

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

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

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
(State or Other Jurisdiction of
Incorporation or Organization)

34-1559357
(IRS Employer
Identification No.)

300 Madison Avenue, Toledo, Ohio
(Address of Principal Executive Offices)

43604
(Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, \$.01 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes No

The aggregate market value (based on the consolidated tape closing price on June 30, 2003) of the voting stock beneficially held by non-affiliates of the registrant was approximately \$304,152,961. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors and executive officers of the registrant. Such interpretation is not intended to be, and should not be construed to be, an admission by the registrant or such directors or executive officers that any such persons are "affiliates" of the registrant, as that term is defined under the Securities Act of 1934.

The number of shares of common stock, \$.01 par value, of the registrant outstanding as of March 1, 2004 was 13,637,660.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Items 9, 10, 11, 12, 13 and 14 of Form 10-K is incorporated by reference into Part III hereof from the registrant's Proxy Statement for The Annual Meeting of Shareholders to be held Thursday, May 6, 2004 ("Proxy Statement").

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PART I

ITEM 1. BUSINESS

GENERAL

Libbey Inc. (Libbey or the Company) is a leading supplier of tableware products in the U.S., Canada and the Netherlands. The products are also exported to more than 75 countries. Libbey designs and markets, under the LIBBEY(R) brand name, an extensive line of high-quality glass tableware, ceramic dinnerware, metal flatware, and plastic items. Through its subsidiary B.V. Koninklijke Nederlandsche Glasfabriek Leerdam (Royal Leerdam), Libbey manufactures and markets high-quality glass stemware under the Royal Leerdam(R) brand name. Libbey also manufactures and markets ceramic dinnerware under the Syracuse(R) China brand name through its subsidiary Syracuse China. Through its World Tableware subsidiary, Libbey imports and sells flatware, holloware and ceramic dinnerware. Libbey designs, manufactures and distributes an extensive line of plastic items for the foodservice industry under the Traex(R) brand name through its subsidiary Traex Company. Through its joint venture, Vitrocrisa Holding, S. de R.L. de C.V. and related Mexican companies (Vidrocrisa), the Company has established reciprocal distribution agreements, giving Libbey exclusive distribution rights for Vitrocrisa's glass tableware products under the Crisa(R) brand name in the U.S. and Canada, and Vitrocrisa the exclusive distribution rights for Libbey's glass tableware products in Latin America.

In late 2002, the Company completed two acquisitions: Libbey acquired Traex Company, a manufacturer and marketer of plastic products, including ware washing and storage racks, trays, dispensers and organizers for the foodservice industry. In a separate transaction, the Company acquired Royal Leerdam and its wholly owned subsidiary Leerdam Crystal B.V. (Leerdam Crystal). Royal Leerdam is a leading producer and marketer of high-quality glass stemware in the world. Leerdam Crystal manufactures and markets various handmade crystal items.

Acquisitions have been and will be an important part of the strategy to grow sales and profits. The Company's strategy is to be a more global provider of glass tableware and a provider of a broader supply of products to the foodservice industry. This strategy is primarily focused on two fronts: 1) acquiring foodservice supply companies, enabling Libbey to become a broader supplier of products to its foodservice distributors; and 2) leveraging its proprietary glass-making technology through joint ventures, outright acquisitions and new green meadow facilities for international glass tableware manufacturing.

The acquisitions of the business of Libbey Canada (1993) and the joint venture investment in Vitrocrisa (1997) have made Libbey a leading supplier of glass tableware in North America. The acquisitions of Syracuse China (1995), World Tableware (1997) and Traex (2002) have expanded the Company's portfolio of foodservice supply products. The acquisition of Royal Leerdam (2002) has increased Libbey's global presence for glass stemware.

PRODUCTS

Libbey's tableware products consist of glass tableware, ceramic dinnerware, metal flatware, metal holloware and plastic items. Libbey's glass tableware includes tumblers, stemware (which includes wine glasses), mugs, plates, bowls, ashtrays, bud vases, salt and pepper shakers, canisters, candle holders and various other items. The Company's plastic items include ware washing and storage racks, trays, dispensers, beverage pitchers and various other items.

Vidrocrisa's glass tableware product assortment includes the product types produced by Libbey, glass bakeware and handmade glass tableware. In addition, Vitrocrisa products include glass coffee pots, blender jars, meter covers and other industrial glassware sold principally to original equipment manufacturers.

Libbey sells high-quality stemware, including wine glasses, through its subsidiary, Royal Leerdam. Libbey also has an agreement to be the exclusive distributor of Luigi Bormioli glassware in the U.S. and Canada to foodservice users. Luigi Bormioli is a highly regarded supplier of high-end glassware, which is used in the finest eating and drinking establishments. Through its Syracuse China and World Tableware subsidiaries, Libbey sells a wide range of ceramic dinnerware products. These include plates, bowls, platters, cups, saucers and other tableware accessories. Its World Tableware subsidiary provides Libbey an extensive selection of metal flatware. These include knives, forks, spoons and serving utensils. In addition, World Tableware sells metal holloware, which includes serving trays, chafing dishes,

pitchers and other metal tableware accessories. Through its Traex subsidiary, Libbey sells a wide range of plastic products. These include ware washing and storage racks, trays, dispensers and organizers for the foodservice industry.

SALES IN THE UNITED STATES

Approximately 77% of Libbey's sales are to customers located in the United States and are sold for a broad range of uses (for industry segment information for the last three fiscal years, see Note 15 to the Consolidated Financial Statements). Libbey sells both directly to end users of the product and through networks of distributors and utilizes both a direct sales force and manufacturers' representatives. Libbey has the largest manufacturing, distribution and service network among North American glass tableware manufacturers.

Libbey defines the U.S. glass tableware market to include glass beverageware, ovenware, cookware, dinnerware, serveware, floral items, items used for specialized packaging, handmade glassware and lead crystal valued at less than \$5 per piece. Libbey has, according to management estimates, the leading market share in glass tableware sales in U.S. foodservice applications. The majority of Libbey's tableware sales to foodservice end users are made through a network of approximately 500 foodservice distributors. The distributors, in turn, sell to a wide variety of foodservice establishments, including national and regional hotel chains, national and regional restaurant chains, independently owned bars, restaurants and casinos. Syracuse China, World Tableware and Traex are recognized as long-established suppliers of high quality ceramic dinnerware, flatware and plastic items, respectively. They are among the leading suppliers of their respective product categories to foodservice end users.

Libbey's leading customers in retail are national discount retailers. In recent years, Libbey has been able to increase its total sales by also increasing its sales to specialty housewares stores. With this expanded retail representation, Libbey is better positioned to successfully introduce profitable new products. Libbey also sells imported dinnerware to retailers in the United States and Canada under the LIBBEY(R) brand name. Libbey sources this ceramic dinnerware by leveraging the relationships it has with its existing suppliers for World Tableware products for foodservice applications. Libbey operates outlet stores located at or near each of its glassware and ceramic dinnerware manufacturing locations.

Libbey is a major supplier of glassware for industrial applications in the U.S., according to management estimates. Industrial uses include candle and gift packaging, floral purposes and lighting. The craft industries and gourmet food packing companies are also industrial consumers of glassware. Libbey has expanded its sales to industrial users by offering ceramic and metal ware items. Libbey believes that its success with industrial applications is based on its extensive manufacturing and distribution network, which enables it to provide superior service, and its broad product offering, which allows Libbey to meet its customers' desire for differentiated glassware products. The production capabilities and broad product portfolio of Vitrocrista has enabled Libbey to expand its product offering for its industrial customers.

Another application of Libbey's products is for use as a premium. Fast-food restaurant chains use glassware as incentives or premiums, as an example. Libbey believes that its success with premium customers is dependent upon custom design, varied production capabilities and the ability to produce large quantities of product in a short period of time.

INTERNATIONAL EXPANSION AND NON-U.S. SALES

Libbey exports its products through independent agents and distributors to over 75 countries around the world, competing in the tableware markets of Latin America, Asia and Europe. Through its export operation, Libbey sells its tableware products to foodservice, retail and premium customers internationally.

Libbey's non-U.S. sales represent approximately 23% of total sales in 2003. Libbey believes that expanding its sales to export markets represents an important growth opportunity for the future. Refer to Note 15 to the Consolidated Financial Statements for further information.

The acquisition of Royal Leerdam has increased Libbey's penetration in the global market for glass stemware and, in addition, expanded the selection of glass tableware products offered by Libbey to customers world wide.

Libbey currently has technical service agreements with foreign glass tableware companies. These agreements cover areas ranging from manufacturing and engineering assistance to support in functions such as marketing, sales and administration. During 2003, Libbey's technical assistance agreements and licenses produced royalties of \$3.0 million.

MANUFACTURING

Libbey owns and operates three glass tableware manufacturing plants in the United States located in Toledo, Ohio; Shreveport, Louisiana; City of Industry, California; and a glass tableware manufacturing plant in Leerdam, the Netherlands. Libbey owns and operates a ceramic dinnerware plant in Syracuse, New York, and a plastics plant in Dane, Wisconsin. Libbey operates distribution centers located at or near each of its manufacturing facilities (See "Properties"). In addition, Libbey operates distribution centers for its Vitrocrisa-supplied products in Laredo, Texas, and World Tableware products near Chicago, Illinois.

The glass tableware manufacturing and distribution centers are strategically located (geographically) to enable Libbey to supply significant quantities of its product to virtually all of its customers in a short period of time. Libbey is the only glass tableware producer operating more than two manufacturing facilities in the United States.

The manufacture of Libbey's glass tableware products involves the use of automated processes and technologies in the manufacturing and warehousing processes. Much of Libbey's glass tableware production machinery was designed by Libbey and has evolved and been continuously refined to incorporate technology advancements. Libbey believes that its production machinery and equipment continue to be adequate for its needs in the foreseeable future, but continues to invest in equipment to further increase its production and distribution efficiency and reduce its cost profile.

Libbey's glass tableware products generally are produced using one of two manufacturing methods or, in the case of certain stemware, a combination of such methods. Most of Libbey's tumblers, stemware and certain other glass tableware products are produced by forming molten glass in molds with the use of compressed air and are known as "blown" glass products. Libbey's other glass tableware products and the stems of certain of its stemware are "pressware" products, which are produced by pressing molten glass into the desired product shape.

Ceramic dinnerware is also produced through the forming of raw materials into the desired product shape and is either manufactured at Libbey's Syracuse, New York, production facility or imported by World Tableware primarily from China, Malaysia and Bangladesh. All metal flatware and metal holloware are sourced by Libbey's World Tableware subsidiary primarily from China. Plastic products are also produced through the forming of raw materials into the desired shape and are manufactured at Libbey's Dane, Wisconsin, production facility or imported primarily from Taiwan, China and Malaysia.

Libbey employs a team of engineers whose responsibilities include efforts to improve and upgrade Libbey's manufacturing facilities, equipment and processes. In addition, they provide engineering required to manufacture new products and implement the large number of innovative changes continuously being made to Libbey's product designs, sizes and shapes.

Historically, raw materials used by Libbey, which are principally sand, lime, soda ash, clay, resins and colorants, have been available in adequate supply from multiple sources. However, for certain raw materials, there may be temporary shortages due to weather or other factors, including disruptions in supply caused by raw material transportation or production delays. Such shortages have not previously had, and are not expected to have, a material adverse effect on Libbey's operations in the future. Natural gas is a primary source of energy in Libbey's production processes, and variability in the price for natural gas can have an impact on its profitability. Historically, the Company has used natural gas hedging contracts to partially mitigate this impact.

SALES AND MARKETING

Libbey has its own sales staff of over 100 Libbey sales professionals located in various metropolitan areas throughout the U.S., Canada and the Netherlands who call on customers and distributors. In addition, Libbey retains the services of manufacturing representatives' organizations to assist in selling its products. Libbey also maintains an export sales group covering other geographic markets. The vast majority of Libbey's tableware sales to foodservice end users are made through approximately 500 distributors, who serve a vital function in the distribution of Libbey's products and with whom Libbey works closely in connection with marketing and selling efforts. Most of Libbey's retail, industrial and premium market sales are made directly by Libbey's sales force.

Libbey also has a marketing staff located at its corporate headquarters in Toledo, Ohio, engaged in developing strategies relating to product development, pricing, distribution, advertising and sales promotion.

CUSTOMERS

The customers for Libbey's tableware products include approximately 500 foodservice distributors. In addition, Libbey sells to mass merchants, department stores, retail distributors, national retail chains and specialty housewares stores, supermarkets and industrial companies and others who use Libbey's products for promotional and other private uses. No single customer accounts for 10% or more of Libbey's sales, although the loss of any of Libbey's major customers could have a meaningful effect on Libbey. Sales for premium applications, which totaled 1% of net sales in 2003, tend to be more unpredictable from year to year; and Libbey is less dependent on such business than it is on sales to foodservice, retail and industrial customers.

COMPETITORS

Libbey's business is highly competitive, with the principal competitive factors being customer service, brand name, product quality, new product development, delivery time and price. Competitors in glass tableware include among others Arc International, a private French company; Indiana Glass Company (a unit of Lancaster Colony Corporation); Oneida Ltd.; Anchor Hocking (a unit of Newell Rubbermaid Inc.) and Bormioli Rocco Group. Arc International distributes glass tableware to U.S. foodservice customers through its subsidiary, Cardinal International, Inc. Indiana Glass Company manufactures in the United States and sells glassware. Oneida Ltd. operates by sourcing glass tableware from foreign manufacturers, including Pasabahce (Turkey) and Schott (Germany). Anchor Hocking is primarily a supplier of glass beverageware and bakeware to retail and industrial markets in the U.S. Bormioli Rocco Group manufactures glass tableware in Europe and most of its sales are to retail and foodservice customers in Europe. In recent years, Libbey has experienced increasing competition from foreign glass tableware manufacturers, including Arc International (France), Kedaung (Indonesia), and Pasabahce (Turkey) as well as various factories from the People's Republic of China. In addition, other materials, such as plastics, also compete with glassware.

Competitors in U.S. ceramic dinnerware include, among others, Homer Laughlin (a private U.S. company) and Rego China and Buffalo China (brands of Oneida Ltd.). Competitors in metal flatware are Oneida Ltd. and various importing companies. Competitors in plastic products are, among others, Cambro Manufacturing Company (a private U.S. company) and Carlisle Companies Incorporated. Some of Libbey's competitors have the ability to produce products at a lower cost and/or have substantially greater financial and other resources than Libbey.

