility at March 31, 2011, while Libbey Glass had outstanding borrowings of \$4.4 million, at an interest rate of 6.50 percent. There were no Libbey Glass or Libbey Europe borrowings under the facility at December 31, 2010. Interest is payable on the last day of the interest period, which can range from one month to six months depending on the maturity of each individual borrowing on the facility.

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

The available total borrowing base is offset by ERISA, rent and tax reserves totaling \$3.7 million and mark-to-market reserves for natural gas contracts of \$1.8 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 March 31, 2011, we had \$10.4 million in letters of credit outstanding under the ABL Facility. Remaining unused availability on the new ABL Facility was \$64.9 million at March 31, 2011 compared to \$65.2 million under the ABL Facility at December 31, 2010.

We amended the ABL Facility on April 29, 2011. See note 15 for a further discussion of this subsequent event.

***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 could restrict the ability of Libbey Glass and the Guarantors to, among other things:

**Table of Contents**

incur or guarantee additional indebtedness;

pay dividends or 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 bankruptcy or insolvency as defined in the New Notes Indenture, 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. On January 25, 2011, we exchanged \$400.0 million aggregate principal amount of 10.0 percent Senior Secured Notes due 2015 for an equal principal amount of a new issue of 10.0 percent Senior Secured Notes due 2015, which have been registered under the Securities act of 1933, as amended.

Prior to August 15, 2012, we may redeem in the aggregate up to 35 percent of the original principal amount of the 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.

As previously announced, on March 25, 2011, Libbey Glass redeemed an aggregate principal amount of \$40.0 million of its outstanding 10.0 percent Senior Secured Notes Due 2015, on a pro rata basis in accordance with the terms of the New Notes Indenture. Pursuant to the terms of the New Notes Indenture, the redemption price for the Senior Secured Notes was 103.0 percent of the principal amount of the redeemed Senior Secured Notes, plus accrued and unpaid interest. At completion of the redemption, the aggregate principal amount of the Senior Secured Notes outstanding was \$360.0 million. In conjunction with this redemption, we recorded \$2.8 million of expense, representing \$1.2 million of an early call premium and \$1.6 million for the write off of a pro rata amount of financing fees and discounts.

We have an Interest Rate Agreement (Rate Agreement) in place with respect to \$90.0 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 March 31, 2011, excluding applicable fees, is 7.60 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 March 31, 2011, by Standard and Poor's.

The fair market value for the Rate Agreement at March 31, 2011 and December 31, 2010 was a \$1.9 million asset and a \$2.5 million asset, respectively. An adjustment of \$2.0 million and \$3.3 million was recorded to increase the carrying value of the related long-term debt as of March 31, 2011 and December 31, 2010, respectively. The net impact of \$0.6 million income and \$0.2 million expense is

**Table of Contents**

recorded in other income (expense) on the Condensed Consolidated Statement of Operations for the three months ended March 31, 2011 and March 31, 2010, respectively. See note 9 for further discussion. 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 March 31, 2011, we had \$1.3 million outstanding on the promissory note. Interest with respect to the promissory note is paid monthly.

***Notes Payable***

We have an overdraft line of credit for a maximum of 1.0 million. At March 31, 2011, there were no borrowings under the facility, which has an interest rate of 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 \$38.2 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 March 31, 2011, the annual interest rate was 5.42 percent. As of March 31, 2011, the outstanding balance was RMB 250.0 million (approximately \$38.2 million). Interest is payable quarterly. Payments of principal in the amount of RMB 30.0 million (approximately \$4.6 million) and RMB 40.0 million (approximately \$6.1 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 \$9.2 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.

***BES Euro Line***

In January 2007, Crisal entered into a seven year, 11.0 million line of credit (approximately \$15.5 million) with Banco Espírito Santo, S.A. (BES). The \$11.6 million outstanding at March 31, 2011 was the U.S. dollar equivalent of the 8.3 million outstanding under the line at an interest rate of 3.77 percent. Payment of principal in the amount of 2.2 million (approximately \$3.1 million) is due in December 2011, payment of 2.8 million (approximately \$3.9 million) is due in December 2012 and payment of 3.3 million (approximately \$4.6 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 \$360.0 million Senior Secured Notes due February 15, 2015 had an estimated fair value of \$391.5 million at March 31, 2011. The fair value of the remainder of our debt approximates carrying value at March 31, 2011 due to variable interest rates.

***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 March 31, 2011 we had \$4.4 million outstanding under our ABL Facility, and we had \$10.4 million of letters of credit issued under that facility. As a result, we had \$64.9 million of unused availability remaining under the ABL Facility at March 31, 2011. In addition, we had \$13.1 million of cash on hand at March 31, 2011.

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



**Table of Contents****5. Special Charges****Facility Closures**

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, 2010 for further discussion.

We incurred additional charges of approximately \$0.1 million in the three months ended March 31, 2011 related to our Syracuse China facility closure, primarily related to other costs net of building site clean-up adjustments in connection with the sale of the property in Syracuse, New York in March 2011. This amount was included in special charges on the Condensed Consolidated Statements of Operations in the Other Operations segment as detailed in the table below.

We incurred additional charges of approximately \$0.4 million in the three months ended March 31, 2010 related to these closures. Special charges of \$0.2 million were primarily related to employee termination and building site clean up costs. This amount was included in special charges on the Condensed Consolidated Statement of Operations in the Glass Operations and Other Operations segments as detailed in the table below.

Other income (expense) on the Condensed Consolidated Statement of Operations included a charge of \$0.1 million for the first quarter of 2010, for the change in fair value of ineffective natural gas hedges related to our Syracuse China operation. This amount was included in the Other Operations segment.

The following table summarizes the facility closure charges in the first quarter of 2011 and 2010:

(dollars in thousands)	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Glass Operations	Other Operations	Total	Glass Operations	Other Operations	Total
Employee termination cost & other	\$	\$ 167	\$ 167	\$ 29	\$ 76	\$ 105
Building site clean-up & fixed asset write-down		(116)	(116)		127	127
Included in special charges		51	51	29	203	232
Ineffectiveness of natural gas hedge					130	130
Included in other (income) expense					130	130
Total pretax charge	\$	\$ 51	\$ 51	\$ 29	\$ 333	\$ 362

The following reflects the balance sheet activity related to the facility closure charge for the quarter ended March 31, 2011:

(dollars in thousands)	Reserve	Inventory			Reserve
	Balances at December 31, 2010	Total Charge to Earnings	Cash Payments	Fixed Asset Write Downs	Balances at March 31, 2011
				Non-cash Utilization	



Building site clean-up & fixed asset write-down	\$	151	\$	(116)	\$	(5)	\$	21	\$		\$	51
Employee termination cost & other		301		167		(140)				(72)		256
Total	\$	452	\$	51	\$	(145)	\$	21	\$	(72)	\$	307

The ending balance of \$0.3 million at March 31, 2011 was included in accrued special charges on the Condensed Consolidated Balance Sheets. 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:

**Table of Contents**

(dollars in thousands)	Glass Operations	Other Operations	Charges To Date
Inventory write-down	\$ 192	\$ 10,541	\$ 10,733
Pension & postretirement welfare		4,448	4,448
Fixed asset depreciation		966	966
Included in cost of sales	192	15,955	16,147
Employee termination cost & other	548	6,149	6,697
Building site clean-up & fixed asset write-down	177	10,418	10,595
Included in special charges	725	16,567	17,292
Ineffectiveness of natural gas hedge		745	745
Included in other (income) expense		745	745
Total pretax charge to date	\$ 917	\$ 33,267	\$ 34,184

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

**Fixed Asset and Inventory Write-down**

In August 2010, we wrote down decorating assets in our Shreveport, Louisiana facility as a result of our decision to outsource our U.S. decorating business. See Form 10-K for the year ended December 31, 2010 for further discussion. There were no additional charges for the three months ended March 31, 2011.