PATENTS, TRADEMARKS AND LICENSES

Based upon market research and market surveys, Libbey believes its Libbey trade name as well as product shapes and styles enjoy a high degree of consumer recognition and are valuable assets. Libbey believes that the Libbey, Syracuse China, World Tableware, Royal Leerdam and Traex trade names are material to its business.

Libbey has rights under a number of patents which relate to a variety of products and processes. Libbey does not consider that any patent or group of patents relating to a particular product or process is of material importance to its business as a whole.

SEASONALITY

Due primarily to the impact of consumer buying patterns and production activity, Libbey's profits tend to be strongest in the third quarter and weakest in the first quarter of each year. As a consequence, profits historically range between 30% and 50% in the first half of each year and 50% to 70% in the second half of the year.

ENVIRONMENTAL MATTERS

Libbey's operations, in common with those of industry generally, are subject to numerous existing and proposed laws and governmental regulations designed to protect the environment, particularly regarding plant wastes and emissions and solid waste disposal. Libbey has shipped, and continues to ship, waste materials for off-site disposal. However, Libbey is not named as a potentially responsible party with respect to any waste disposal site matters pending prior to June 24, 1993, the date of Libbey's initial public offering and separation from Owens-Illinois, Inc. (Owens-Illinois). Owens-Illinois has been named as a potentially responsible party or other participant in connection with certain waste disposal sites to which Libbey may also have shipped wastes and bears some responsibility. Owens-Illinois has agreed to defend and hold harmless the Company against any costs or liabilities it may incur in connection with any such matters identified and pending as of June 24, 1993 and to indemnify it for any liability which results from these matters in excess of \$3 million. Libbey believes that if it is necessary to draw upon this indemnification, collection is probable.

Pursuant to this indemnification agreement, Owens-Illinois is defending the Company with respect to the King Road landfill. In January 1999, a suit was instituted by the Board of Lucas County Ohio Commissioners against Owens-Illinois, the Company and numerous other defendants (59 companies named in the complaint as potentially responsible parties) in the United States District Court for the Northern District of Ohio seeking to recover contribution for past and future costs incurred by the County in response to the release or threatened release of hazardous substances at the King Road landfill formerly operated and closed by the County. The complaint was dismissed without prejudice in October 2000 and at the time of the dismissal, it was anticipated the suit would be refiled at a future date when more information as to the appropriate environmental remedy becomes available. However, as of this date, refileing of the suit does not appear imminent. In view of the uncertainty as to refileing of the suit, the numerous defenses which may be available against the County on the merits of its claim for contribution, the uncertainty as to the environmental remedy, and the uncertainty as to the number of potentially responsible parties, at the present time it is not possible to quantify any exposure the Company may have at King Road.

Subsequent to June 24, 1993, Libbey has been named a potentially responsible party at four other sites, all of which have been settled for immaterial amounts. No further sums are expected to be paid with respect to these sites unless unusual and unanticipated contingencies occur.

On October 10, 1995, Syracuse China Company, a wholly owned subsidiary of the Company, acquired from The Pfaltzgraff Co. and certain of its subsidiary corporations, the assets operated by them as Syracuse China. The Pfaltzgraff Co. entered into an Order on Consent effective November 1, 1994, with the New York State Department of Environmental Conservation (DEC) which requires Pfaltzgraff to prepare a Remedial Investigation and Feasibility Study (RI/FS) to develop a remedial action plan for the site (which includes among other items a landfill and wastewater and sludge ponds and adjacent wetlands located on the property purchased by Syracuse China Company) and to remediate the site. As part of the Asset Purchase Agreement, Syracuse China Company agreed to share a part of the remediation and related expense up to a maximum of 50% of such costs with a maximum limit for Syracuse China Company of \$1,350,000 that has been paid. Notwithstanding the foregoing, Syracuse China Company is not a party to the decree. Construction of the approved remedy began in 2000 and was substantially completed in 2003.

In addition, Syracuse China Company has been named as a potentially responsible party by reason of its potential ownership of certain property adjoining its plant, which has been designated a sub-site of a superfund site. Libbey believes that any contamination of such sub-site was caused by and will be remediated by other parties at no cost to Syracuse China. Such other parties have acquired ownership of the sub-site, which should end any responsibility of Syracuse China with respect to the sub-site. In any event, any expense with respect to such sub-site for which Syracuse China may be deemed responsible would likely be shared with Pfaltzgraff pursuant to the Asset Purchase Agreement.

Libbey regularly reviews the facts and circumstances of the various environmental matters affecting the Company, including those which are covered by indemnification. Although not free of uncertainties, Libbey believes that its share

of the remediation costs at the various sites, based upon the number of parties involved at the sites and the estimated cost of undisputed work necessary for remediation based upon known technology and the experience of others, will not be material to Libbey. There can be no assurance, however, that Libbey's future expenditures in such regard will not have a material adverse effect on Libbey's financial position or results of operations.

In addition, occasionally the federal government and various state authorities have investigated possible health issues that may arise from the use of lead or other ingredients in enamels such as those used by Libbey on the exterior surface of its decorated products.

Capital expenditures for property, plant and equipment for environmental control activities were not material during 2003. Libbey believes that it is in material compliance with all federal, state and local environmental laws, and Libbey is not aware of any regulatory initiatives that would be expected to have a material effect on Libbey's products or operations.

NUMBER OF EMPLOYEES

Libbey employed approximately 3,800 persons at December 31, 2003. A majority of the glass tableware employees are U.S.-based hourly workers covered by six collective bargaining agreements that were entered into in the fourth quarter of 2001 and expire at various times during the second half of 2004 at two manufacturing locations and the fourth quarter of 2006 at a third manufacturing location. In June 2003, the American Flint Glass Workers Union (AFGWU) merged with the United Steel Workers Union (USWA). As a result, of the Company's six collective bargaining agreements for the U.S.-based hourly glass tableware workers, four bargaining agreements are now members of the USWA. Substantially all Royal Leerdam employees are covered by a collective bargaining agreement expiring in July 2004. The ceramic dinnerware hourly employees are covered by a collective bargaining agreement that expires in March 2006. Libbey considers its employee relations to be good.

PUBLIC FILINGS

Copies of the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available for no charge through the Company's website at www.libbey.com.

ITEM 2. PROPERTIES

The following information sets forth the location and size of the Company's principle manufacturing and warehousing facilities at December 31, 2003. The Company also operates warehousing facilities at or near each of its manufacturing facilities as well as at the warehousing centers set forth below:

Location -----	Square Feet -----	
	Owned -----	Leased -----
Toledo, Ohio:		
Manufacturing	974,000	--
Warehousing	988,000	492,000
City of Industry, California:		
Manufacturing	288,000	--
Warehousing	60,000	307,000
Shreveport, Louisiana:		
Manufacturing	549,000	--
Warehousing	204,000	994,000
Syracuse, New York:		
Manufacturing	549,000	--
Warehousing	97,000	10,000
Dane, Wisconsin:		
Manufacturing	56,000	--
Warehousing	62,000	7,000
Leerdam, Netherlands:		
Manufacturing	162,000	
Warehousing	184,000	255,000
Warehousing Centers		
Laredo, Texas	149,000	172,000
West Chicago, Illinois	--	125,000

The Company's headquarters (Toledo, Ohio), some warehouses (various locations), sales offices (various locations) and an outlet store (Toledo, Ohio) are located in leased space.

All of the Company's manufacturing properties are currently being utilized for their intended purpose and are owned by the Company. The Company believes that its manufacturing facilities are well maintained and adequate for its planned production requirements at those facilities over the next three to five years.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various routine legal proceedings arising in the ordinary course of its business. No pending legal proceeding is deemed to be material to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and the ages, positions and offices held (as of the date hereof), and a brief account of the business experience of each executive officer of the Company.

NAME ----	AGE ---	POSITION -----
John F. Meier Chairman and Chief Executive Officer	56	Chairman of the Board and Chief Executive Officer since June 1993; Executive Vice President and General Manager from December 1990 to June 1993.
Richard I. Reynolds Executive Vice President and Chief Operating Officer	57	Executive Vice President and Chief Operating Officer since November 1995; Vice President and Chief Financial Officer from June 1993 to November 1995; Vice President and Director of Finance and Administration from January 1989 to June 1993.
Arthur H. Smith Vice President, General Counsel and Secretary	68	Vice President, General Counsel and Secretary since June 1993; Secretary of the Company since 1987 and Senior Counsel and Assistant Secretary of Owens-Illinois, Inc. from 1987 to June 1993.
Kenneth G. Wilkes Vice President, General Manager International Operations	46	Vice President, General Manager International Operations since May 2003; Vice President and Chief Financial Officer from November 1995 to May 2003; Vice President and Treasurer from August 1993 to November 1995.
Scott M. Sellick Vice President and Chief Financial Officer	41	Vice President and Chief Financial Officer since May 2003. From May 2002 to May 2003, Director of Accounting and Taxation. From August 1997 to May 2002, Director of Taxation.
Kenneth A. Boerger Vice President and Treasurer	45	Vice President and Treasurer since July 1999. From 1994 to July 1999, Corporate Controller and Assistant Treasurer. From 1980 to 1994 held various financial and accounting positions.
John A. Zarb Vice President and Chief Information Officer	52	Vice President and Chief Information Officer since April 1996.
Daniel P. Ibele Vice President, General Sales Manager	43	Vice President, General Sales Manager since March 2002; Vice President, Marketing and Specialty Operations from September 1997 to March 2002; Vice President and Director of Marketing from 1995 to 1997. From 1983 to 1995 held various marketing and sales positions.
Timothy T. Paige Vice President-Administration	46	Vice President-Administration since December 2002; Vice President and Director of Human Resources from January 1997 to December 2002; Director of Human Resources from May 1995 to January 1997.
Susan A. Kovach Vice President, Associate General Counsel	44	Vice President, Associate General Counsel since December 2003. From 2001 to 2003 was a partner in Dykema Gossett, PLC. From 1998 to 2000 was Vice President, General Counsel and Corporate Secretary at Omega Worldwide, Inc. From 1997 to 2001, held the same position at Omega Healthcare Investors, Inc.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Libbey Inc. common stock is listed for trading on the New York Stock Exchange under the symbol LBY. The price range for the Company's common stock on the New York Stock Exchange as reported by the New York Stock Exchange was as follows:

	2003		2002	
	HIGH	LOW	High	Low
First Quarter	\$27.50	\$22.08	\$40.10	\$31.35
Second Quarter	\$25.40	\$20.30	\$40.00	\$32.88
Third Quarter	\$29.65	\$22.70	\$34.08	\$26.80
Fourth Quarter	\$29.89	\$26.23	\$31.86	\$23.72

On March 1, 2004, there were 965 registered common shareholders of record. The Company paid a regular quarterly cash dividend of \$.075 per share beginning with the fourth quarter of 1993 through 2002. In January 2003, the Company increased its regular quarterly dividend from \$.075 per share to \$.10 per share. Therefore, in 2003, the Company paid \$.10 per share per quarter, or an annual amount of \$.40 per share, in dividends. The declaration of future dividends is within the discretion of the Board of Directors of the Company and will depend upon, among other things, business conditions, earnings and the financial condition of the Company.

EQUITY COMPENSATION PLAN INFORMATION:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance*
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,410,176	\$29.60	424,429
Equity compensation plans not approved by security holders	0	0	0
Total	1,410,176	\$29.60	424,429

*This total includes 395,565 securities available for future issuance under the Libbey Inc. 2002 Employee Stock Purchase Plan (ESPP) as of December 31, 2003. The amount of securities available for issue under this plan will increase each year by up to 100,000 common shares commencing January 1, 2004 and ending January 1, 2012 to an aggregate maximum of 1,350,000 common shares subject to issuance under the plan. As of December 31, 2003, there were no options, warrants or rights outstanding to purchase securities under this plan.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. Financial Statements and Supplementary Data:

Dollars in thousands, except per-share amounts	2003(e)	2002 (d)	2001	2000	1999
OPERATING RESULTS					
Net sales	\$513,632	\$ 433,761	\$ 419,594	\$ 441,828	\$460,592
Freight billed to customers	1,965	1,732	2,085	2,274	2,609
Total revenues	518,619	437,897	425,420	448,786	467,598
Cost of sales	407,391	327,565	307,255	306,003	324,242
Selling, general and administrative expenses	68,479	56,631	55,716	61,185	64,131
Capacity realignment charges	--	--	--	--	991
Income from operations	42,749	53,701	62,449	81,598	78,234
Equity earnings - pretax	4,429	6,379	6,384	12,016	8,857
Expenses related to abandoned acquisition	--	(13,634)	--	--	--
Other income (expenses)	462	(1,510)	(241)	(919)	13
Earnings before interest and income taxes (EBIT)	47,640	44,936	68,592	92,695	87,104
Interest expense -- net	13,436	8,263	9,360	12,216	12,501
Income before income taxes	34,204	36,673	59,232	80,479	74,603
Provision for income taxes	5,131	8,618	19,840	33,613	31,175
Net income (d)	29,073	28,055	39,392	46,866	43,428
Net cash provided by operating activities	28,366	54,205	51,308	36,898	68,956
PER-SHARE AMOUNTS					
Basic net income	2.12	1.84	2.58	3.07	2.69
Diluted net income	2.11	1.82	2.53	3.01	2.64
Dividends paid	0.40	0.30	0.30	0.30	0.30
OTHER INFORMATION					
EBIT	47,640	44,936	68,592	92,695	87,104
Depreciation	25,457	17,262	15,157	14,055	14,717
Amortization (d)	2,652	1,881	3,686	4,297	4,036
EBITDA (f)	75,749	64,079	87,435	111,047	105,857
Capital expenditures	24,874	16,739	35,241	18,096	9,428
Dividends paid	5,506	4,574	4,588	4,569	4,821
Employees (average) (c)	3,838	3,510	3,218	3,270	3,552
BALANCE SHEET DATA					
Total assets	551,116	524,527	468,082	446,707	434,395
Working capital (a)	108,062	83,260	83,421	95,177	77,794
Long-term debt (b)	230,207	188,403	2,517	151,404	170,000
Shareholders' equity	139,857	140,218	165,365	133,271	91,843

(a) Current assets less current liabilities excluding short-term debt.

(b) At December 31, 2001, the company classified \$143.0 million of debt outstanding under its bank facility as short term which was refinanced on a long-term basis in April 2002.

(c) In 2003 and 2002, includes Traex and Royal Leerdam employees.

(d) Effective January 1, 2002, the company adopted SFAS 142, "Goodwill and Other Intangible Assets." The detail of the impact of the adoption are disclosed in Note 2 to the Consolidated Financial Statements.

(e) In 2003, includes full year impact of Traex and Royal Leerdam, both acquired in December 2002.

(f) The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization), a non-GAAP financial measure, is a useful metric for evaluating its financial performance because of its focus on the Company's results from earnings before interest, taxes, depreciation and amortization.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

HISTORICAL FINANCIAL DATA

The following table presents certain results of operations data for Libbey for the periods indicated:

YEAR ENDED DECEMBER 31, (dollars in thousands)	2003	2002	2001
Net sales	\$513,632	\$433,761	\$419,594
Gross profit	\$108,206	\$107,928	\$114,424
as a percent of sales	21.1%	24.9%	27.3%
Income from operations	\$ 42,749	\$ 53,701	\$ 62,449
as a percent of sales	8.3%	12.4%	14.9%
Earnings before interest and income taxes	\$ 47,640	\$ 44,936	\$ 68,592
as a percent of sales	9.3%	10.4%	16.3%
Net income	\$ 29,073	\$ 28,055	\$ 39,392
as a percent of sales	5.7%	6.5%	9.4%

For an understanding of the significant factors that influenced the Company's performance during the past three fiscal years, the following should be read in conjunction with the audited Consolidated Financial Statements and Notes. Management is not aware of any events or uncertainties that are likely to have a material impact on the Company's prospective results of operations or financial condition; however, major slowdowns in the retail, travel, or entertainment industries could result from the impact of armed hostilities or any other international or national calamity, including any act of terrorism. Additional risk factors are discussed in Other Information in the section "Qualitative and Quantitative Disclosures about Market Risk."

RESULTS OF OPERATIONS

COMPARISON OF 2003 WITH 2002 Net sales for 2003 increased 18.4% to \$513.6 million from \$433.8 million in 2002. The increase in sales was attributable to the sales of Royal Leerdam and Traex, both acquired in December 2002. In addition, the Company had strong second half sales to glassware customers. For 2003, despite a sluggish first half, sales excluding these acquisitions were within 0.3% of the prior year. Sales outside of the United States were \$116.5 million in 2003, compared to \$46.1 million in 2002. Over \$60 million was due to the acquisition of Royal Leerdam, whose sales are mainly to customers located outside of the United States. Excluding Royal Leerdam sales, export sales increased to \$53.6 million, or 16% as compared to the prior-year period primarily as the result of increased sales to Canadian customers.

GROSS PROFIT (defined as net sales plus freight billed to customers less cost of sales) increased slightly to \$108.2 million compared to \$107.9 million in the prior year. The decline in gross profit margin is primarily due to greater sales of products with lower profit margins in addition to higher natural gas costs of over \$6.2 million and additional costs (mostly non-cash) for pension and postretirement medical costs of \$5.4 million.

INCOME FROM OPERATIONS decreased to \$42.7 million in 2003 from \$53.7 million in 2002. The Company had higher selling, general and administrative expenses in 2003 of \$11.8 million, of which \$10.8 million was attributable to the acquisitions of Royal Leerdam and Traex. Selling, general and administrative expenses were 13.3% of net sales in 2003 as compared to 13.1% of net sales in the prior-year period

EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT) were \$47.6 million, compared to \$44.9 million in the prior year, and as a percent of net sales were 9.3% as compared to 10.4% in the year-ago period. The prior period included \$13.6 million of expenses related to an abandoned acquisition. Equity earnings from Vitrocrisa, the Company's joint venture in Mexico, were \$4.4 million on a pretax basis as compared with \$6.4 million pretax in the year-ago period primarily as the result of higher natural gas costs and lower activity levels. Other income in 2003 was \$0.5 million as compared to

expense of \$1.5 million in the year-ago period. The 2002 expense was attributable to a write-down in value of an advance made to a supplier.

NET INCOME was \$29.1 million, or \$2.11 per diluted share, compared with \$28.1 million, or \$1.82 per diluted share in the year-ago period. The weighted average diluted shares outstanding decreased approximately 1.7 million, primarily as a result of the Company's repurchase of 1.5 million shares in March of 2003. Interest expense increased \$5.2 million primarily as the result of higher debt and the issuance of \$100 million of privately placed senior notes, of which \$80 million had an average interest rate of 4.65% and an initial average maturity of 8.4 years. The higher debt was the result of over \$60 million in funding for acquisitions and \$38.9 million in share repurchases. The effective tax rate declined to 15.0% from 23.5%. The 2003 effective tax rate of 15.0% was primarily attributable to a tax restructuring whereby the undistributed earnings of the Company's joint venture in Mexico will be permanently reinvested outside of the United States, which eliminated the need for previously established net deferred U.S. income tax liability on those undistributed earnings. The effective tax rate in 2002 of 23.5% is primarily attributable to lower Mexican tax, the elimination of non-deductible goodwill amortization and an adjustment to estimated U.S. income tax accruals. The reduction in Mexican tax is primarily attributable to deferred tax adjustments and reduced statutory tax rates in Mexico. As detailed in Table 1 below, net income per diluted share excluding tax adjustments was \$1.71 for 2003, as compared with \$1.57 per diluted share for 2002. The Company expects the effective tax rate for 2004 to be approximately 34%. In 2002, net income included expenses associated with an abandoned acquisition as further disclosed in Note 3 to the Consolidated Financial Statements. These expenses totaled \$13.6 million, less a tax effect of \$5.1 million, or an after-tax impact of \$8.5 million, or \$0.55 per diluted share as noted in Table 2. Due to the unusual nature and magnitude of the tax adjustment and expenses related to the abandoned acquisition, management believes exclusion of these expenses is necessary for a more meaningful comparison of net income.

COMPARISON OF 2002 WITH 2001 Net sales for 2002 increased 3.4% to \$433.8 million from \$419.6 million in 2001. A 19% increase in sales to retail customers was a key contributor. This increase more than offset lower sales to industrial customers which are primarily candle companies. Foodservice sales were up slightly for the year and showed solid growth in the fourth quarter. Libbey's non-U.S. sales were \$46.1 million, a decrease of 3.4% compared to 2001.

GROSS PROFIT (defined as net sales plus freight billed to customers less cost of sales) declined 5.7% to \$107.9 million, compared to \$114.4 million in 2001 and, as a percent of net sales, was 24.9% in 2002 as compared to 27.3% in 2001. The decline in gross profit margin is primarily due to greater sales of products with lower profit margins, lower pension income, higher nonpension postretirement expense and higher manufacturing labor expenses. Lower pension income and higher nonpension postretirement expense reduced gross profit by \$4.1 million in 2002 compared to the prior year.

INCOME FROM OPERATIONS decreased to \$53.7 million in 2002 from \$62.4 million in 2001 and, as a percent of net sales, was 12.4% in 2002 compared to 14.9% in 2001. This reduction was the result of lower gross profit, higher lease cost of \$1.2 million related to the Company's corporate offices in 2002 and higher general and administrative expenses. Lower pension income and an increase in nonpension postretirement expense were the primary factors in the increase in general and administrative expenses which reduced income from operations by \$0.3 million. In 2002, the Company recorded lower expenses related to the amortization of intangibles pursuant to the adoption of Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) of \$1.1 million, which partially offset the higher general and administration expenses.

EARNINGS BEFORE INTEREST AND INCOME TAXES (EBIT) were \$44.9 million compared to \$68.6 million in 2001 and, as a percent of net sales, were 10.4% as compared to 16.3% in the year-ago period. In addition to the lower income from operations, the most significant factor in the reduction was a \$13.6 million pretax expense related to the legal, advisory and financing fees associated with the abandoned acquisition of Anchor Hocking as further disclosed in Note 3 to the Consolidated Financial Statements. The Company's earnings from equity affiliates remained flat at \$6.4 million pretax compared to 2001. The Company's equity affiliates are primarily its investment in Vitrocrisa, the Company's joint venture in Mexico. Vitrocrisa's performance was impacted by a sluggish economy in Mexico and increased competition from foreign markets. Other expenses increased to \$1.5 million from \$0.2 million in the prior-year period, largely as a result of a write-down in the value of an advance made to a supplier.

NET INCOME was \$28.1 million, or \$1.82 per share on a diluted basis, compared to \$39.4 million or \$2.53 per share on a diluted basis in the year-ago period. As a percent of net sales, net income was 6.5% in 2002 compared to 9.4% in 2001. Excluding the expenses related to the abandoned acquisition, net income and diluted earnings per share for 2002 would have been \$36.6 million and \$2.37, respectively as detailed in Table 2. Due to the unusual nature and magnitude of the

expenses related to the abandoned acquisition, management believes exclusion of these expenses is necessary for a more meaningful comparison of net income to 2001. The Company experienced lower interest expense and income taxes in 2002 compared to prior year. Interest expense was due to lower average debt levels and a decline in interest rates. The Company's effective tax rate declined to 23.5% in 2002 from 33.5% in 2001. The reduction was primarily attributable to lower Mexican tax, the elimination of non-deductible goodwill amortization and an adjustment to estimated U.S. income tax accruals. The reduction in Mexican tax is primarily attributable to deferred tax adjustments and reduced statutory tax rates in Mexico.

CAPITAL RESOURCES AND LIQUIDITY

Operating cash flow continues to be the Company's primary source of funds to finance operating needs, capital expenditures and shareholder dividends. This is supplemented by additional borrowings to provide funds to finance the share repurchase program and for acquisitions. The Company continues to generate substantial cash flow. Net cash provided by operating activities was \$28.4 million in 2003 compared to \$54.2 million in 2002. Trade working capital, defined as inventories and accounts receivable less accounts payable, increased \$14.6 million as compared to year-end 2002. Total inventories increased \$16.1 million from year-end 2002 to \$125.7 million, partially as a result of the need to build inventories prior to planned furnace and machine rebuilds occurring in the first quarter of 2004. However, the Company decreased inventories by \$3.5 million during the fourth quarter of 2003.

Capital expenditures were \$24.9 million in 2003, compared with \$16.7 million in 2002. Capital expenditures for 2004 are expected to be in the range of \$35 to \$40 million. The expenditures primarily relate to furnace and machine rebuild activity and investments in higher productivity and laborsaving machinery and equipment.

The Company repurchased 1,500,000 shares of its common stock in 2003 for \$38.9 million pursuant to the Company's modified Dutch Auction tender offer. Since mid-1998, the Company has repurchased 5,125,000 shares for \$140.7 million. At year-end 2003, authorization from the Company's Board of Directors remained for the purchase of an additional 1,000,000 shares. Starting in 2003, the repurchased common stock is being used by the Company to fund the Employee Stock Purchase Plan (ESPP) and the Company match contributions for its employee 401(k) plans.

Libbey had total debt of \$230.9 million at December 31, 2003, compared with \$191.2 million at December 31, 2002. The increase was primarily attributable to the repurchase of its common stock, as discussed above. In early 2003, the Company entered into an unsecured agreement for an Amended and Restated Revolving Credit Agreement (Revolving Credit Agreement or Agreement) as detailed in Note 9 to the Consolidated Financial Statements. The Agreement matures April 23, 2005, with the option to extend for two additional one-year periods. At December 31, 2003, Libbey had additional debt capacity of \$117.4 million, including outstanding letters of credit of \$4.6 million under its debt obligations, limited to the Company's performance against certain financial ratios.

On March 31, 2003, the Company completed the issuance of \$100 million of privately placed senior notes. Eighty million dollars of the notes have an average interest rate of 4.65% with an initial average maturity of 8.4 years and a remaining average maturity of 7.7 years. The additional \$20 million has a floating interest rate at a margin over the London Interbank Offer Rate (LIBOR). The proceeds of the note issuance were used to retire debt outstanding under the Revolving Credit Agreement. The Company is not aware of any trends, demands, commitments or uncertainties that will result or that are reasonably likely to result in a material change in Libbey's liquidity. The Company believes that its cash from operations and available borrowings under the Revolving Credit Agreement, private placement senior notes and other short-term lines of credit will be sufficient to fund its operating requirements, capital expenditures and all other obligations (including debt service and dividends) throughout the remaining term of the Revolving Credit Agreement. Libbey has entered into interest rate protection agreements with respect to \$100 million of its debt. The average fixed rate of interest under these interest rate protection agreements is 5.8%, and the total interest rate, including applicable fees, is 7.6%. The average maturity of these interest rate protection agreements is 1.3 years at December 31, 2003.

Of Libbey's total outstanding indebtedness, \$47.9 million is subject to fluctuating interest rates at December 31, 2003. A change of one percentage point in such rates would result in a change in interest expense of approximately \$0.5 million on an annual basis.

In September 2001, the Company issued a \$2.7 million promissory note in connection with the purchase of a warehouse facility. At December 31, 2003, the Company had \$2.4 million outstanding on the promissory note. During 2004, \$0.1 million of the principal is payable.

The following table presents the Company's existing contractual obligations and commercial commitments:

Contractual Obligations	Payments Due by Period				
	Total	1 Year	2 - 3 Years	4 - 5 Years	After 5 Years
Debt	\$230.9	\$0.7	\$128.2	\$25.3	\$76.7
Long term operating leases	20.1	6.8	6.8	3.9	2.6
Total obligations	\$251.0	\$7.5	\$135.0	\$29.2	\$79.3

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Libbey believes that of its significant accounting policies (see Note 2 to the Consolidated Financial Statements), the following may involve a higher degree of judgment and complexity. As part of the regular review of the financial reporting of the Company, senior management has reviewed the Critical Accounting Policies and Management's Discussion and Analysis of Financial Condition and Results of Operations with the Audit Committee of the Board of Directors.

DERIVATIVES

Libbey holds derivative financial instruments to hedge certain of its interest rate risks associated with long-term debt, commodity price risks associated with forecasted future natural gas requirements and foreign exchange rate risks associated with transactions denominated in a currency other than the U.S. dollar. These derivatives have been designated as cash flow hedges and qualify for hedge accounting as discussed in detail in Notes 2, 9 and 11 to the Consolidated Financial Statements. As such, the fair value of these cash flow hedges are recorded on the balance sheet at fair value with a corresponding change in accumulated other comprehensive income (loss), net of related tax effects. The Company does not participate in speculative derivatives trading. While Libbey intends to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if the Company does not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. Information about fair values, notional amounts and contractual terms of these instruments can be found in Notes 2, 9 and 11 to the Consolidated Financial Statements and the section titled "Qualitative and Quantitative Disclosures About Market Risk."

The Company does not believe it is exposed to more than a nominal amount of credit risk in its interest rate, natural gas and foreign currency hedges as the counterparts are established financial institutions.