There was no balance sheet activity for the three months ended March 31, 2011. The ending balance of \$0.3 million at March 31, 2011 was included in accrued special charges on the Condensed Consolidated Balance Sheets and we expect this to result in cash payments during the remainder of 2011.

**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 tax planning structures. At March 31, 2011 and December 31, 2010, we had \$1.3 million and \$1.1 million, respectively, of gross unrecognized tax benefits, exclusive of interest and penalties.

FASB ASC 740-20, *Income Taxes - Intraproduct Tax Allocation*, requires that the provision for income taxes be allocated between continuing operations and other categories of earnings (such as discontinued operations or other comprehensive income) for each tax jurisdiction. In periods in which there is a year-to-date pre-tax loss from continuing operations and pre-tax income in other categories of earnings, the tax provision is first allocated to the other categories of earnings. A related tax benefit is then recorded in continuing operations. Included in our income tax provision is a tax benefit of \$0.9 million for the three months ended March 31, 2011. There was no tax benefit recorded for the three months ended March 31, 2010. Depending upon the level of our future earnings and losses and their impact on other comprehensive income, it is possible that these tax adjustments may change or even reverse in future periods.

Further, our current and future provision for income taxes for 2011 is significantly impacted by valuation allowances. In the United States, China, the Netherlands and Portugal we have recorded valuation allowances against our deferred income tax assets. For the three months ended March 31, 2011 we did not release any valuation allowance. For the three months ended March 31, 2010, we reduced our valuation allowance by \$1.1 million. The release of valuation in 2010 was related to net operating losses in Mexico that were utilized. 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 are unusual, infrequent, or extraordinary items 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.

Total income tax payments at March 31, 2011, were \$6.6 million, which consisted of \$4.5 million in cash and \$2.1 million in credits or offsets. Total income tax payments at March 31, 2010, were \$5.6 million, which consisted of \$4.9 million in cash and \$0.7 million in credits or offsets.

**Table of Contents****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 and employees hired at Toledo after September 30, 2010). 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:

Three months ended March 31, (dollars in thousands)	U.S. Plans		Non-U.S. Plans		Total	
	2011	2010	2011	2010	2011	2010
Service cost	\$ 1,432	\$ 1,450	\$ 428	\$ 396	\$ 1,860	\$ 1,846
Interest cost	4,088	4,061	1,260	1,162	5,348	5,223
Expected return on plan assets	(4,313)	(4,186)	(565)	(665)	(4,878)	(4,851)
Amortization of unrecognized:						
Prior service cost	541	582	82	30	623	612
Loss	1,218	978	126	101	1,344	1,079
Pension expense	\$ 2,966	\$ 2,885	\$ 1,331	\$ 1,024	\$ 4,297	\$ 3,909

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 (excluding employees hired at Shreveport after 2008 and employees hired at Toledo after September 30, 2010). Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Benefits for most hourly retirees are determined by collective bargaining. The U.S. non-pension postretirement plans cover the hourly and salaried U.S.-based employees of Libbey (excluding those mentioned above). The non-U.S. non-pension postretirement plans cover the retirees and active employees of Libbey who are located in Canada. The postretirement benefit plans are not funded.

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

Three months ended March 31, (dollars in thousands)	U.S. Plans		Non-U.S. Plans		Total	
	2011	2010	2011	2010	2011	2010
Service cost	\$ 373	\$ 389	\$	\$	\$ 373	\$ 389
Interest cost	925	918	29	31	954	949
Amortization of unrecognized:						
Prior service loss (gain)	105	(2)			105	(2)
Loss / (gain)	290	236	(4)	(7)	286	229
Non-pension postretirement benefit expense	\$ 1,693	\$ 1,541	\$ 25	\$ 24	\$ 1,718	\$ 1,565

In 2011, we expect to utilize approximately \$31.5 million to fund our pension plans and pay for non-pension postretirement benefits. Of that amount, \$3.6 million was utilized in the three months ended March 31, 2011. 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. 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. 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 (Loss) Income per Share of Common Stock**

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

17

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**Table of Contents**

<b>(dollars in thousands, except earnings per share)</b>	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Numerators for earnings per share</b>		
Net (loss) income that is available to common shareholders	\$ (1,001)	\$ 55,410
<b>Denominator for basic earnings per share</b>		
Weighted average shares outstanding	19,955,188	16,123,555
Effect of stock options and restricted stock units		497,689
Effect of warrants		3,463,664
Total effect of dilutive securities (1)		3,961,353
<b>Denominator for diluted earnings per share</b>		
Adjusted weighted average shares and assumed conversions	19,955,188	20,084,908
<b>Basic (loss) income per share:</b>	<b>\$ (0.05)</b>	<b>\$ 3.44</b>
<b>Diluted (loss) income per share:</b>	<b>\$ (0.05)</b>	<b>\$ 2.76</b>

(1) *The effect of employee stock options, warrants and restricted stock units (796,949 shares for the three months ended March 31, 2011), 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.*

In October 2009, we entered into a transaction with Merrill Lynch PCG, Inc. (the Investor) to exchange the existing 16.0 percent Old PIK Notes due in December 2011, for a combination of debt and equity securities (Exchange Transaction). As part of the Exchange Transaction, we issued warrants conveying the right to purchase, for \$0.01 per share, 3,466,856 shares of Libbey Inc. common stock. These warrants were exercised and shares were issued in August, 2010.

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.

**9. Derivatives**

We utilize derivative financial instruments to manage our interest rate exposure associated with our long-term debt, to hedge 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 hedge 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:

<b>(dollars in thousands)</b> Derivatives designated as hedging instruments under FASB ASC 815:	<b>Asset Derivatives:</b>			
	<b>March 31, 2011</b>		<b>December 31, 2010</b>	
	Balance Sheet Location:	Fair Value	Balance Sheet Location:	Fair Value
Interest rate contracts	Derivative asset	\$ 1,891	Derivative asset	\$ 2,536
Natural gas contracts	Derivative asset	108	Derivative asset	53
Total designated		\$ 1,999		\$ 2,589

**Table of Contents**

(dollars in thousands)	<b>Liability Derivatives:</b>			
	<b>March 31, 2011</b>		<b>December 31, 2010</b>	
<b>Derivatives designated as hedging instruments under FASB ASC 815:</b>	<b>Balance Sheet Location</b>	<b>Fair Value</b>	<b>Balance Sheet Location</b>	<b>Fair Value</b>
	Derivative liability	Value	Derivative liability	Value
Natural gas contracts		\$ 2,491		\$ 3,117
Total designated		2,491		3,117
<b>Derivatives not designated as hedging instruments under FASB ASC 815:</b>				
Natural gas contracts	Derivative liability	126	Derivative liability	124
Currency contracts	Derivative liability	605	Derivative liability	151
Total undesignated		731		275
Total		\$ 3,222		\$ 3,392

***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. In August 2010, \$10.0 million of the swap was called for a premium of \$0.3 million. As of March 31, 2011 the notional amount of the interest rate swap agreement is \$90.0 million.

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 (expense) on the Condensed Consolidated Statements of Operations along with the offsetting loss or gain on the related interest rate swap.