PENSION PLANS AND NONPENSION POSTRETIREMENT BENEFITS

The Company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions" (SFAS No. 87), which requires that amounts recognized in financial statements be determined on an actuarial basis. The U.S. pension plans cover the hourly and salary U.S.-based employees of the Company, including the SERP, which is an unfunded liability. The non-U.S. pension plans cover the employees of the Company's wholly owned subsidiaries, Royal Leerdam and Leerdam Crystal, both located in the Netherlands.

A significant element in determining the Company's pension expense (income) in accordance with SFAS No. 87 is the expected return on plan assets. The Company assumes that the expected long-term rate of return on plan assets for U.S. plans will be 9.0% and for non-U.S. plans 6.5%. Since the U.S. pension plans' inception in 1993, the Company's pension plan assets have earned an average annual return of 10.5%. A change of .50% in the expected long-term rate of return on plan assets will change total pension expense (income) by approximately \$1.2 million based on year-end data. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes gains and losses in the fair value of plan assets compared to expected returns over the next five years. This produces the expected return on plan assets that is included in pension expense (income). The difference between the expected return and the actual return on plan assets is deferred and amortized over five years. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension expense (income). The U.S. pension plan assets have earned an actual rate of return in 2003 of 23.8%. Pension expense for the U.S. plans in 2004 is expected to be \$4.4 million compared to \$1.4 million in 2003 and income of \$(3.7) million in 2002. For the non-U.S. pension plans, pension expense in 2004 is expected to be immaterial; the expense in 2003 was \$0.2 million. This is a result of the lower return on plan assets, additional benefits granted to unionized employees during labor negotiations in 2001 and a change in the discount rate discussed below.

At the end of each year, the Company determines the discount rate to be used to discount plan liabilities. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the current year. In estimating this rate, the Company reviews rates of return on high quality, fixed-income investments as a benchmark. At December 31, 2003, the Company determined this rate to be 6.25%, compared to 6.75% in 2002 for the U.S. pension plans and 5.6% for the non-U.S. pension plans in 2003 and 2002. The effect of each .50% change in the discount rate would effect total pension expense by approximately \$1.0 million.

The Company has not made contributions to the U.S. pension plans since their inception in 1993. The Company contributed \$1.3 million in 2003 to the non-U.S. pension plans. The Company anticipates making cash contributions for approximately \$0.1 million for the U.S. pension plans and \$1.4 million for the non-U.S. pension plans in 2004. It is difficult to estimate potential cash contributions, as such amounts are a function of actual investment returns, withdrawals from the plans, changes in interest rates and other factors uncertain at this time.

At December 31, 2003, the fair value of the Company's U.S. pension assets was \$197.4 million compared to \$172.8 million at the end of 2002. For the non-U.S. pension plans, the fair value of the Company's pension assets was \$28.3 million at December 31, 2003.

The Company also provides certain postretirement health care and life insurance benefits covering substantially all U.S. and Canadian salaried and hourly employees which are accounted for in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." Employees are generally eligible for benefits upon reaching a certain age and completion of a specified number of years of creditable service. Benefits for most hourly retirees are determined by collective bargaining. Under a cross-indemnity agreement, Owens-Illinois, Inc. assumed liability for the nonpension postretirement benefits of Company retirees who had retired as of June 24, 1993. The U.S. nonpension postretirement plans cover the hourly and salary U.S.-based employees of the Company. The non-U.S. nonpension postretirement plans cover the former retirees and active employees of the Company, located in Canada.

The Company uses various actuarial assumptions, including the discount rate and the expected trend in health care costs, to estimate the costs and benefit obligations for its retiree health plan. In estimating the discount rate, the Company reviews rates of return on high quality, fixed-income investments as a benchmark. At December 31, 2003, the Company determined this rate to be 6.25% compared to 6.75% in 2002 for the U.S. plans. The non-U.S. plans were 6.00% in 2003 and 6.25% in 2002. The effect of a .50% change in the discount rate would effect total health care expense by \$0.2 million. Assumed health care cost inflation is based on an initial rate of 10.0%, decreasing to an ultimate rate of 5.0% over five years for the U.S. nonpension postretirement plans. For the non-U.S. nonpension postretirement plans, the assumed health care cost inflation is based on an initial rate of 9.0%, decreasing to an ultimate rate of 5.0% over eight years. A one percent change in these rates would have changed the U.S. and non-U.S. nonpension postretirement expense by a total of \$0.2 million.

In 2003, the Company recorded total expense for nonpension postretirement benefit costs of \$1.6 million, as compared to \$0.9 million in 2002. The Company expects to record an expense of \$1.9 million in 2004 for nonpension postretirement benefit costs.

REVENUE RECOGNITION

Revenue is recognized when products are shipped, and title and risk of loss has passed to the customer. Revenue is recorded net of returns, discounts and incentives offered to customers. The Company estimates returns, discounts and incentives at the time of sale based on the terms of the agreements and historical experience. The Company continually evaluates the adequacy of these methods used to estimate returns, discounts and incentives. In accordance with Emerging Issues Task Force (EITF) Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," shipping and handling costs billed customers are included in total revenues and the related costs are included in cost of sales in the Consolidated Statement of Income.

SALES INCENTIVE PROGRAMS

The Company offers various sales incentive programs to a broad base of customers. These programs typically offer incentives for purchase activities by customers that include growth objectives. The Company records accruals for these incentives as sales occur. Criteria for payment include customers achieving certain purchase targets and purchasing particular product types. Management regularly reviews the adequacy of the accruals based on current customer purchases, targeted purchases and payout levels. The majority of amounts paid to customers typically occur in the third quarter.

Table 1

In accordance with U.S. Securities and Exchange Commission (SEC) Regulation G, the following table provides non-GAAP measures used in the Management's Discussion and Analysis of Financial Condition and Results of Operations and the reconciliation to the most closely related Generally Accepted Accounting Principles (GAAP) measure. Management believes this provides investors with a more complete understanding of underlying results in the Company's core business.

RECONCILIATION OF NON-GAAP MEASURES FOR INCOME TAXES

(Dollars in thousands, except per-share amounts)

	Twelve months ended December 31, 2003	2002	2001
	-----	-----	-----
Reported net income	\$ 29,073	\$ 28,055	\$ 39,392
Tax adjustment	5,472	3,851	--
	-----	-----	-----
Net income excluding tax adjustment	\$ 23,601	\$ 24,204	\$ 39,392
	=====	=====	=====
Basic earnings per share:			
Reported net income	\$ 2.12	\$ 1.84	\$ 2.58
Tax adjustment	0.40	0.25	--
	-----	-----	-----
Net income per share excluding tax adjustment	\$ 1.72	\$ 1.59	\$ 2.58
	=====	=====	=====
Diluted earnings per share:			
Reported net income	\$ 2.11	\$ 1.82	\$ 2.53
Tax adjustment	0.40	0.25	--
	-----	-----	-----
Net income per diluted share excluding tax adjustment	\$ 1.71	\$ 1.57	\$ 2.53
	=====	=====	=====

Table 2

In accordance with U.S. Securities and Exchange Commission (SEC) Regulation G, the following table provides non-GAAP measures used in the Management's Discussion and Analysis of Financial Condition and Results of Operations and the reconciliation to the most closely related Generally Accepted Accounting Principles (GAAP) measure. Management believes this provides investors with a more complete understanding of underlying results in the Company's core business.

RECONCILIATION OF NON-GAAP MEASURES FOR ABANDONED ACQUISITION EXPENSES

(Dollars in thousands, except per-share amounts)

	Twelve months ended December 31, 2003	2002	2001
	-----	-----	-----
Reported net income	\$ 29,073	\$ 28,055	\$ 39,392
Expenses associated with abandoned acquisition	--	13,634	--
Less tax effect	--	5,126	--
	-----	-----	-----
Net income excluding expenses associated with abandoned acquisition	\$ 29,073	\$ 36,563	\$ 39,392
	=====	=====	=====
Basic earnings per share:			
Reported net income	\$ 2.12	\$ 1.84	\$ 2.58
Expenses associated with abandoned acquisition, net of related tax effects	--	0.55	--
	-----	-----	-----
Net income per share excluding expenses associated with abandoned acquisition	\$ 2.12	\$ 2.39	\$ 2.58
	=====	=====	=====
Diluted earnings per share:			
Reported net income	\$ 2.11	\$ 1.82	\$ 2.53
Expenses associated with abandoned acquisition, net of related tax effects	--	0.55	--
	-----	-----	-----
Net income per diluted share excluding expenses associated with abandoned acquisition	\$ 2.11	\$ 2.37	\$ 2.53
	=====	=====	=====

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks due to changes in currency values, although the majority of the Company's 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 or Mexican peso that could reduce the cost competitiveness of the Company's products or that of Vitrocrisa compared to foreign competition; the effect of high inflation in Mexico and exchange rate changes to the value of the Mexican peso; and impact of those changes on the earnings and cash flow of Vitrocrisa, expressed under accounting principles generally accepted in the United States.

The Company is exposed to market risk associated with changes in interest rates in the U.S. and has entered into Interest Rate Protection Agreements (Rate Agreements) with respect to \$100 million of debt as a means to manage its exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of the Company's borrowings from variable rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future income. The average fixed rate of interest for the Company's borrowings related to the Rate Agreements at December 31, 2003, is 5.8% and the total interest rate, including applicable fees, is 7.6%. The average maturity of these Rate Agreements is 1.3 years at December 31, 2003. Total remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 3.9% at December 31, 2003. The Company had \$47.9 million of debt subject to fluctuating interest rates at December 31, 2003. A change of one percentage point in such rates would result in a change in interest expense of approximately \$0.5 million on an annual basis. If the counterparts to these Rate Agreements fail to perform, the Company would no longer be protected from interest rate fluctuations by these Rate Agreements. However, the Company does not anticipate nonperformance by the counterparts.

The fair value of the Company's Rate Agreements is determined using the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. The Company does not expect to cancel these agreements and expects them to expire as originally contracted. The fair market value for the Company's Rate Agreements at December 31, 2003, was \$(5.5) million.

In addition to the Rate Agreements, the Company has other derivatives as discussed above and in Notes 2, 9 and 11 to the Consolidated Financial Statements. The Company has designated these derivative instruments as cash flow hedges. As such, the changes in fair value of these derivative instruments are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged transaction or item affects earnings. At December 31, 2003, approximately \$3.4 million of unrealized net loss was recorded in accumulated other comprehensive income (loss).

OTHER INFORMATION

This document and supporting schedules contain statements that are not historical facts and constitute projections, forecasts or forward-looking statements. Such statements only reflect the Company's best assessment at this time, and may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "expect," "intend," "may," "planned," "potential," "should," "will," "would" or similar phrases. Such forward-looking statements involve risks and uncertainty; actual results may differ materially from such statements, and undue reliance should not be placed on such statements. Important factors potentially affecting the Company's performance include, but are not limited to:

- major slowdowns in the retail, travel, restaurant and bar or entertainment industries, including the impact of armed hostilities or any other international or national calamity, including any act of terrorism, on the retail, travel, restaurant and bar or entertainment industries;
- significant increases in interest rates that increase the Company's borrowing costs;
- significant increases in per-unit costs for natural gas, electricity, corrugated packaging and other purchased materials;
- increases in expenses associated with higher medical costs, increased pension expense associated with lower returns on pension investments and increased pension obligations;
- devaluations and other major currency fluctuations relative to the U.S. dollar, euro or Mexican peso that could reduce the cost competitiveness of the Company's or Vitrocrisa's products compared to foreign competition;

- the effect of high inflation in Mexico and exchange rate changes to the value of the Mexican peso and the earnings expressed under accounting principles generally accepted in the United States and cash flow of Vitrocrisa;
- the inability to achieve savings and profit improvements at targeted levels at the Company and Vitrocrisa from capacity realignment, re-engineering and operational restructuring programs or within the intended time periods;
- protracted work stoppages related to collective bargaining agreements;
- increased competition from foreign suppliers endeavoring to sell glass tableware in the United States, Mexico and Europe, including the impact of lower duties for imported products;
- whether the Company completes any significant acquisitions and whether such acquisitions can operate profitably.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF MANAGEMENT

The management of Libbey Inc. (Libbey or the Company) is responsible for the contents of the financial statements, which are prepared in conformity with accounting principles generally accepted in the United States. The Consolidated Financial Statements necessarily include amounts based on judgments and estimates. Financial information elsewhere in the Form 10-K is consistent with that in the financial statements.

Libbey maintains a comprehensive accounting system that includes controls designed to provide reasonable assurance as to the integrity and reliability of the financial records and the protection of assets. However, there are inherent limitations in the effectiveness of any system of internal controls, and, therefore, Libbey takes other steps to maintain an effective internal control structure. These steps include an organization with clearly defined lines of responsibility and delegation of authority and comprehensive systems and control procedures. The role of the independent auditors is to provide an objective review of the financial statements and the underlying transactions in accordance with auditing standards generally accepted in the United States.

The Audit Committee of the Board of Directors, comprised solely of Directors who are "independent," as defined in Rule 10A-361 promulgated under the Securities Exchange Act of 1934, as amended, meets regularly with management and the independent auditors to ensure that their respective responsibilities are properly discharged. The independent auditors have full and free access to the Audit Committee.

/s/ John F. Meier

*John F. Meier
Chairman of the Board and
Chief Executive Officer*

/s/ Scott M. Sellick

*Scott M. Sellick
Vice President and Chief Financial Officer*

February 10, 2004

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS AND SHAREHOLDERS LIBBEY INC.

We have audited the accompanying consolidated balance sheets of Libbey Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the consolidated and combined financial statements of Vitrocrisa Holding, S. de R.L. de C.V. and subsidiaries and Crisa Libbey, S.A. de C.V. (corporations in which Libbey Inc. has a 49% equity interest). These statements were audited by other auditors whose reports have been furnished to us; and, insofar as our opinion on the consolidated financial statements relates to the amounts included for these companies, it is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Libbey Inc. at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with auditing standards generally accepted in the United States.

As discussed in Note 2 to the financial statements, in 2002 Libbey Inc. changed its method of accounting for goodwill.