**Amount of gain (loss) recognized in other income (expense)**

(dollars in thousands)	<b>Three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Interest rate swap	\$ (644)	\$ (885)
Related long-term debt	1,280	722
Net impact on other income (expense)	\$ 636	\$ (163)

***Commodity Future Contracts Designated as Cash Flow Hedges***

We use commodity futures contracts related to forecasted future North American natural gas requirements. The objective of these futures contracts 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. Under FASB ASC 815, Derivatives and Hedging, when the forecasted transactions of a hedging relationship become not probable of occurring, the gains or losses that have been classified in accumulated other comprehensive loss in prior periods for those contracts affected should be reclassified into earnings. We recognized an immaterial amount and \$0.1 million for the three months ended March 31, 2011 and 2010, respectively, in other income (expense) on the Condensed Consolidated Statements of Operations relating to these contracts. As of March 31,

**Table of Contents**

2011, we had commodity contracts for 2,910,000 million British Thermal Units (BTUs) of natural gas. At December 31, 2010, we had commodity contracts for 3,090,000 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 March 31, 2011. Hedge accounting is applied only when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable to occur, and any previously deferred gains or losses would be recorded to earnings immediately. Changes in the effective portion of the fair value of these hedges are recorded in other comprehensive income (loss). The ineffective portion of the change in the fair value of a derivative designated as a cash flow hedge is recognized in current earnings. As the natural gas contracts mature, the accumulated gains (losses) for the respective contracts are reclassified from accumulated other comprehensive loss to current expense in cost of sales in our Condensed Consolidated Statements of Operations. We paid additional cash of \$0.8 million and \$1.3 million in the three months ended March 31, 2011 and 2010, 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 \$2.5 million of expense in our Condensed Consolidated Statements of Operations.

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

(dollars in thousands)	Three months ended March 31,	
	2011	2010
Derivatives in Cash Flow Hedging relationships:		
Natural gas contracts	\$ (149)	\$ (4,421)
Total	\$ (149)	\$ (4,421)

**Gain / (loss) reclassified from Accumulated Other Comprehensive Loss to Condensed Consolidated Statements of Operations (effective portion)**

(dollars in thousands)	Location:	Three months ended March 31,	
		2011	2010
Derivative:	Cost of sales		
Natural gas contracts		\$ (829)	\$ (759)
Total impact on net (loss) income		\$ (829)	\$ (759)

The following table provides the impact on the Condensed Consolidated Statements of Operations from derivatives no longer designated as cash flow hedges 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)	Location:	Three months ended March 31,	
		2011	2010
Derivative:			

Natural gas contracts	Other income (expense)	\$	(1)	\$	(130)
Total		\$	(1)	\$	(130)

***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. During 2010, we entered into a series of foreign currency contracts to sell Canadian dollars. As of March 31, 2011 and December 31, 2010, we had contracts for \$21.9 million Canadian dollars and \$18.7 million Canadian dollars, respectively.

**Table of Contents**

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

<b>(dollars in thousands)</b>		<b>Three months ended</b>	
		<b>2011</b>	<b>2010</b>
Derivative:	Location:		
	Other income		
Currency contracts	(expense)	\$ (454)	\$
Total		\$ (454)	\$

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 counterparties to the other derivative agreements as March 31, 2011, by Standard and Poor's.

**10. Comprehensive Income**

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

<b>(dollars in thousands)</b>	<b>Three months ended</b>	
	<b>2011</b>	<b>2010</b>
Net (loss) income	\$ (1,001)	\$ 55,410
Effect of derivatives, net of tax	614	(2,158)
Minimum pension and non-pension retirement liability and intangible pension asset, net of tax	2,112	1,578
Effect of exchange rate fluctuations	6,596	(6,514)
Total comprehensive income	\$ 8,321	\$ 48,316

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

<b>(dollars in thousands)</b>	<b>Effect of</b>	<b>Cash</b>	<b>Minimum</b>	<b>Total</b>
	<b>Exchange</b>	<b>Flow</b>	<b>Non-Pension</b>	<b>Accumulated</b>
	<b>Rate</b>	<b>Derivatives</b>	<b>and Intangible</b>	<b>Comprehensive</b>
	<b>Fluctuation</b>		<b>Pension Asset</b>	<b>Loss</b>
Balance on December 31, 2010	\$ (2,661)	\$ (1,121)	\$ (107,164)	\$ (110,946)
2011 change	6,596	716	2,362	9,674
Translation effect		(36)	(412)	(448)
Tax effect		(66)	162	96

Balance on March 31, 2011	\$ 3,935	\$ (507)	\$ (105,052)	\$ (101,624)
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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 periods ended March 31, 2011 and March 31, 2010.

**Table of Contents**

At March 31, 2011, December 31, 2010 and March 31, 2010, 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. and LGAC 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.

**Table of Contents**

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

	<b>Three months ended March 31, 2011</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$	90,569	19,756	83,344	(12,654)	\$ 181,015
Freight billed to customers		151	194	66		411
Total revenues		90,720	19,950	83,410	(12,654)	181,426
Cost of sales		74,863	14,870	68,201	(12,654)	145,280
Gross profit		15,857	5,080	15,209		36,146
Selling, general and administrative expenses		13,940	2,282	9,180		25,402
Special charges			51			51
Income from operations		1,917	2,747	6,029		10,693
Other (expense) income		(2,555)	34	2,724		203
Earnings before interest and income taxes		(638)	2,781	8,753		10,896
Interest expense		8,793		2,790		11,583
Earnings before income taxes		(9,431)	2,781	5,963		(687)
Provision (benefit) for income taxes		(622)	72	864		314
Net income		(8,809)	2,709	5,099		(1,001)
Equity in net (loss) income of subsidiaries	(1,001)	7,808			(6,807)	
Net income (loss)	\$(1,001)	\$ (1,001)	\$ 2,709	\$ 5,099	\$ (6,807)	\$ (1,001)

The following represents the total special items included in the above Condensed Consolidated Statement of Operations (see notes 4, 5 and 14):

	<b>Three months ended March 31, 2011</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>

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Special charges	\$	\$	\$ 51	\$	\$	\$ 51
Other expense (income)		2,803		(3,445)		(642)
Total pretax special items		2,803	51	(3,445)		(591)
Provision for income taxes				922		922
Special items net of tax	\$	\$2,803	\$ 51	\$(2,523)	\$	\$ 331



**Table of Contents**

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

	<b>Three months ended March 31, 2010</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net sales	\$	\$86,163	\$19,562	\$81,067	\$(12,888)	\$173,904
Freight billed to customers		166	214	54		434
Total revenues		86,329	19,776	81,121	(12,888)	174,338
Cost of sales		71,556	14,107	67,686	(12,888)	140,461
Gross profit		14,773	5,669	13,435		33,877
Selling, general and administrative expenses		12,406	2,166	8,252		22,824
Special charges		29	203			232
Income (loss) from operations		2,338	3,300	5,183		10,821
Other income (expense)		55,992	(148)	185		56,029
Earnings (loss) before interest and income taxes		58,330	3,152	5,368		66,850
Interest expense		8,478		1,142		9,620
Earnings (loss) before income taxes		49,852	3,152	4,226		57,230
Provision (benefit) for income taxes		20	144	1,656		1,820
Net income (loss)		49,832	3,008	2,570		55,410
Equity in net income (loss) of subsidiaries	55,410	5,578			(60,988)	
Net income (loss)	\$55,410	\$55,410	\$ 3,008	\$ 2,570	\$(60,988)	\$ 55,410

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

	<b>Three months ended March 31, 2010</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>