/s/ ERNST & YOUNG LLP

*Toledo, Ohio
January 30, 2004*

LIBBEY INC. CONSOLIDATED BALANCE SHEETS

December 31,	2003	2002
	-----	-----
Dollars in thousands		
ASSETS		
Current assets:		
Cash	\$ 2,750	\$ 1,683
Accounts receivable:		
Trade, less allowances of \$5,604 and \$6,310	53,333	46,308
Other, less allowances of \$1,556 and \$1,482	3,789	3,636
	-----	-----
	57,122	49,944
Inventories:		
Finished goods	116,408	100,405
Work in process	4,590	4,512
Raw materials	3,859	3,169
Operating supplies	839	1,548
	-----	-----
	125,696	109,634
Prepaid expenses and deferred taxes	10,610	13,487
	-----	-----
Total current assets	196,178	174,748
Other assets:		
Repair parts inventories	7,058	5,603
Intangibles, net of accumulated amortization of \$4,956 and \$3,380	28,346	26,375
Deferred software, net of accumulated amortization of \$12,755 and \$11,679	2,354	2,585
Other assets	2,987	4,453
Investments	87,574	87,847
Goodwill	53,133	59,795
	-----	-----
	181,452	186,658
Property, plant and equipment at cost	327,741	300,690
Less accumulated depreciation	154,255	137,569
	-----	-----
Net property, plant and equipment	173,486	163,121
	-----	-----
Total assets	\$551,116	\$524,527
	=====	=====

See accompanying notes.

LIBBEY INC. CONSOLIDATED BALANCE SHEETS (continued)

December 31,	2003	2002
	-----	-----
Dollars in thousands		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 611	\$ 2,660
Accounts payable	40,280	31,633
Salaries and wages	14,096	14,670
Accrued liabilities	33,555	39,687
Income taxes	185	5,498
Long-term debt due within one year	115	115
	-----	-----
Total current liabilities	88,842	94,263
Long-term debt	230,207	188,403
Deferred taxes	15,469	11,780
Pension liabilities	17,092	28,655
Other long-term liabilities	12,404	14,015
Nonpension postretirement benefits	47,245	47,193
	-----	-----
Total liabilities	411,259	384,309
Shareholders' equity:		
Common stock, par value \$.01 per share, 50,000,000 shares authorized, 18,660,960 shares issued (18,256,277 shares issued in 2002)	187	183
Capital in excess of par value	300,378	293,537
Treasury stock, at cost, 5,046,597 shares (3,625,000 in 2002)	(139,449)	(102,206)
Retained earnings (deficit)	4,154	(19,413)
Accumulated other comprehensive loss	(25,413)	(31,883)
	-----	-----
Total shareholders' equity	139,857	140,218
	-----	-----
Total liabilities and shareholders' equity	\$ 551,116	\$ 524,527
	=====	=====

See accompanying notes.

LIBBEY INC. CONSOLIDATED STATEMENTS OF INCOME

December 31,	2003	2002	2001
	-----	-----	-----
Dollars in thousands, except per-share amounts			
REVENUES			
Net sales	\$ 513,632	\$ 433,761	\$ 419,594
Freight billed to customers	1,965	1,732	2,085
Royalties and net technical assistance income	3,022	2,404	3,741
	-----	-----	-----
Total revenues	518,619	437,897	425,420
Costs and expenses:			
Cost of sales	407,391	327,565	307,255
Selling, general and administrative expenses	68,479	56,631	55,716
	-----	-----	-----
	475,870	384,196	362,971
	-----	-----	-----
INCOME FROM OPERATIONS	42,749	53,701	62,449
Other income (expense):			
Equity earnings - pretax	4,429	6,379	6,384
Expenses related to abandoned acquisition	--	(13,634)	--
Other - net	462	(1,510)	(241)
	-----	-----	-----
	4,891	(8,765)	6,143
	-----	-----	-----
Earnings before interest and income taxes	47,640	44,936	68,592
Interest expense - net	13,436	8,263	9,360
	-----	-----	-----
Income before income taxes	34,204	36,673	59,232
Provision for income taxes	5,131	8,618	19,840
	-----	-----	-----
NET INCOME	\$ 29,073	\$ 28,055	\$ 39,392
	=====	=====	=====
NET INCOME PER SHARE			
Basic	\$ 2.12	\$ 1.84	\$ 2.58
Diluted	\$ 2.11	\$ 1.82	\$ 2.53
	=====	=====	=====

See accompanying notes

LIBBEY INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Dollars in thousands, except share amounts	Common Stock		Capital in Excess of Par Value	Treasury Stock		Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount		Shares	Amount			
Balance January 1, 2001	17,858,102	\$179	\$284,930	2,647,400	\$ (74,140)	\$ (77,698)	--	\$133,271
Comprehensive income:								
Net income						39,392		39,392
Effect of derivatives, net of \$2,292 tax effect							\$ (4,742)	(4,742)
Minimum pension liability, net of \$137 tax effect							(228)	(228)
Total comprehensive income								34,422
Stock options exercised	167,741	1	2,344					2,345
Income tax benefit on stock options			1,144					1,144
Purchase of treasury shares				42,000	(1,229)			(1,229)
Dividends -- \$0.30 per share						(4,588)		(4,588)
Balance December 31, 2001	18,025,843	180	288,418	2,689,400	(75,369)	(42,894)	(4,970)	165,365
Comprehensive income:								
Net income						28,055		28,055
Effect of derivatives, net of \$297 tax effect							(493)	(493)
Minimum pension liability, net of \$15,919 tax effect							(26,419)	(26,419)
Effect of exchange rate fluctuation							(1)	(1)
Total comprehensive income								1,142
Stock options exercised	230,434	3	3,298					3,301
Income tax benefit on stock options			1,821					1,821
Purchase of treasury shares				935,600	(26,837)			(26,837)
Dividends -- \$0.30 per share						(4,574)		(4,574)
Balance December 31, 2002	18,256,277	183	293,537	3,625,000	(102,206)	(19,413)	(31,883)	140,218
Comprehensive income:								
Net income						29,073		29,073
Effect of derivatives, net of \$1,128 tax effect							1,871	1,871
Minimum pension liability, net of \$2,751 tax effect							4,567	4,567
Effect of exchange rate fluctuation							32	32
Total comprehensive income								35,543
Stock options exercised	404,683	4	5,383					5,387
Income tax benefit on stock options			1,458					1,458
Purchase of treasury shares				1,500,000	(38,918)			(38,918)
Issued treasury shares				(78,403)	1,675			1,675
Dividends -- \$0.40 per share						(5,506)		(5,506)
BALANCE DECEMBER 31, 2003	18,660,960	\$187	\$300,378	5,046,597	\$(139,449)	\$ 4,154	\$(25,413)	\$139,857

See accompanying notes

LIBBEY INC. CONSOLIDATED STATEMENTS OF CASH FLOW

December 31,	2003	2002	2001
	-----	-----	-----
Dollars in thousands			
OPERATING ACTIVITIES			
Net income	\$ 29,073	\$ 28,055	\$ 39,392
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	25,457	17,262	15,157
Amortization	2,652	1,881	3,686
Net equity earnings	(4,420)	(9,774)	(2,665)
Nonpension postretirement benefit cost in excess of payments	52	(938)	(1,545)
Loss (gain) on sale of land	148	(381)	--
Deferred income taxes, less equity earnings portion	(2,329)	4,040	7,394
Other	(1,777)	354	(385)
Changes in operating assets and liabilities:			
Accounts receivable	(5,632)	3,495	7,673
Inventories	(14,116)	(91)	7,570
Prepaid expenses	531	(186)	(469)
Other assets	(1,451)	5,330	(16,976)
Accounts payable	8,088	(6,095)	3,264
Accrued liabilities	(5,100)	5,886	(7,117)
Other liabilities	(2,810)	5,367	(3,671)
	-----	-----	-----
Net cash provided by operating activities	28,366	54,205	51,308
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(24,874)	(16,739)	(35,241)
Dividends received from equity investments	4,900	4,659	4,918
Acquisitions (including acquisition-related costs, less cash acquired)	(513)	(62,046)	--
Other	1,410	3,523	(1,563)
	-----	-----	-----
Net cash used in investing activities	(19,077)	(70,603)	(31,886)
FINANCING ACTIVITIES			
Net bank credit facility activity	(66,254)	43,001	(8,404)
Payment of finance fees	(663)	(815)	--
Senior notes	100,000	--	--
Other net borrowings	(2,275)	145	(4,968)
Stock options exercised	5,387	3,301	2,345
Treasury shares purchased	(38,918)	(26,837)	(1,229)
Dividends	(5,506)	(4,574)	(4,588)
	-----	-----	-----
Net cash (used in) provided by financing activities	(8,229)	14,221	(16,844)
Effect of exchange rate fluctuations on cash	7	--	--
	-----	-----	-----
Increase (decrease) in cash	1,067	(2,177)	2,578
Cash at beginning of year	1,683	3,860	1,282
	-----	-----	-----
CASH AT END OF YEAR	\$ 2,750	\$ 1,683	\$ 3,860
	=====	=====	=====

See accompanying notes

LIBBEY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA AND PER-SHARE AMOUNTS)

1. BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Libbey Inc. and all wholly owned subsidiaries (Libbey or the Company). The Company records its 49% interest in certain companies using the equity method. All material intercompany accounts and transactions have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES

BUSINESS The Company operates in one business segment, tableware products. The Company designs, manufactures and markets an extensive line of high-quality, machine-made glass beverageware, other glass tableware, ceramic dinnerware and plastic items to a broad group of customers in the foodservice, retail, industrial and premium areas. Most of the Company's sales are to customers in North America and Europe. The Company also imports and distributes various products and has a 49% interest in Vitrocrisa Holding, S. de R.L. de C.V and related Mexican companies (Vitrocrisa), a glass tableware manufacturer in Mexico.

ACCOUNTS RECEIVABLE The Company records trade receivables when revenue is recorded in accordance with its revenue recognition policy and relieves accounts receivable when payments are received from customers.

ALLOWANCE FOR DOUBTFUL ACCOUNTS The allowance for doubtful accounts is established through charges to the provision for bad debts. The Company evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes historical trends in collections and write-offs, management's judgement of the probability of collecting accounts and management's evaluation of business risk. This evaluation is inherently subjective, as it requires estimates that are susceptible to revision as more information becomes available. Accounts are determined to be uncollectible when the debt is deemed to be worthless or only recoverable in part and are written off at that time through a charge against the allowance.

INVENTORY VALUATION The Company uses the last-in, first-out (LIFO) cost method of inventory valuation for 58.1% of its inventories in 2003 and 57.1% in 2002. If inventories valued on the LIFO method had been valued at standard or average costs, which approximate current costs, inventories would be higher than reported by \$11,435 and \$9,632 at December 31, 2003 and 2002, respectively. The remaining inventories are valued at either standard or average cost, which approximate current costs.

GOODWILL AND INTANGIBLES Goodwill results from the excess of purchase cost over the fair value of net assets acquired. Goodwill resulting from business combinations completed prior to December 31, 2001, was being amortized over 40 years.

Intangibles (excluding those discussed in Note 8) result from valuations assigned by independent appraisals for: future revenues from technical assistance agreements, trademarks and trade names acquired and other acquired intangibles.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142) and SFAS No. 141, "Business Combinations" (SFAS No. 141). SFAS No. 142 requires goodwill and indefinite-lived intangible assets to no longer be amortized but reviewed annually

for impairment, or more frequently, if impairment indicators arise. Accounting Principles Board (APB) Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock" (APB 18), requires the Company's goodwill associated with equity method investees to be reviewed for impairment, if impairment indicators exist. Intangible assets with lives restricted by contractual, legal or other means will continue to be amortized over their useful lives. As required by SFAS No. 142, the Company determined that certain trademarks had an indefinite life and ceased amortization of these intangibles on January 1, 2002, and evaluated these indefinite-lived intangible assets as not being impaired. The Company also determined that certain technical assistance agreements should have their useful lives reduced to five years.

At December 31, 2003, the carrying value and accumulated amortization of amortized intangible assets totaled \$2,516 and \$4,809, respectively, and the carrying value of indefinite-lived intangible assets totaled \$5,876. The weighted average remaining life on the amortizable intangible assets is 3.1 years at December 31, 2003. Future estimated amortization expense of amortizable intangibles is as follows: 2004 -- \$810; 2005 -- \$810; 2006 -- \$762; 2007 -- \$51 and 2008 -- \$6.

Goodwill and other intangible assets are evaluated for impairment on an annual basis as of October 1st of each year. No impairment was indicated since the inception of SFAS No. 142. Goodwill decreased by \$6,662 compared to December 31, 2002, as a result of the finalization of the purchase price allocations for the acquisitions that occurred in December 2002 and the change in exchange rates.

The following table reflects the consolidated results adjusted as though the adoption of SFAS No. 142 occurred as of January 1, 2001:

Year ended December 31,	2003	2002	2001
	-----	-----	-----
Net Income:			
Reported net income	\$ 29,073	\$ 28,055	\$ 39,392
Goodwill amortization related to equity investments	--	--	1,698
Goodwill and trademark amortization	--	--	1,684
Change in amortization of technical assistance agreements	--	--	(564)
Tax effect	--	--	(38)
	-----	-----	-----
Adjusted net income	\$ 29,073	\$ 28,055	\$ 42,172
	=====	=====	=====
Basic earnings per share:			
Reported basic earnings per share	\$ 2.12	\$ 1.84	\$ 2.58
Goodwill amortization related to equity investments	--	--	0.11
Goodwill and trademark amortization	--	--	0.11
Change in amortization of technical assistance agreements	--	--	(0.04)
Tax effect	--	--	--
	-----	-----	-----
Adjusted basic earnings per share	\$ 2.12	\$ 1.84	\$ 2.76
	=====	=====	=====
Diluted earnings per share:			
Reported diluted earnings per share	\$ 2.11	\$ 1.82	\$ 2.53
Goodwill amortization related to equity investments	--	--	0.11
Goodwill and trademark amortization	--	--	0.11
Change in amortization of technical assistance agreements	--	--	(0.04)
Tax effect	--	--	--
	-----	-----	-----
Adjusted diluted earnings per share	\$ 2.11	\$ 1.82	\$ 2.71
	=====	=====	=====

DEFERRED SOFTWARE Deferred software represents the costs of internally developed and purchased software packages for internal use plus the costs associated with the installation of software. These costs are amortized over five years.

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment are recorded at cost. Major improvements are capitalized. Maintenance and repairs are expensed as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally 3 to 14 years for equipment and furnishings and 10 to 40 years for buildings and improvements.

SELF-INSURANCE RESERVES Self-Insurance reserves reflect the estimated liability for group health and workers' compensation claims not covered by third-party insurance. Workers' compensation accruals are recorded at the estimated ultimate payout amounts based on individual case estimates and estimates of incurred-but-not-reported losses developed from past experience. Group health accruals are based on estimates of incurred-but-not-reported estimates received from a third party administrator of the plan.

STOCK OPTIONS The Company has two stock option plans, which are described more fully in Note 10. The Company accounts for the plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related Interpretations. No stock option is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provision of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123), to stock-based employee compensation.