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Special charges	\$	\$ 29	\$ 203	\$	\$	\$ 232
Other expense (income)		(56,792)	130			(56,662)
Total pretax special items	\$	\$(56,763)	\$ 333	\$	\$	\$(56,430)
Special items net of tax	\$	\$(56,763)	\$ 333	\$	\$	\$(56,430)

**Table of Contents**

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

	<b>March 31, 2011 (unaudited)</b>					<b>Consolidated</b>
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	
Cash and equivalents	\$	\$ (229)	\$ 187	\$ 13,154	\$	\$ 13,112
Accounts receivable net		36,756	6,585	50,881		94,222
Inventories net		55,624	20,906	88,551		165,081
Other current assets		19,710	3,375	9,506	(22,406)	10,185
Total current assets		111,861	31,053	162,092	(22,406)	282,600
Other non-current assets		17,746		33,333	(19,002)	32,077
Investments in and advances to subsidiaries	20,287	362,737	190,278	(30,711)	(542,591)	
Goodwill and purchased intangible assets net		26,833	15,759	149,843		192,435
Total other assets	20,287	407,316	206,037	152,465	(561,593)	224,512
Property, plant and equipment net		70,790	4,170	196,801		271,761
Total assets	\$20,287	\$589,967	\$241,260	\$511,358	\$(583,999)	\$778,873
Accounts payable	\$	\$ 11,384	\$ 3,207	\$ 45,573	\$	\$ 60,164
Accrued and other current liabilities		48,262	24,855	33,946	(24,022)	83,041
Notes payable and long-term debt due within one year		227		3,102		3,329
Total current liabilities		59,873	28,062	82,621	(24,022)	146,534
Long-term debt		362,036		46,706		408,742
Other long-term liabilities		150,191	14,232	56,273	(17,386)	203,310
Total liabilities		572,100	42,294	185,600	(41,408)	758,586
Total shareholders equity (deficit)	20,287	17,867	198,966	325,758	(542,591)	20,287
	\$20,287	\$589,967	\$241,260	\$511,358	\$(583,999)	\$778,873

Total liabilities and  
shareholders' equity  
(deficit)

	<b>December 31, 2010</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Cash and equivalents	\$	\$ 58,277	\$ 293	\$ 17,688	\$	\$ 76,258
Accounts receivable net		37,099	5,360	49,642		92,101
Inventories net		52,398	19,902	75,846		148,146
Other current assets		(2,634)	10,960	10,518	(12,407)	6,437
Total current assets		145,140	36,515	153,694	(12,407)	322,942
Other non-current assets		8,344	2,779	41,169	(19,134)	33,158
Investments in and advances to subsidiaries	11,266	360,784	189,171	(32,151)	(529,070)	
Goodwill and purchased intangible assets net		26,833	15,761	149,880		192,474
Total other assets	11,266	395,961	207,711	158,898	(548,204)	225,632
Property, plant and equipment net		72,892	4,862	192,643		270,397
Total assets	\$ 11,266	\$ 613,993	\$ 249,088	\$ 505,235	\$ (560,611)	\$ 818,971
Accounts payable	\$	\$ 13,514	\$ 2,926	\$ 42,655	\$	\$ 59,095
Accrued and other current liabilities		48,092	27,811	34,430	(12,407)	97,926
Notes payable and long-term debt due within one year		227		2,915		3,142
Total current liabilities		61,833	30,737	80,000	(12,407)	160,163
Long-term debt		398,039		45,944		443,983
Other long-term liabilities		131,100	21,964	69,629	(19,134)	203,559
Total liabilities		590,972	52,701	195,573	(31,541)	807,705
Total shareholders equity (deficit)	11,266	23,021	196,387	309,662	(529,070)	11,266
Total liabilities and shareholders' equity	\$ 11,266	\$ 613,993	\$ 249,088	\$ 505,235	\$ (560,611)	\$ 818,971

(deficit)

**Table of Contents**

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

	<b>Three months ended March 31, 2011</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net income (loss)	\$(1,001)	\$ (1,001)	\$ 2,709	\$ 5,099	\$(6,807)	\$ (1,001)
Depreciation and amortization		3,808	198	6,875		10,881
Other operating activities	1,001	(22,959)	(3,510)	(14,299)	6,807	(32,960)
Net cash provided by (used in) operating activities		(20,152)	(603)	(2,325)		(23,080)
Additions to property, plant & equipment		(1,812)	(3)	(6,691)		(8,506)
Other investing activities		(1,203)	500	4,102		3,399
Net cash (used in) investing activities		(3,015)	497	(2,589)		(5,107)
Net borrowings		(35,698)				(35,698)
Other financing activities		359				359
Net cash provided by (used in) financing activities		(35,339)				(35,339)
Exchange effect on cash				380		380
Increase (decrease) in cash		(58,506)	(106)	(4,534)		(63,146)
Cash at beginning of period		58,277	293	17,688		76,258
Cash at end of period	\$	\$ (229)	\$ 187	\$ 13,154	\$	\$ 13,112

	<b>Three months ended March 31, 2010</b>					
	<b>Libbey Inc. (Parent)</b>	<b>Libbey Glass (Issuer)</b>	<b>Subsidiary Guarantors</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>

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Net income (loss)	\$ 55,410	\$ 55,410	\$ 3,008	\$ 2,570	\$(60,988)	\$ 55,410
Depreciation and amortization		3,849	194	6,343		10,386
Other operating activities	(55,410)	(96,710)	(3,351)	(17,478)	60,988	(111,961)
Net cash provided by (used in) operating activities		(37,451)	(149)	(8,565)		(46,165)
Additions to property, plant & equipment		(1,099)		(3,049)		(4,148)
Other investing activities		(8,415)				(8,415)
Net cash (used in) investing activities		(9,514)		(3,049)		(12,563)
Net borrowings		35,252		801		36,053
Other financing activities		(14,033)				(14,033)
Net cash provided by (used in) financing activities		21,219		801		22,020
Exchange effect on cash				(354)		(354)
Increase (decrease) in cash		(25,746)	(149)	(11,167)		(37,062)
Cash at beginning of period		37,386	419	17,284		55,089
Cash at end of period	\$	\$ 11,640	\$ 270	\$ 6,117	\$	\$ 18,027

**Table of Contents****12. Segments**

We have revised our segment structure to reflect our reorganization from geographical regions to one global company. Under this new structure, we have two reportable segments: Glass Operations and Other Operations. The classifications are defined as follows:

Glass Operations includes worldwide sales of glass tableware and other glass products from domestic and international subsidiaries.

Other Operations includes worldwide sales of ceramic dinnerware, metal tableware, hollowware and serveware and plastic items.

Our measure of profit for our reportable segments is Segment Earnings before Interest and Taxes (EBIT) and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs. We use Segment EBIT, along with net sales and selected cash flow information, to evaluate performance and to allocate resources. Segment EBIT for reportable segments includes an allocation of some corporate expenses based on both a percentage of sales and direct billings based on the costs of services performed. Certain activities not related to any particular reportable segment are reported within retained corporate costs. These costs include certain headquarters administrative and facility costs and other costs that are global in nature and are not allocable to the reporting segments. Corporate assets primarily include finance fees, capitalized software and income tax assets.

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

(dollars in thousands)	Three months ended March	
	2011	31, 2010
<b>Net Sales:</b>		
Glass Operations	\$ 162,053	\$ 155,144
Other Operations	19,161	18,874
Eliminations	(199)	(114)
Consolidated Net Sales	\$ 181,015	\$ 173,904
<b>Segment EBIT:</b>		
Glass Operations	\$ 17,391	\$ 15,426
Other Operations	2,879	3,485
Total Segment EBIT	\$ 20,270	\$ 18,911
<b>Reconciliation of Segment EBIT to Net (Loss) Income:</b>		
Segment EBIT	\$ 20,270	\$ 18,911
Retained corporate costs	(9,965)	(8,491)
(Loss) gain on redemption of debt (note 4)	(2,803)	56,792
Gain on sale of land <sup>(1)</sup>	3,445	
Restructuring and other charges (note 5)	(51)	(362)
Interest expense	(11,583)	(9,620)
Tax provision	(314)	(1,820)
Net (loss) income	\$ (1,001)	\$ 55,410



**Depreciation & Amortization:**

Glass Operations	\$ 10,249	\$ 9,844
Other Operations	192	187
Corporate	440	355
Consolidated	\$ 10,881	\$ 10,386

**Capital Expenditures:**

Glass Operations	\$ 8,422	\$ 3,839
Other Operations	3	
Corporate	81	309
Consolidated	\$ 8,506	\$ 4,148

**Table of Contents**

(dollars in thousands)	March 31, 2011	December 31, 2010
<b>Segment Assets:</b>		
Glass Operations	\$710,156	\$752,058
Other Operations	47,076	45,944
Corporate	21,641	20,969
Total Assets	\$778,873	\$818,971

(1) Net gain on the sale of land at our Royal Leerdam facility.

**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 March 31, 2011				Fair Value at December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Commodity futures								
natural gas contracts	\$	\$(2,509)	\$	\$(2,509)	\$	\$(3,188)	\$	\$(3,188)
Currency contracts		(605)		(605)		(151)		(151)
Interest rate agreement		1,891		1,891		2,536		2,536
Net derivative liability	\$	\$(1,223)	\$	\$(1,223)	\$	\$ (803)	\$	\$ (803)

The fair values of our commodity futures natural gas contracts and currency contracts are determined using observable market inputs. 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. Since these inputs are observable in active markets over the terms that the instruments are held, the derivatives are classified as Level 2 in the hierarchy. We also evaluate Company and counterparty risk in determining fair values. The total derivative position is recorded on the Condensed Consolidated Balance Sheets with \$2.0 million in derivative asset and \$3.2 million in derivative liability as of March 31, 2011. As of December 31, 2010, \$2.6 million was recorded in derivative asset and \$3.4 million in derivative liability on the Condensed Consolidated Balance Sheets.

The commodity futures natural gas contracts and interest rate agreements 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.

**14. Other Income (Expense)**

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

<b>(dollars in thousands)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
Gain on sale of land at Royal Leerdam	\$ 3,445	\$
Loss on currency translation	(1,166)	(530)
Income (expense) on hedging activities	635	(293)
Other non-operating income	92	60
Other income (expense)	\$ 3,006	\$ (763)

**Table of Contents**

**15. Subsequent Events**

***Sale of Traex Unit***

On April 28, 2011, we closed on the sale of substantially all of the assets of our Traex subsidiary to the Vollrath Company. We expect to receive net proceeds of approximately \$13.0 million and to record a gain on the sale of between \$2.5 million and \$3.5 million during the second quarter of 2011.

***ABL Facility Amendment***

On April 29, 2011, Libbey Glass and Libbey Europe amended the ABL Facility dated February 8, 2010. The amendment, among other things:

reduces the amount of commitments available for revolving loans from \$110.0 million, but allows Libbey Glass and Libbey Europe the option to increase the loan facility by \$10.0 million;

extends the maturity from April 8, 2014 to April 29, 2016, and provides for a springing maturity date with respect to the credit facility to the extent that Libbey Glass 10 percent Senior Secured Notes due 2015 are not refinanced by November 17, 2014, subject to certain exceptions;

reduces pricing for all loans by 1.5 percent to 1.75 percent making the applicable margin spread for Eurocurrency Loans 1.75 percent to 2.0 percent and CBFRR Loans 0.75 percent to 1.0 percent; and

provides for a springing fixed charge coverage ratio covenant, requiring Libbey Glass and Libbey Europe to maintain an EBITDA to fixed charges ratio above 1.10:1.00 during periods when the amount of available commitments plus the loan parties cash and permitted investments falls below a certain threshold.

**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**

Economic market conditions continued to be challenging during the first quarter of 2011. Our sales have improved compared to the same period last year and our U.S. and Canadian retail glassware business has continued its strong performance. In addition, we have experienced solid net sales growth in our China sales region. Our U.S. and Canadian foodservice glassware business was negatively impacted by the severe winter weather in January and early February. On March 25, 2011, we redeemed an aggregate principal amount of \$40.0 million of our outstanding 10.0 percent Senior Secured Notes due 2015. Please see note 4 to the Condensed Consolidated Financial Statements for a further discussion of this transaction. Effective the first quarter of 2011, we reorganized from geographical regions to one global company. Under this new structure, we have two operating segments: Glass Operations and Other Operations. These operating segments are defined as follows:

Glass Operations includes worldwide sales of glass tableware and other glass operations from domestic and international subsidiaries.

Other Operations includes worldwide sales of ceramic dinnerware, metal tableware, hollowware and serveware and plastic items.

**Results of Operations First Quarter 2011 Compared with First Quarter 2010**

(dollars in thousands, except percentages and per-share amounts)	Three months ended		Variance	
	2011	2010	In dollars	In percent
Net sales	\$ 181,015	\$ 173,904	\$ 7,111	4.1%
Gross profit	\$ 36,146	\$ 33,877	\$ 2,269	6.7%
<i>Gross profit margin</i>	20.0%	19.5%		
Income from operations (IFO)(2)	\$ 10,693	\$ 10,821	\$ (128)	(1.2)%
<i>IFO margin</i>	5.9%	6.2%		
Earnings before interest and income taxes (EBIT)(1)(2)(3)	\$ 10,896	\$ 66,850	\$ (55,954)	(83.7)%
<i>EBIT margin</i>	6.0%	38.4%		
Earnings before interest, taxes, depreciation and amortization (EBITDA)(1)(2)(3)	\$ 21,777	\$ 77,236	\$ (55,459)	(71.8)%
<i>EBITDA margin</i>	12.0%	44.4%		
Adjusted EBITDA(1)	\$ 21,186	\$ 20,806	\$ 380	1.8%
<i>Adjusted EBITDA margin</i>	11.7%	12.0%		
Net (loss) income (2)(3)	\$ (1,001)	\$ 55,410	\$ (56,411)	(101.8)%
<i>Net (loss) income margin</i>	(0.6)%	31.9%		
Diluted net (loss) income per share	\$ (0.05)	\$ 2.76	\$ (2.81)	(101.8)%

(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 (loss) income 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 pre-tax restructuring charges of \$0.1 million in 2011 and \$0.2 million in 2010 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, 2011 includes a pre-tax loss of \$2.8 million related to the loss on redemption of the Senior Secured Notes and pre-tax income of \$3.4 million related to the gain on the sale of land at our Royal Leerdam facility and 2010 includes pre-tax income of \$56.8 million related to the gain on redemption of the New PIK Notes and pre-tax restructuring charges of \$0.1 million related to the closing of our Syracuse China manufacturing facility. (See notes 4 and 5 to the Condensed Consolidated Financial Statements).*

**Table of Contents****Net Sales**

For the three months ended March 31, 2011, net sales increased 4.1 percent to \$181.0 million from first quarter sales of \$173.9 million in the year-ago quarter. The improvement was primarily attributable to our Glass Operations, where net sales increased 4.5 percent to \$162.1 million from \$155.1 million in the year-ago quarter. Other Operations segment sales were \$19.2 million, compared to \$18.9 million in the prior-year quarter. Currency positively impacted consolidated net sales by approximately 1.0 percent.