Year ended December 31,	2003	2002	2001
	-----	-----	-----
Net Income:			
Reported net income	\$ 29,073	\$ 28,055	\$ 39,392
Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,373	1,511	1,277
Pro forma net income	\$ 27,700 =====	\$ 26,544 =====	\$ 38,115 =====
Basic earnings per share:			
Reported basic earnings per share	\$ 2.12	\$ 1.84	\$ 2.58
Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.10	0.10	0.09
Adjusted basic earnings per share	\$ 2.02 =====	\$ 1.74 =====	\$ 2.49 =====
Diluted earnings per share:			
Reported diluted earnings per share	\$ 2.11	\$ 1.82	\$ 2.53
Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.10	0.10	0.08
Adjusted diluted earnings per share	\$ 2.01 =====	\$ 1.72 =====	\$ 2.45 =====

INCOME TAXES Income taxes are accounted for under the asset and liability method. Deferred 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 credit carryforwards. Deferred 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.

REVENUE RECOGNITION Revenue is recognized when products are shipped and title and risk of loss has passed to the customer. Revenue is recorded net of returns, discounts and incentives offered to customers. The Company estimates returns, discounts and incentives at the time of sale based on the terms of the agreements and historical experience. The Company continually evaluates the adequacy of these methods used to estimate returns, discounts and incentives.

ROYALTIES AND NET TECHNICAL ASSISTANCE Royalties and net technical assistance income are accrued based on the terms of the respective agreements, which typically specify that a percentage of the licensee's sales be paid to the Company monthly, quarterly or semi-annually in exchange for the Company's assistance with manufacturing and engineering and support in functions such as marketing, sales and administration.

DERIVATIVES Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS Nos. 137 and 138. The Company holds derivative financial instruments to hedge certain of its interest rate risks associated with long-term debt, commodity price risks associated with forecasted future natural gas requirements and foreign exchange rate risks associated with occasional transactions denominated in a currency other than the U.S. dollar. These derivatives qualify for hedge accounting since the hedges are highly effective, and the Company has designated and documented contemporaneously the hedging relationships involving these derivative instruments. While the Company intends to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if the Company does not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. Derivatives are more fully discussed in Notes 9 and 11.

RESEARCH AND DEVELOPMENT Research and development expenses are fully charged to the Consolidated Statements of Income when incurred. Expenses for 2003, 2002 and 2001, respectively, were \$2,051, \$2,124, and \$2,394.

FOREIGN CURRENCY TRANSLATION Effective January 1, 2001, the remaining activities of the Company's wholly owned Canadian sales subsidiary are recorded with the U.S. dollar as the functional currency. The 49% investment in Vitrocrisa is accounted for using the equity method with the U.S. dollar as the functional currency. The Company's wholly owned foreign subsidiaries, B.V. Koninklijke Nederlandsche Glasfabriek Leerdam (Royal Leerdam), Leerdam Crystal B.V. (Leerdam Crystal) and Libbey Europe B.V., are translated at current exchange rates and any related translation adjustments are recorded directly in shareholders' equity with the euro being the functional currency.

OTHER COMPREHENSIVE INCOME (LOSS) Other comprehensive income (loss) for the Company includes fair value changes of derivatives (net of tax), a net minimum pension liability in connection with pension obligations (net of tax) and exchange rate fluctuation. Disclosure of comprehensive income (loss) is incorporated into the Consolidated Statements of Shareholders' Equity for all years presented. Accumulated other comprehensive loss includes \$3,364 and \$5,235 for derivatives, \$22,080 and \$26,647 for minimum pension liability and \$(32) and \$1 for exchange rate fluctuation as of December 31, 2003 and 2002, respectively.

LONG-LIVED ASSETS Effective January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144), which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and provides a single accounting model for long-lived assets which are to be disposed. The adoption of SFAS No. 144 had no effect on the Company's consolidated results of operations or financial position since inception.

TREASURY STOCK Treasury stock purchases are recorded at cost. During 2003, 2002 and 2001, the Company purchased 1,500,000, 935,600, and 42,000 shares of stock at an average cost of \$25.95, \$28.68, and \$29.26, respectively. The Company issued 78,403 shares from treasury stock in 2003 at an average cost of \$21.36.

INCOME PER SHARE OF COMMON STOCK The following table sets forth the computation of basic and diluted earnings per share:

Year ended December 31,	2003	2002	2001
Numerator for earnings per share -- net income that is available to common shareholders	\$ 29,073	\$ 28,055	\$ 39,392
Denominator for basic earnings per share -- weighted-average shares outstanding	13,733,806	15,240,429	15,296,289
Effect of dilutive securities - employee stock options and employee stock purchase plan (ESPP) in 2002 and 2003	27,356	190,693	247,996
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	13,761,162	15,431,122	15,544,285
Basic earnings per share	\$ 2.12	\$ 1.84	\$ 2.58
Diluted earnings per share	\$ 2.11	\$ 1.82	\$ 2.53

NEW ACCOUNTING STANDARDS In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This Interpretation will significantly change current practices in the accounting for and disclosure of guarantees. Guarantees meeting the characteristics described in the Interpretation are required to be initially recorded at fair value. The Interpretation's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Interpretation also requires a guarantor to make significant new disclosures for virtually all guarantees even if the likelihood of the guarantor's having to make payments under the guarantee is remote. The Interpretation's disclosure requirements are effective for this year's financial statements in Note 14 to the Consolidated Financial Statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." The Interpretation addresses the requirements for business enterprises to consolidate related entities in which they are determined to be the primary beneficiary as a result of their variable economic interests. The Interpretation is intended to provide guidance in judging multiple economic interests in an entity and in determining the primary beneficiary. The Interpretation outlines disclosure requirements for variable interest entities in existence prior to January 31, 2003, and requires consolidation of variable interest entities created after January 31, 2003. In addition, the Interpretation requires consolidation of variable interest entities created prior to January 31, 2003, for fiscal periods beginning after December 15, 2003. This Interpretation had no impact on the Company's financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (SFAS No. 149). This standard amends and clarifies accounting for derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. This standard had no impact on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS No. 150). This standard requires that certain financial instruments embodying obligations to transfer assets or issue equity securities be classified as liabilities. It is effective for financial instruments entered into or modified after May 31, 2003, and is otherwise effective July 1, 2003. This standard had no impact on the Company's financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS No. 132-revised), which requires additional disclosures about the assets, obligations, cash flows and net periodic benefit costs of defined benefit pension plans and defined benefit other post retirement plans. The Company adopted the disclosure requirements of SFAS No. 132-revised as shown in Note 8.

In January 2004, the FASB issued FASB Staff Position (FSP) No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FAS No. 106-1), which permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Company has elected to defer accounting for the effects of the Act pending further consideration of the underlying accounting issues.

3. ACQUISITIONS

Abandoned Anchor Hocking Acquisition

In June of 2001, the Company entered into an agreement to acquire the Anchor Hocking operations of Newell Rubbermaid Inc. On June 10, 2002, the Company abandoned its proposed acquisition of the Anchor Hocking business in light of the challenge to the acquisition by the United States Federal Trade Commission (FTC). As a result, the Company expensed costs of \$13,634 in 2002 directly related to the abandoned acquisition. These costs, consisting primarily of professional and financing fees, represent all of the costs incurred in connection with the acquisition and due to the unusual nature of this event have been classified in Other income (expense) in the 2002 Consolidated Statement of Income.

Traex Acquisition

On December 2, 2002, the Company acquired substantially all the assets of the Traex business (Traex) from Menasha Corporation for \$16.8 million in cash. Traex manufactures and markets a wide-range of plastic products, including ware washing and storage racks, trays, dispensers and organizers for the foodservice industry. Traex is located in Dane, Wisconsin. The operating results of Traex have been included in the Consolidated Statements of Income since the date of acquisition.

Royal Leerdam Acquisition

On December 31, 2002, the Company acquired the stock of Royal Leerdam for \$44.1 million in cash from BSN Glasspack N.V. (BSN). Royal Leerdam manufactures and markets high-quality glass stemware. Royal Leerdam is located in Leerdam, the Netherlands. Since the acquisition was completed on December 31, 2002, there were no operating results included in the Consolidated Statements of Income for 2002. Results were included for 2003.

As part of the stock acquisition of Royal Leerdam, the Company obtained an option, for the price of one euro, to sell the stock of Leerdam Crystal (a wholly owned subsidiary of Royal Leerdam) back to BSN. Leerdam Crystal manufactures and markets various hand-made crystal items. In the fourth quarter of 2003, the Company entered into a Settlement and Amended Agreement with BSN where BSN converted (euro) 1.6 million of outstanding indebtedness, owed by Leerdam Crystal to BSN, to equity. BSN then immediately sold the equity to Royal Leerdam for one euro. As a result, Royal Leerdam now owns 100% of the stock of Leerdam Crystal, and the results of operations for the entire year of 2003 relating to Leerdam Crystal are included in the Consolidated Statements of Income for 2003.

The purchase price allocations for the Traex and Royal Leerdam acquisitions were finalized during the fourth quarter of 2003. The primary changes in the finalization of the purchase price allocation were related to Royal Leerdam. Property, plant and equipment increased by \$3.6 million, intangible assets (indefinite life) increased by \$3.6 million and intangible assets (definite life) increased by \$0.7 million. The aforementioned increases were the result of an independent appraisal, which was finalized during the fourth quarter of 2003. Due to the increases in assets, goodwill decreased by \$7.9 million.

Following is a summary of the fair values of the assets acquired and liabilities assumed as of the date of acquisitions:

	2002
Current assets (including cash of \$382)	\$22,844
Property, plant and equipment	42,242
Intangible assets - amortizable	1,124
Intangible assets (indefinite life)	4,168
Goodwill	8,641
Other assets	1,975

Total assets acquired	80,994

Less liabilities assumed:	
Current liabilities	10,316
Long-term liabilities	7,737

Total liabilities assumed	18,053

Less acquisition-related costs	2,064

Net cash paid to seller	\$60,877
	=====

The pro forma unaudited results of operations for the years ended December 31, 2002 and 2001, assuming the acquisitions had been consummated as of January 1, 2001, are as follows:

Year ended December 31,	2002	2001
	-----	-----
Total revenues	\$ 505,216	\$ 490,072
Net Income	30,227	42,072
Net income per share:		
Basic	\$ 1.98	\$ 2.75
Diluted	\$ 1.96	\$ 2.71
	=====	=====

The unaudited pro forma information is not necessarily indicative either of the results of operations that would have occurred had the acquisition been consummated as of January 1, 2001 or of future operating results.

4. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Company is a 49% equity owner in Vitrocrisa, which manufactures, markets and sells glass tableware (beverageware, plates, bowls, serveware and accessories) and industrial glassware (coffee pots, blender jars, meter covers, glass covers for cooking ware and lighting fixtures sold to original equipment manufacturers) and a 49% equity owner in Crisa Industrial, L.L.C., a domestic distributor of industrial glassware for Vitrocrisa in the U.S. and Canada.

Summarized combined financial information for the Company's investments, accounted for by the equity method under U.S. GAAP, is as follows:

December 31,	2003	2002
Current assets	\$ 82,060	\$ 93,311
Non-current assets	101,722	115,054
Total assets	183,782	208,365
Current liabilities	117,941	78,547
Other liabilities	37,093	100,063
Total liabilities	155,034	178,610
Net assets	\$ 28,748	\$ 29,755

Year ended December 31,	2003	2002	2001
Total revenues	\$ 183,650	\$ 196,459	\$ 200,692
Cost of sales	150,939	158,801	157,011
Gross profit	32,711	37,658	43,681
Operating expenses	20,626	21,108	21,250
Income from operations	12,085	16,550	22,431
Other income (expense)	(662)	(435)	3,695
Earnings before finance costs and taxes	11,423	16,115	26,126
Interest expense	5,036	6,127	7,855
Translation gain (loss)	2,652	3,030	(1,780)
Earnings before income taxes	9,039	13,018	16,491
Income taxes	18	(6,928)	7,588
Net income	\$ 9,021	\$ 19,946	\$ 8,903

The Company reports pretax equity earnings in the Consolidated Statements of Income with related Mexican taxes included in the provision for income taxes. The net equity earnings are 49% of the consolidated joint venture's earnings before income taxes less income taxes as follows:

Year ended December 31,	2003	2002	2001
Pretax equity earnings	\$4,429	\$ 6,379	\$6,384
Mexican taxes	9	(3,395)	3,719
Net equity earnings	\$4,420	\$ 9,774	\$2,665

APB 18, "The Equity Method of Accounting for Investments in Common Stock" requires the Company's goodwill associated with equity method investees to be reviewed for impairment, if indicators of impairment exist. The Company has determined that the goodwill of \$60.5 million at December 31, 2003, is not impaired. The difference between total earnings before income taxes in the combined information above and the Company's pretax equity earnings in 2001 is \$1,698 due to amortization of goodwill related to these investments.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

December 31,	2003	2002
	-----	-----
Land	\$ 17,199	\$ 15,614
Buildings	51,485	47,578
Machinery and equipment	239,104	218,375
Furniture and fixtures	13,952	13,851
Construction in progress	6,001	5,272
	-----	-----
	327,741	300,690
Less accumulated depreciation	154,255	137,569
	-----	-----
Net property, plant and equipment	\$173,486	\$163,121
	=====	=====

6. ACCRUED LIABILITIES

Accrued liabilities include accruals for employee medical and workers' compensation self-insurance of \$4,887 and \$5,652 and various customer incentive programs totaling \$12,483 and \$12,917 at December 31, 2003 and 2002, respectively.