**Gross Profit**

For the quarter ended March 31, 2011, gross profit increased by \$2.3 million, or 6.7 percent, to \$36.1 million, compared to \$33.9 million in the year-ago quarter. Gross profit as a percentage of net sales increased to 20.0 percent, compared to 19.5 percent in the year-ago quarter. The primary contributor to the increase in gross profit and gross profit margin was the increase in sales of \$5.5 million, excluding the impact of currency. This increase was offset by slightly lower production activity, net of volume-related production and sales costs of \$3.9 million, excluding the impact of currency. Favorable currency impact contributed \$0.7 million to gross profit, primarily from the Mexican peso.

**Income From Operations**

Income from operations for the quarter ended March 31, 2011 decreased \$0.1 million, or 1.2 percent, to \$10.7 million, compared to \$10.8 million in the year-ago quarter. Income from operations as a percentage of net sales decreased to 5.9 percent in the first quarter of 2011, compared to 6.2 percent in the year-ago quarter. Contributing to the small decline in income from operations were higher selling, general and administrative expenses, offset by higher gross profit and higher gross profit margin (discussed above). Selling, general and administrative costs increased \$2.6 million in the first quarter of 2011 as compared to the year-ago quarter, as we incurred comparatively higher expenses related to incentive compensation, share-based compensation and legal and professional fees.

**Earnings Before Interest and Income Taxes (EBIT)**

Earnings before Interest and Income Taxes (EBIT) for the quarter ended March 31, 2011 decreased by \$56.0 million, to \$10.9 million in 2011 from \$66.9 million in 2010. EBIT as a percentage of net sales decreased to 6.0 percent in the first quarter 2011, compared to 38.4 percent in the year-ago quarter. Key contributors to the decrease in EBIT compared to the year-ago quarter are the same as those discussed above under Income From Operations. In addition, we recorded a \$56.8 million gain on redemption of debt in 2010, net of certain transaction expenses. In 2011, we redeemed \$40.0 million of our Senior Secured Notes and recorded a \$2.8 million write-off of unamortized finance fees and discounts and call premium payments. See note 4 for a further discussion of these two debt transactions. Other income (expense) increased by \$3.8 million, primarily related to a gain on the sale of land at our Royal Leerdam facility.

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

EBITDA decreased by \$55.5 million in the first quarter of 2011, to \$21.8 million, compared to \$77.2 million in the year-ago quarter. As a percentage of net sales, EBITDA was 12.0 percent for the first quarter 2011, compared to 44.4 percent in the year-ago quarter. The key contributors to the decrease in EBITDA were those factors discussed above under Earnings Before Interest and Income Taxes (EBIT).

**Adjusted EBITDA**

Adjusted EBITDA increased by \$0.4 million in the first quarter of 2011, to \$21.2 million, compared to \$20.8 million in the year-ago quarter. As a percentage of net sales, Adjusted EBITDA was 11.7 percent for the first quarter 2011, compared to 12.0 percent in the year-ago quarter. The key contributors to the increase in Adjusted EBITDA were those factors discussed above under Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), and the exclusion of a \$3.4 million gain on the sale of land at our Royal

**Table of Contents**

Leerdam facility and a \$2.8 million loss on redemption of debt in 2011, \$56.8 million gain on redemption of debt and a \$0.4 million facility closure charge in 2010.

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

We recorded a net loss of \$(1.0) million, or \$(0.05) per diluted share, in the first quarter of 2011, compared to net income of \$55.4 million, or \$2.76 per diluted share, in the year-ago quarter. Net (loss) income as a percentage of net sales was (0.6) percent in the first quarter 2011, compared to 31.9 percent in the year-ago quarter. The decline in Net (loss) income and diluted net (loss) income per share is generally due to the factors discussed in EBIT above, and a \$2.0 million increase in interest expense. This increase in interest expense was primarily attributable to the fact that a portion of our debt carried a low effective interest rate in January 2010, prior to the debt refinancing completed in February 2010. Lower debt levels in 2011 partially offset the change in interest rates. The effective tax rate was a negative 45.7 percent for the quarter, compared to a 3.2 percent benefit in the year-ago quarter, due to the reversal of a portion of our valuation allowance in Mexico in 2010, in addition to changes in the mix of earnings in countries with differing statutory tax rates, changes in accruals related to uncertain tax positions and tax planning structures.

**Segment Results of Operations**

(dollars in thousands)	Three months ended March 31,		Variance	
	2011	2010	In dollars	In percent
Net Sales:				
Glass Operations	\$ 162,053	\$ 155,144	\$ 6,909	4.5%
Other Operations	19,161	18,874	287	1.5%
Eliminations	(199)	(114)		
Consolidated	\$ 181,015	\$ 173,904	\$ 7,111	4.1%
Segment EBIT <sup>(1)</sup> :				
Glass Operations	\$ 17,391	\$ 15,426	\$ 1,965	12.7%
Other Operations	2,879	3,485	(606)	(17.4)%
Total Segment EBIT	\$ 20,270	\$ 18,911	\$ 1,359	7.2%
<i>Segment EBIT Margin:</i>				
<i>Glass Operations</i>	10.7%	9.9%		
<i>Other Operations</i>	15.0%	18.5%		

**Reconciliation of Segment EBIT to Net (Loss)****Income:**

Segment EBIT	\$ 20,270	\$ 18,911
Retained corporate costs <sup>(2)</sup>	(9,965)	(8,491)
(Loss) gain on redemption of debt (note 4)	(2,803)	56,792
Gain on sale of land	3,445	
Restructuring and other charges (note 5)	(51)	(362)
Interest expense	(11,583)	(9,620)
Tax provision	(314)	(1,820)
Net (loss) income	\$ (1,001)	\$ 55,410

(1)



*Segment EBIT represents earnings before interest and taxes and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs.*

- (2) *Retained corporate costs include certain headquarter administrative and facility costs that are not allocable to the reporting segments.*

**Segment Results of Operations First Quarter 2011 Compared to First Quarter 2010**

***Glass Operations***

For the quarter ended March 31, 2011, net sales increased 4.5 percent to \$162.1 million from \$155.1 million in the year-ago quarter.

**Table of Contents**

Currency positively impacted net sales by approximately 1.0 percent.

Segment EBIT increased to \$17.4 million for the first quarter of 2011, compared to \$15.4 million for the year-ago quarter. Segment EBIT as a percentage of net sales increased to 10.7 percent in the first quarter of 2011, compared to 9.9 percent in the year-ago quarter. The key factor in the \$2.0 million increase in Segment EBIT was an increase in sales of \$5.3 million, excluding the impact of currency. This increase was offset by slightly lower production activity, net of volume-related production and sales costs of \$2.9 million, excluding the impact of currency. Favorable currency impact contributed \$0.5 million to the Segment EBIT, primarily from the Mexican peso. Other income (expense) includes an unfavorable swing of \$0.5 million primarily related to larger foreign currency translation losses versus the prior-year quarter.

**Other Operations**

For the quarter ended March 31, 2011, net sales increased 1.5 percent to \$19.2 million from \$18.9 million in the year-ago quarter.

Segment EBIT decreased by \$0.6 million, or 17.4 percent, to \$2.9 million for the first quarter of 2011, compared to \$3.5 million in the year-ago quarter. Segment EBIT as a percentage of net sales decreased to 15.0 percent in the first quarter of 2011, compared to 18.5 percent in the year-ago quarter. The key contributor to the decreased Segment EBIT was an increase in costs of purchased finished goods of \$0.6 million.

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

At March 31, 2011, our cash balance was \$13.1 million, a decrease of \$63.2 million from \$76.3 million at December 31, 2010. The decrease was primarily due to the cash interest payment made on our Senior Secured Notes in February, 2011 and the use of cash to redeem \$40.0 million of Senior Secured Notes in March, 2011.

**Working Capital**

The following table presents our working capital components:

(dollars in thousands, except percentages

and DSO, DIO, DPO and DWC)	March 31, 2011	December 31, 2010	Variance	
			In dollars	In percent
Accounts receivable net	\$ 94,222	\$ 92,101	\$ 2,121	2.3%
<i>DSO (1)</i>	42.6	42.0		
Inventories net	\$ 165,081	\$ 148,146	\$ 16,935	11.4%
<i>DIO (2)</i>	74.6	67.6		
Accounts payable	\$ 60,164	\$ 59,095	\$ 1,069	1.8%
<i>DPO (3)</i>	27.2	27.0		
Working capital (4)	\$ 199,139	\$ 181,152	\$ 17,987	9.9%
<i>DWC (5)</i>	90.0	82.6		
<i>Percentage of net sales</i>	24.7%	22.6%		

*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.*

**Table of Contents**

- (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, defined as net accounts receivable plus net inventories less accounts payable, was \$199.1 million at March 31, 2011, an increase of \$18.0 million from December 31, 2010. Our working capital normally increases during the first quarter 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 latter part of the year. This quarter, our increase is primarily driven by higher inventories resulting from a planned growth of inventories in Mexico to accommodate scheduled furnace rebuilds and a \$4.0 million currency impact. As a result, working capital as a percentage of last twelve-month net sales increased to 24.7 percent at March 31, 2011 from 22.6 percent at December 31, 2010. Working capital as a percentage of last twelve-month net sales at March 31, 2011 is below that of March 31, 2010, which was 24.9 percent.

**Borrowings**

The following table presents our total borrowings:

<b>(dollars in thousands)</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>2011</b>	<b>2010</b>
Borrowings under ABL facility	floating	April 8, 2014	\$ 4,350	\$
Senior Secured Notes	10.0%(1)	February 15, 2015 April, 2011 to	360,000	400,000
Promissory note	6.00%	September, 2016	1,260	1,307
RMB loan contract	floating	July, 2012 to January, 2014	38,175	37,925
BES Euro line	floating	December, 2011 to December, 2013	11,632	10,934
Total borrowings			415,417	450,166
Less unamortized discount			5,332	6,307
Plus Carrying value adjustment on debt related to the Interest Rate Agreement (1)			1,986	3,266
Total borrowings net (2)			\$ 412,071	\$ 447,125

(1) *See Derivatives below and note 9 to the Condensed Consolidated Financial Statements.*

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

We had total borrowings of \$415.4 million at March 31, 2011, compared to total borrowings of \$450.2 million at December 31, 2010. The \$34.8 million decrease in borrowings was the result of the March 25, 2011 \$40.0 million redemption of Senior Secured Notes, offset by an increase in our borrowings under the ABL facility.

Of our total borrowings, \$144.2 million, or approximately 34.7 percent, was subject to variable interest rates at March 31, 2011. A change of one percentage point in such rates would result in a change in interest expense of approximately \$1.4 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 \$1.0 million for the three months ended March 31, 2011 and 2010, respectively.

***Cash Flow***

The following table presents key drivers of our free cash flow for the first quarter.

**Table of Contents**

(dollars in thousands, except percentages)	Three months ended March 31,		Variance	
	2011	2010	In dollars	In percent
Net cash used in operating activities	\$ (23,080)	\$ (46,165)	\$ 23,085	50.0%
Capital expenditures	(8,506)	(4,148)	(4,358)	105.1%
Proceeds from asset sales and other	4,602		4,602	NM
Payment of interest on New PIK Notes		29,400	(29,400)	100.0%
Free cash flow (1)	\$ (26,984)	\$ (20,913)	\$ (6,071)	(29.0)%

NM = not meaningful

(1) We believe that Free cash flow [net cash used in operating activities, less capital expenditures, plus proceeds from assets sales and other; further adjusted for payment of interest on New PIK Notes] 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 used in 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 used in operating activities was \$(23.1) million in the first quarter of 2011, compared to net cash used in operating activities of \$(46.2) million in the year-ago quarter, or an improvement of \$23.1 million. The major factors impacting cash flow from operations were the \$56.4 million reduction in net (loss) income offset by \$86.2 million of items related to our February 2010 debt refinancing. In addition, we generated lower uses of cash related to accounts receivable and accounts payable as compared to the year-ago quarter of \$9.7 million. This was partially offset by a larger use of cash of \$3.8 million from increased inventory primarily related to a planned increase in inventory in Mexico to accommodate scheduled furnace rebuilds. We also had a \$13.9 million increase in cash interest payments resulting from a change in the timing of payments as a result of the February 2010 debt refinancing.

Our net cash used in investing activities decreased to \$(5.1) million in the first quarter of 2011, compared to \$(12.6) million in the year-ago period, primarily as a result of a reduction of \$7.2 million in payments of call premiums on our senior secured and floating rate notes between periods and cash proceeds received of \$4.6 million on the sale of land at our Royal Leerdam facility and the vacant property in Syracuse, New York. Offsetting these amounts were the increase of \$4.4 million compared to the prior year first quarter in capital expenditures.

Net cash (used in) provided by financing activities was a \$(35.3) million use of cash in the first quarter of 2011, compared to a \$22.0 million source of cash in the year-ago quarter. During the first quarter of 2011, we redeemed \$40.0 million of our Senior Secured Notes offset by \$4.4 million of borrowings on our ABL facility. During the first quarter 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, were used to pay the interest on the PIK notes and the call premium on the floating rate notes.

Our Free cash flow was \$(27.0) million during the first quarter of 2011, compared to \$(20.9) million in the year-ago quarter, a decrease of \$6.1 million. The primary contributors to this change were a larger use of cash from operating activities compared to the year-ago quarter, excluding the interest on the PIK Notes; and an increase in capital expenditures, offset by the cash proceeds on the sale of land, as discussed above.

**Derivatives**

We have an Interest Rate Agreement (Rate Agreement) with respect to \$90.0 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 and reduce net interest payments and expenses in the near-term.

The interest rate for our borrowings related to the Rate Agreement at March 31, 2011 is 7.60 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 were 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 March 31, 2011, by Standard and Poor's. The fair market value for the Rate Agreement at March 31, 2011, was a \$1.9 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.

**Table of Contents**

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 March 31, 2011, we had commodity futures contracts for 2,910,000 million British Thermal Units (BTUs) of natural gas with a fair market value of an \$(2.5) million liability. We have hedged a portion of our forecasted transactions through June 2012. At December 31, 2010, we had commodity futures contracts for 3,090,000 million BTUs of natural gas with a fair market value of a \$(3.2) million liability. The counterparties for these derivatives were rated BBB+ or better as of March 31, 2011, 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 March 31, 2011 we had \$4.4 million outstanding under our ABL Facility, and we had \$10.4 million of letters of credit issued under that facility. As a result, we had \$64.9 million of unused availability remaining under the ABL Facility at March 31, 2011. In addition, we had \$13.1 million of cash on hand at March 31, 2011.