7. INCOME TAXES

The provision for income taxes was calculated based on the following components of earnings before income taxes:

Year ended December 31,	2003	2002	2001
	-----	-----	-----
United States	\$27,049	\$31,202	\$51,139
Foreign	7,155	5,471	8,093
	-----	-----	-----
Total earnings before tax	\$34,204	\$36,673	\$59,232
	=====	=====	=====

The provision (credit) for income taxes consists of the following:

Year ended December 31,	2003	2002	2001
	-----	-----	-----
Current:			
Federal	\$ 5,419	\$ 7,146	\$ 7,880
Foreign	1,105	740	679
State and local	540	645	560
	-----	-----	-----
Total current tax provision	7,064	8,531	9,119
	-----	-----	-----
Deferred:			
Federal	(2,438)	3,439	8,228
Foreign	336	(3,854)	3,275
State and local	169	502	(782)
	-----	-----	-----
Total deferred tax provision	(1,933)	87	10,721
	-----	-----	-----
Total:			
Federal	2,981	10,585	16,108
Foreign	1,441	(3,114)	3,954
State and local	709	1,147	(222)
	-----	-----	-----
Total tax provision	\$ 5,131	\$ 8,618	\$ 19,840
	=====	=====	=====

Significant components of the Company's deferred tax liabilities and assets are as follows:

December 31,	2003	2002
	-----	-----
Deferred tax liabilities:		
Property, plant and equipment	\$32,660	\$24,110
Inventories	5,860	6,151
Intangibles and other assets	8,395	16,711
	-----	-----
Total deferred tax liabilities	46,915	46,972
	-----	-----
Deferred tax assets:		
Accrued nonpension postretirement benefits	17,377	17,802
Other accrued liabilities	12,177	13,146
Pension	2,402	4,633
Receivables	2,628	2,791
Tax credits	4,459	6,176
	-----	-----
Total deferred tax assets	39,043	44,548
	-----	-----
Net deferred tax liability before valuation allowance	7,872	2,424
Valuation allowance	195	195
	-----	-----
Net deferred tax liability	\$ 8,067	\$ 2,619
	=====	=====

The deferred tax credits above consist of the following:

December 31,	2003	2002
	-----	-----
State tax credits	\$2,742	\$2,623
Federal tax credits	1,717	3,553
	-----	-----
Total deferred tax credits	\$4,459	\$6,176
	=====	=====

The valuation allowance of \$195 recorded at December 31, 2003 and 2002, is related to state tax credits. The state tax credits will expire between 2006 and 2018. The federal tax credits are primarily attributable to foreign tax credits.

The net deferred tax liability is included in the consolidated balance sheets as follows:

December 31,	2003	2002
	-----	-----
Noncurrent deferred tax liability	\$ 15,469	\$ 11,780
Prepaid expenses and deferred tax asset	(7,402)	(9,161)
	-----	-----
Net deferred tax liability	\$ 8,067	\$ 2,619
	=====	=====

A reconciliation from the statutory U.S. federal tax rate of 35% to the consolidated effective tax rate is as follows:

Year ended December 31,	2003	2002	2001
	-----	-----	-----
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate due to:			
Foreign tax differential	(19.0)	(10.5)	4.2
State and local income taxes, net of related federal taxes	1.3	2.0	(0.2)
Amortization of goodwill	--	--	1.4
Federal credits	(2.0)	(1.5)	(5.8)
Other	(0.3)	(1.5)	(1.1)
	-----	-----	-----
Consolidated effective tax rate	15.0%	23.5%	33.5%
	=====	=====	=====

The 2003 effective tax rate of 15.0% was primarily due to a tax restructuring whereby the undistributed earnings of the Company's joint venture in Mexico will be permanently reinvested outside of the United States, which eliminated the need for previously established net deferred U.S. income tax liability on those undistributed earnings. The effective tax rate in 2002 of 23.5% is primarily attributable to lower Mexican tax, the elimination of non-deductible goodwill amortization and an adjustment to estimated U.S. income tax accruals. The reduction in Mexican tax is primarily attributable to deferred tax adjustments and reduced statutory tax rates in Mexico.

Income taxes paid in cash (net of refunds received) amounted to \$8,996, \$3,555 and \$7,632 for the years ended December 31, 2003, 2002 and 2001, respectively.

Income tax related to employee stock option transactions of \$1,458, \$1,821 and \$1,144 for the years ended December 31, 2003, 2002 and 2001, respectively, were allocated to shareholders' equity. In addition, income tax related to minimum pension liability of \$2,751, \$15,919 and \$137 for the years ended December 31, 2003, 2002 and 2001, respectively, and income tax related to derivatives of \$1,128, \$297 and \$2,292 for the years ended December 31, 2003, 2002 and 2001, respectively, were allocated to shareholders' equity.

8. PENSION PLANS AND NONPENSION POSTRETIREMENT BENEFITS

PENSION PLANS

The Company has pension plans covering substantially all employees. Benefits generally are based on compensation for salaried employees and length of service for hourly employees. The Company's policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements. In addition, the Company has a supplemental employee retirement plan (SERP) covering certain employees. The U.S. pension plans cover the hourly and salary U.S.-based employees of the Company, including the SERP, which is an unfunded liability. The non-U.S. pension plans cover the employees of the Company's wholly owned subsidiaries, Royal Leerdam and Leerdam Crystal, both located in the Netherlands.

The changes in the projected benefit obligations and fair value of plan assets are as follows:

December 31,	U.S. PLANS		NON-U.S. PLANS	
	2003	2002	2003	2002
Change in projected benefit obligation:				
Projected benefit obligation, beginning of year	\$ 210,383	\$ 190,562	\$ --	
Assumed liability	--	--	22,086	
Service cost	5,439	4,819	1,320	
Interest cost	14,361	14,373	1,274	
Plan amendments	--	1,445	(2,303)	
Exchange rate fluctuations	--	--	4,381	
Actuarial loss	14,711	12,803	--	
Benefits paid	(17,526)	(13,619)	(157)	
Projected benefit obligation, end of year	\$ 227,368	\$ 210,383	\$ 26,601	
Change in fair value of plan assets:				
Fair value of plan assets, beginning of year	\$ 172,757	\$ 198,392	\$ --	
Acquired asset	--	--	20,541	
Actual return on plan assets	41,552	(12,016)	1,498	
Exchange rate fluctuations	--	--	4,443	
SERP payments	615	--	--	
Employer contributions (includes employee contributions for non-U.S. plan)	--	--	2,002	
Benefits paid	(17,527)	(13,619)	(157)	
Fair value of plan asset, end of year	\$ 197,397	\$ 172,757	\$ 28,327	
Reconciliation of prepaid (accrued) cost:				
Funded Status of the plans	\$ (29,971)	\$ (37,626)	\$ 1,726	
Unrecognized net loss	44,890	51,816	--	
Unrecognized prior year service cost	14,762	16,257	(2,379)	
Estimated accrued Royal Leerdam pension cost	--	--	--	\$(4,601)
Adjustment to recognize additional minimum liability	(51,078)	(60,052)	--	
Accrued pension benefit cost	\$ (21,397)	\$ (29,605)	\$ (653)	\$(4,601)

The pension plans are reflected in the consolidated balance sheets as follows:

December 31,	2003	2002
Pension liabilities	\$(17,092)	\$(28,655)
Other long-term liabilities (SERP liability)	(4,958)	(5,551)
Accrued pension benefit cost	\$(22,050)	\$(34,206)
December 31,	2003	2002
Intangibles (intangible pension asset)	\$ 15,512	\$ 17,168

The accumulated benefit obligation for the U.S. pension plans was \$218,785 and \$202,362 at December 31, 2003 and 2002, respectively. The accumulated benefit obligation for the non-U.S. pension plans was \$20,261 and \$17,969 at December 31, 2003 and 2002, respectively.

The plan amendments in 2002 for the U.S. pension plans resulted from additional benefits granted to certain of the Company's unionized workforce in labor negotiations. Plan amendments in 2003 for the non-U.S. pension plans resulted from a change in benefit structure that allows for pension benefits based upon the employee's career average salary.

The Company recorded a change in the additional minimum pension liability of \$(8,974) and \$59,223 for 2003 and 2002, respectively, representing the amount required to bring the Company's recorded pension liability to equal the excess of the accumulated benefit obligation over fair value of plan assets for the applicable plans. A change in the intangible pension asset of \$(1,656) and \$16,886 for 2003 and 2002, respectively, was recorded to the extent of the plans' unrecognized prior service cost. The difference between the change in additional minimum pension liability and intangible pension asset was included in accumulated other comprehensive income of \$7,318 less income tax of \$2,751 and \$42,338 less income tax of \$15,919 for the years ended December 31, 2003 and 2002, respectively. Expected contributions by the Company to the U.S. pension plans are \$140 and for the non-U.S. pension plans are \$1,400 for the year 2004.

The actuarial present value of benefit obligations is based on the following:

Year ended December 31,	2003	U.S. PLANS		NON-U.S. PLANS
		2002	2001	2003
Discount rate	6.25%	6.75%	7.50%	5.60%
Salary growth rate	4.00%	4.00%	5.00%	2.00-2.50%
	====	====	====	=====

The net pension expense (credit) is based on the following assumptions:

Year ended December 31,	2003	U.S. PLANS		NON-U.S. PLANS
		2002	2001	2003
Discount rate	6.75%	7.50%	7.75%	5.60%
Expected long-term rate of return on assets	9.00%	10.00%	10.00%	6.50%
Salary growth rate	4.00%	5.00%	5.00%	2.00-2.50%
	====	=====	=====	=====

Future benefits are assumed to increase in a manner consistent with past experience. Plan assets primarily include marketable equity securities and government and corporate debt securities.

The components of the net pension expense (credit), including the SERP, are as follows:

Year ended December 31,	2003	U.S. PLANS	
		2002	2001
Service cost (benefits earned during the period)	\$ 5,439	\$ 4,819	\$ 3,969
Interest cost on projected benefit obligation	14,361	14,373	13,199
Expected return on plan assets	(20,032)	(23,158)	(22,669)
Prior service cost amortization	1,487	1,527	536
Actuarial gain (loss) recognized	117	(1,245)	(2,120)
Net pension expense (credit)	\$ 1,372	\$ (3,684)	\$ (7,085)
	=====	=====	=====

Year ended December 31,	NON-U.S. PLANS
	2003
Service cost (benefits earned during the period)	\$ 584
Interest cost on projected benefit obligation	1,274
Expected return on plan assets	(1,500)
Prior service cost amortization	(165)
Net pension expense	193
	=====

In addition to the above plans, U.S. employees are eligible to contribute to a 401(k) plan. The Company matches a portion of these contributions. Contributions were \$2,285, \$2,138 and \$2,024 in 2003, 2002 and 2001, respectively. Starting in 2003, the Company is using treasury stock to fund the Company match portions of the contributions.

The asset allocation for the Company's U.S. pension plans at the end of 2003 and 2002, and the target allocation for 2004, by asset category, are as follows.

U. S. PLANS -----	TARGET ALLOCATION -----	PERCENTAGE OF PLAN ASSETS AT YEAR END -----	
ASSET CATEGORY -----	2004 ----	2003 ----	2002 ----
Equity securities	65%	64%	56%
Debt securities	30%	30%	38%
Real estate	5%	5%	5%
Other	0%	1%	1%
	---	---	---
TOTAL	100%	100%	100%
	===	===	===

The asset allocation for the Company's non-U.S. pension plans at the end of 2003 and the target allocation for 2004, by asset category, are as follows.

NON-U.S. PLANS -----	TARGET ALLOCATION -----	PERCENTAGE OF PLAN ASSETS AT YEAR END -----	
ASSET CATEGORY -----	2004 ----	2003 ----	
Equity securities	30%	43%	
Debt securities	50%	51%	
Real estate	10%	6%	
Hedge funds	7%	0%	
Other	3%	0%	
	---	---	
TOTAL	100%	100%	
	===	===	

The Company's investment strategy is to control and manage investment risk through diversification across asset classes and investment styles. Assets will be diversified among traditional investments in equity and fixed income instruments, as well as alternative investments including real estate and hedge funds. It would be anticipated that a modest allocation to cash would exist within the plans, since each investment manager is likely to hold fractional cash in a portfolio.

NONPENSION POSTRETIREMENT PLANS

The Company also provides certain retiree health care and life insurance benefits covering substantially all salaried and hourly employees. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Benefits for most hourly retirees are determined by collective bargaining. Under a cross-indemnity agreement, Owens-Illinois, Inc. assumed liability for the nonpension postretirement benefits of Company retirees who had retired as of June 24, 1993. The U.S. nonpension postretirement plans cover the hourly and salary U.S.-based employees of the Company. The non-U.S. nonpension postretirement plans cover the former retirees and active employees of the Company, located in Canada.

The components of the nonpension postretirement benefit obligation and amounts accrued are as follows:

	U.S. PLANS		NON-U.S. PLANS	
	2003	2002	2003	2002
December 31,				
Change in accumulated nonpension postretirement benefit obligation:				
Benefit obligation, beginning of year	\$ 35,363	\$ 24,113	\$ 2,184	\$ 2,580
Currency loss	--	--	509	27
Service cost	910	736	--	--
Interest cost	2,389	2,215	129	145
Plan participants' contributions	436	--	--	--
Actuarial loss (gain)	2,294	10,007	364	(342)
Benefits paid	(2,002)	(1,708)	(288)	(226)
Benefit obligation, end of year	\$ 39,390	\$ 35,363	\$ 2,898	\$ 2,184
Reconciliation of funded status of plans:				
Funded Status	\$(39,390)	\$(35,363)	\$(2,898)	\$(2,184)
Unrecognized actuarial loss (gain)	2,657	426	(32)	(613)
Unrecognized prior year service cost	(7,543)	(9,459)	--	--
Accrued benefit cost	\$(44,276)	\$(44,396)	\$(2,930)	\$(2,797)

The provision for net nonpension postretirement benefit expense (credit) consists of the following:

	U.S. PLANS		
	2003	2002	2001
Year ended December 31,			
Service cost (benefits earned during the period)	\$ 910	\$ 736	\$ 590
Interest cost on nonpension postretirement benefit obligation	2,389	2,214	1,724
Prior service cost amortization	(1,916)	(1,915)	(1,916)
Actuarial loss (gain)	63	(241)	(627)
Net nonpension postretirement benefit expense (credit)	\$ 1,446	\$ 794	\$ (229)
	=====	=====	=====
	NON-U.S. PLANS		
	2003	2002	2001
Year ended December 31,			
Service cost (benefits earned during the period)	\$ --	\$ --	\$ --
Interest cost on nonpension postretirement benefit obligation	129	145	187
Actuarial gain	(19)	(5)	--
Net nonpension postretirement benefit expense	\$ 110	\$ 140	\$ 187
	=====	=====	=====

For the U.S. nonpension postretirement plans, assumed health care cost inflation is based on an initial rate of 10.0%, decreasing to an ultimate rate of 5.0% over 5 years. For the non-U.S. nonpension postretirement plans, the assumed health care cost inflation is based on an initial rate of 9.0%, decreasing to an ultimate rate of 5.0% over eight years. A 1% increase in these rates would have increased the total nonpension postretirement expense by \$89 and the benefit obligation by \$931. A 1% decrease in these rates would have decreased the total nonpension postretirement expense by \$108 and the benefit obligation by \$950. The assumed discount rate used in determining the accumulated U.S. nonpension postretirement benefit obligation was 6.25%, 6.75% and 7.5%, at December 31, 2003, 2002, 2001, respectively. The assumed discount rate used in determining net nonpension retirement benefit expense was 6.75% for 2003, 7.5% for 2002 and 7.75% for 2001. The Company continues to fund these nonpension postretirement benefit obligations as claims are incurred.