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

**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**

<b>Reconciliation of net (loss) income to EBIT, EBITDA and Adjusted EBITDA</b>	<b>Three months ended March 31,</b>	
<b>(dollars in thousands)</b>	<b>2011</b>	<b>2010</b>
Net (loss) income	\$ (1,001)	\$ 55,410
Add: Interest expense	11,583	9,620
Add: Provision for income taxes	314	1,820
Earnings before interest and income taxes (EBIT)	10,896	66,850
Add: Depreciation and amortization	10,881	10,386
Earnings before interest, taxes, depreciation and amortization (EBITDA)	21,777	77,236
Add: Special items before interest and taxes:		
Loss (gain) on redemption of debt (see note 4)(1)	2,803	(56,792)
Facility closure charges (see note 5)(2)	51	362
Gain on sale of land at our Royal Leerdam facility	(3,445)	
Adjusted EBITDA	\$ 21,186	\$ 20,806

- (1) *Loss (gain) on redemption of debt relates to the write-off of finance fees, discounts and a call premium on the redemption of \$40.0 million of the Senior Secured Notes in March 2011 and the net gain recorded upon redeeming \$80.4 million of New PIK Notes, repurchasing \$306.0 million of floating rate notes and writing off finance fees, discounts and a call premium on the floating rate notes in February 2010.*
- (2) *Facility closure charges are related to the closure of our Syracuse, New York ceramic dinnerware manufacturing facility and our Mira Loma, California distribution center.*



**Table of Contents**

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

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

*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.*

*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 of Contents****Table 2**

<b>Reconciliation of net cash used in operating activities to free cash flow</b>	<b>Three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>(dollars in thousands)</b>		
Net cash used in operating activities	\$ (23,080)	\$ (46,165)
Capital expenditures	(8,506)	(4,148)
Proceeds from asset sales and other	4,602	
Payment of interest on New PIK Notes		29,400
Free cash flow	\$ (26,984)	\$ (20,913)

*We define Free cash flow as net cash used in operating activities less capital expenditures, adjusted for proceeds from asset sales and other and for the payment of interest on the New PIK Notes. The most directly comparable U.S. GAAP financial measure is net cash used in 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 operating activities recorded under U.S. GAAP. Free cash flow may not be comparable to similarly titled measures reported by other companies.*

**Table 3**

<b>Reconciliation of working capital</b>	<b>December</b>	
	<b>March 31, 2011</b>	<b>31, 2010</b>
<b>(dollars in thousands)</b>		
Accounts receivable (net)	\$ 94,222	\$ 92,101
Plus: Inventories (net)	165,081	148,146
Less: Accounts payable	60,164	59,095
Working capital	\$ 199,139	\$ 181,152

*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 \$90.0 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 March 31, 2011 is 7.60 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 were to fail to perform, the Rate Agreement would no

**Table of Contents**

longer provide the desired results. However, we do not anticipate nonperformance by the counterparty. The counterparty was rated AA- as of March 31, 2011, by Standard and Poor's.

**Natural Gas**

We are also exposed to market risks associated with changes in the price of natural gas due to either general market forces, or in the case of our operations in China, by government mandate. 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 and cash flows. If the counterparties to these futures contracts were to fail to perform, we would no longer be protected from natural gas fluctuations by the futures contracts. However, we do not anticipate nonperformance by these counterparties. All counterparties were rated BBB+ or better by Standard and Poor's as of March 31, 2011.

**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 \$4.5 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.

**Table of Contents**

**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 or political or social unrest, 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 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 conduct significant operations at our facility in Monterrey, Mexico, which could be materially adversely affected as a result of the increased levels of drug-related violence in that city.

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 raw materials or sourced products or utilities at favorable prices, or at all, 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 and China could adversely affect the operating results and cash flows of our operations there.



**Table of Contents**

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.

If counterparties to our hedge agreements fail to perform, the hedge agreements would not protect us from fluctuations in certain commodity pricing.

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.

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.

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.

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

**Issuers Purchases of Equity Securities**

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

	<b>Shares Purchased</b>	<b>Paid per Share</b>	<b>Plans or Programs (1)</b>
January 1 to January 31, 2011			1,000,000
February 1 to February 28, 2011			1,000,000
March 1 to March 31, 2011			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 2010, 2009, 2008, 2007, 2006, 2005 or 2004. Our ABL Facility and the indentures governing the Senior Secured Notes significantly restrict our ability to repurchase additional shares.*

**Table of Contents****Item 6. Exhibits**

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

## EXHIBIT INDEX

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 Current Report on Form 8-K filed February 22, 2011, and 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 29, 2009, among Libbey Inc. and Merrill Lynch PCG, Inc. (filed as Exhibit 4.4 to Registrant's Form 8-K filed October 29, 2009 and incorporated herein by reference).
4.3	Amended and Restated Credit Agreement, dated February 8, 2010, among Libbey Glass Inc. and Libbey Europe B.V., as borrowers, Libbey Inc., as a loan guarantor, the other loan parties party thereto as guarantors, JPMorgan Chase Bank, N.A., as administrative agent with respect to the U.S. loans, J.P. Morgan Europe Limited, as administrative agent with respect to the Netherlands loans, Bank of America, N.A. and Barclays Capital, as Co-Syndication Agents, Wells Fargo Capital Finance, LLC, as Documentation Agent and the other lenders and agents party thereto (filed as Exhibit 4.1 to Libbey Inc.'s Current Report on Form 8-K filed on February 12, 2010 and incorporated herein by reference).
4.4	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).
4.5	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).
4.6	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).
4.7	Amendment No. 2 to the Amended and Restated Credit Agreement dated as of April 29, 2011 (filed as Exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed on May 3, 2011 and incorporated herein by reference).
10.1	Pension and Savings Plan Agreement dated as of June 17, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.4 to Libbey Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).

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- 10.2 Cross-Indemnity Agreement dated as of June 24, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.5 to Libbey Inc. s Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- 10.3 Libbey Inc. Guarantee dated as of October 10, 1995 in favor of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada Ltd. guaranteeing certain obligations of LG Acquisition Corp. and Libbey Canada Inc. under the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) in the event certain contingencies occur (filed as Exhibit 10.17 to Libbey Inc. s Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
- 10.4 Susquehanna Pfaltzgraff Co. Guarantee dated as of October 10, 1995 in favor of LG Acquisition Corp. and Libbey Canada Inc. guaranteeing certain obligations of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada, Ltd. under the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) in the event certain contingencies occur (filed as Exhibit 10.18 to Libbey Inc. s Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
- 10.5 First Amended and Restated Libbey Inc. Executive Savings Plan (filed as Exhibit 10.23 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.6 Form of Non-Qualified Stock Option Agreement between Libbey Inc. and certain key employees participating in The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.69 to Libbey Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- 10.7 The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.67 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.8 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).

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
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	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).
10.14	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).
10.15	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).
10.16	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).
10.17	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).
10.18	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 ended December 31, 2008 and incorporated herein by reference).
10.19	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).
10.20	

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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).

- 10.21 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).
- 10.22 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).
- 10.23 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).
- 10.24 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).
- 10.25 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).
- 10.26 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).
- 10.27 Employment Agreement dated as of January 1, 2010 between Libbey Inc. and Roberto B. Rubio (filed as exhibit 10.39 to Libbey Inc. s Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference).
- 10.28 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).
- 10.29 Amended and Restated 2006 Omnibus Incentive Plan of Libbey Inc. (filed as Exhibit 10.29 to Libbey Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and incorporated herein by reference.)
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
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).

**Table of Contents**

**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: May 10, 2011

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

45