The Company also provides retiree health care benefits to certain union hourly employees through participation in a multi-employer retiree health care benefit plan. This is an insured premium-based arrangement. Related to these plans, approximately \$559, \$312 and \$365 was charged to expense for the years ended December 31, 2003, 2002 and 2001, respectively.

9. LONG-TERM DEBT

On February 10, 2003, the Company entered into an unsecured agreement for an Amended and Restated Revolving Credit Agreement (Revolving Credit Agreement or Agreement) among Libbey Glass Inc. and Libbey Europe B.V., as borrowers. This amended the previous Revolving Credit and Swing Line Facility naming Libbey Glass Inc. as borrower. The amendment was primarily for the Company to borrow euros. The Agreement is with a group of banks that provides for a Revolving Credit and Swing Line Facility (Facility) permitting borrowings up to an aggregate total of \$250 million, maturing April 23, 2005, with an option to extend for two additional one-year periods. Swing Line borrowings are limited to \$25 million with interest calculated at the prime rate minus the facility fee percentage (Facility Fee Percentage) as defined in the Agreement. Revolving Credit Agreement U.S. dollar borrowings bear interest at the Company's option at either the prime rate minus the Facility Fee Percentage or a Eurodollar rate plus the Applicable Eurodollar Margin (Applicable Eurodollar Margin) as defined in the Agreement. The Facility Fee Percentage and Applicable Eurodollar Margin vary depending on the Company's performance against certain financial ratios. The Facility Fee Percentage and the Applicable Eurodollar Margin were 0.375% and 1.375%, respectively, at December 31, 2003. At December 31, 2002, the Facility Fee Percentage and the Applicable Eurodollar Margin were 0.25% and 0.75%, respectively.

The Company may also elect to borrow under a Negotiated Rate Loan alternative of the Revolving Credit and Swing Line Facility at floating rates of interest, up to a maximum of \$125 million. The Company had \$128 million outstanding under the Facility at December 31, 2003, and \$186 million outstanding at December 31, 2002. The Facility also provides for the issuance of \$30 million of letters of credit, with such usage applied against the \$250 million limit. At December 31, 2003, the Company had \$4.7 million in letters of credit outstanding under the Facility.

Libbey Europe B.V. may have euro-denominated borrowings under the Revolving Credit Agreement in an amount not to exceed the Offshore Currency equivalent of \$60 million. Offshore Currency Swing Line borrowings are currently limited to \$10 million of the \$25 million total Swing Line borrowing. Interest is calculated at the Offshore Currency Swing Line rate plus applicable Offshore Currency Swing Line Margin, as defined in the Agreement. Revolving Offshore Currency Borrowings bear interest at the Offshore Currency Rate plus applicable spread, as defined in the Agreement.

In September 2001, the Company issued a \$2.7 million promissory note in connection with the purchase of a warehouse facility. At December 31, 2003 and 2002, the Company had \$2.4 million and \$2.5 million outstanding on the promissory note, respectively.

On March 31, 2003, the Company completed the issuance of \$100 million of privately placed senior notes. Eighty million dollars of the notes have a fixed interest rate with \$25 million at an interest rate of 3.69% due March 31, 2008, and the other \$55 million at an interest rate of 5.08% due March 31, 2013. The remaining \$20 million has a floating interest rate at a margin over the London Interbank Offer Rate (LIBOR) that is set quarterly. The interest rate at December 31, 2003, on the \$20 million debt was 2.2%. The proceeds of the note issuance were used to retire debt outstanding under the Revolving Credit Agreement.

Annual maturities for all of the Company's long-term debt are as follows: 2004 - \$0.1 million; 2005 - \$128.1 million; 2006 - \$0.1 million; 2007 - \$0.1 million; and 2008 - \$25.2 million.

The Company has Rate Agreements with respect to \$100 million of debt as a means to manage its exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of the Company's borrowings from variable rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future income. The fixed interest rate for the Company's borrowings related to the Rate Agreements at December 31, 2003, is 5.8% and the total interest rate, including applicable fees, is 7.6%. The average maturity of these Rate Agreements is 1.3 years at December 31, 2003. Total remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 3.9% at December 31, 2003. If the counterparts to these Rate Agreements fail to perform, the Company would no longer be protected from interest rate fluctuations by these Rate Agreements. However, the Company does not anticipate nonperformance by the counterparts.

The Company pays the Commitment Fee Percentage on the total credit provided under the Bank Credit Agreement. No compensating balances are required by the Agreement, which does require the maintenance of certain financial ratios, restricts the incurrence of indebtedness and other contingent financial obligations and restricts certain types of business activities and investments.

At December 31, 2003, the carrying value of the Company's variable-rate debt approximates its fair value based on the Company's current incremental borrowing rates and term to the maturity of the Bank Credit Agreement. The fair market value for the Company's Rate Agreements at December 31, 2003, was \$(5.5) million. The fair value of the Company's Rate Agreements is based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. The Company does not expect to cancel these agreements and expects them to expire as originally contracted.

Interest paid in cash amounted to \$11,678, \$8,115 and \$10,785 for the years ended December 31, 2003, 2002 and 2001, respectively.

10. STOCK COMPENSATION

The Company has two stock option plans for key employees: (1) the Libbey Inc. Amended and Restated Stock Option Plan for Key Employees and (2) the 1999 Equity Participation Plan of Libbey Inc. The plans provide for the granting of Incentive Stock Options and Nonqualified Options to purchase 2,800,000 shares of the Company's common stock at a price not less than the fair market value on the date the option is granted.

Options become exercisable as determined at the date of the grant by the Compensation Committee of the Board of Directors. Unless an earlier expiration date is set at the time of the grant or results from termination of an optionee's employment or a merger, consolidation, acquisition, liquidation or dissolution of the Company, Incentive Stock Options expire ten years after the date of the grant and Nonqualified Options expire 10 years and a day after the grant.

The Company has elected to follow APB No. 25, "Accounting for Stock Issued to Employees" (APB 25) in accounting for employee stock options. The alternative fair value accounting provided for under SFAS No. 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, no compensation expense is recognized because the exercise price of the Company's employee stock options equals the market price of the underlying stock at the date of grant.

In the opinion of management, the existing fair value models do not provide a reliable measure of the value of employee stock options. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The Company's employee stock options have characteristics significantly different from those of traded options. In addition, option valuation models require highly subjective assumptions including the expected stock price volatility. Changes in these assumptions can materially affect the fair value estimate.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, which also requires that the information be determined as if the Company has accounted for its employee stock options granted subsequent to December 31, 1994, under the fair-value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions by year:

Assumption	2003	2002	2001
-----	----	----	----
Risk-free interest rates	4.1%	3.7%	4.2%
Dividend yield	1.8%	1.2%	0.9%
Volatility	.30	.31	.30
	----	----	----

The weighted average fair value of options granted in 2003, 2002 and 2001 was \$10.07, \$9.11 and \$13.25, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

Year ended December 31,	2003	2002	2001
	-----	-----	-----
Net income:			
Reported	\$ 29,073	\$ 28,055	\$ 39,392
Pro forma	\$ 27,700	\$ 26,544	\$ 38,115
Earnings per share:			
Basic:			
Reported	\$ 2.12	\$ 1.84	\$ 2.58
Pro forma	\$ 2.02	\$ 1.74	\$ 2.49
Diluted:			
Reported	\$ 2.11	\$ 1.82	\$ 2.53
Pro forma	\$ 2.01	\$ 1.72	\$ 2.45
	=====	=====	=====

Stock option activity is as follows:

	Number of Shares	Weighted-Average Exercise Price	Price Range Per Share
January 1, 2001			
Outstanding	1,568,324	\$22.35	\$13.00-\$38.44
Exercisable	1,219,882	19.25	
Granted	230,450	30.56	
Canceled	1,250	31.94	
Exercised	167,741	13.97	
December 31, 2001			
Outstanding	1,629,783	\$24.37	\$13.00-\$38.44
Exercisable	1,198,163	21.75	
Granted	247,950	24.11	
Canceled	200	32.31	
Exercised	230,434	14.32	
December 31, 2002			
Outstanding	1,646,799	\$25.73	\$13.00-\$38.44
Exercisable	1,158,489	24.95	
Granted	173,410	28.33	
Canceled	5,350	30.14	
Exercised	404,683	13.31	
DECEMBER 31, 2003			
OUTSTANDING	1,410,176	\$29.60	\$16.38-\$38.44
EXERCISABLE	968,167	30.49	
	=====	=====	=====

The following information is as of December 31, 2003:

	Options with an exercise price of \$16.38-24.25 per share	Options with an exercise price of \$24.26-29.50 per share	Options with an exercise price of \$29.51-32.31 per share	Options with an exercise price of \$32.32-38.44 per share
Options outstanding	349,800	289,510	559,950	210,916
Weighted-average exercise price	\$23.25	\$27.86	\$31.33	\$37.94
Remaining contractual life	6.69	7.23	6.66	4.17
Options exercisable	202,080	116,101	439,070	210,916
Weighted-average exercise price	\$22.75	\$26.92	\$31.41	\$37.94

On May 10, 2001 the shareholders approved the 2002 Employee Stock Purchase Plan (ESPP) for a period of 10 years. The ESPP allows employees, through payroll withholdings, to purchase up to 350,000 shares of common stock at the lower of 85% of the market price at the beginning or the end of the option period. During the first year of the plan, June 1, 2002 to May 31, 2003, there were 54,435 shares of common stock issued with a market price of \$21.50 per share and a discount price to participants of \$18.28 per share. The second year of the plan is from June 1, 2003 to May 31, 2004, and the market price of stock at the beginning of the period was \$21.50 per share.

11. DERIVATIVES

The Company holds derivative financial instruments to hedge certain of its interest rate risks associated with long-term debt, commodity price risks associated with forecasted future natural gas requirements and foreign exchange rate risks associated with occasional transactions denominated in a currency other than the U.S. dollar. These derivatives qualify for hedge accounting since the hedges are highly effective, and the Company has designated and documented contemporaneously the hedging relationships involving these derivative instruments. While the Company intends to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if the Company does

not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings.

The Company uses Interest Rate Protection Agreements (Rate Agreements) to manage its exposure to fluctuating interest rates, which effectively convert a portion of the Company's borrowings from variable rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future income. These instruments are valued using the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. The Company also uses commodity futures contracts related to forecasted future natural gas requirements. The objective of these futures contracts and other derivatives is to limit the fluctuations in prices paid and potential losses in earnings or cash flows from adverse price movements in the underlying commodity. The Company considers its forecasted natural gas requirements in determining the quantity of its natural gas to hedge. The Company combines the forecasts with historical observations to establish the percentage of its forecast eligible to be hedged, typically ranging from 40% to 60% of the anticipated requirements, generally two or more months in the future. In some cases, hedges are for requirements as long as eighteen months into the future. The fair values of these instruments are determined from market quotes. The Company's foreign currency exposures arise from occasional transactions denominated in a currency other than the U.S. dollar, primarily associated with anticipated purchases of new equipment or net investment in a foreign operation. The fair values of these instruments are determined from market quotes. The Company has not changed its methods of calculating these values or developing underlying assumptions. The values of these derivatives will change over time as cash receipts and payments are made and as market conditions change.

As of December 31, 2003, the Company has Rate Agreements for \$100.0 million of its variable rate debt and commodity futures contracts for 2.2 million British Thermal Units (BTU's) of natural gas. The fair value of these derivatives are included on the balance sheet in accrued liabilities and other assets on the balance sheet for the Rate Agreements and commodity contracts, respectively. At December 31, 2002, the Company had Rate Agreements for \$100.0 million of its variable rate debt, commodity futures contracts for 0.8 million BTU's of natural gas, and foreign currency forward contracts for 42.3 million euros.

The Company does not believe it is exposed to more than a nominal amount of credit risk in its interest rate, natural gas and foreign currency hedges as the counterparts are established financial institutions.

The effective portion of changes in the fair value of a derivative that is designated as and meets the required criteria for a cash flow hedge is recorded in accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Amounts reclassified into earnings related to Rate Agreements are included in interest expense, natural gas futures contracts in natural gas expense included in cost of sales, and foreign currency forward contracts for the purchase of new equipment in capital expenditures and for net investments in foreign operations in other income (expense).

All of the Company's derivatives qualify and are designated as cash flow hedges at December 31, 2003. Hedge accounting is only applied when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable to occur, and any previously deferred gains or losses would be recorded to earnings immediately. The ineffective portion of the change in the fair value of a derivative designated as a cash flow hedge is recognized in current earnings. Ineffectiveness recognized in earnings during 2003 was not material.

The change in other comprehensive income (loss) for the Company is as follows:

Year ended December 31,	2003	2002
	-----	-----
Change in fair value of derivative instruments	\$ 2,999	\$ (790)
Less:		
Income tax (expense) benefit	(1,128)	297
	-----	-----
Other comprehensive income (loss) related to derivatives	\$ 1,871	\$ (493)
	=====	=====

The following table identifies the detail of cash flow hedges in other comprehensive income (loss) as of December 31:

Year ended December 31,	2003	2002
	-----	-----
Balance at beginning of year	\$ (5,235)	\$ (4,742)
Current year impact of changes in value (net of taxes):		
Rate agreements	2,105	(2,460)
Natural gas	(441)	2,174
Foreign currency	207	(207)
	-----	-----
Subtotal	1,871	(493)
	-----	-----
Balance at end of year	\$ (3,364)	\$ (5,235)
	=====	=====

12. SHAREHOLDERS' RIGHTS PLAN

The Company has a Shareholders' Rights Plan designed to ensure that all of the Company's shareholders receive fair and equal treatment in the event of any proposal to acquire control of the Company. The Plan defines Existing Holder to mean Baron Capital Group, Inc. together with all of its Affiliates and Associates (including, without limitation, Ronald Baron, BAMCO, Inc., Baron Capital Management, Inc. and Baron Asset Fund). Under the Plan, the Company's Board of Directors would declare a distribution of one right for each outstanding common share of the Company. Each right will entitle shareholders to buy 1/100th of a share of newly created Series A Junior Participating Preferred Stock at an exercise price of \$55 per right. The rights will not be exercisable until a person acquires beneficial ownership of 20% (or in the case of an Existing Holder, 25%) of the Company's common shares or makes a tender offer for at least 20% (or in the case of an Existing Holder, 25%) of its common shares. Percentage increases resulting from share repurchases by the Company or inadvertence do not cause the rights to become exercisable. After the time that a person acquires beneficial ownership of 20% (or in the case of an Existing Holder, 25%) of the Company's common shares, the holders of the rights may be permitted to exercise such rights to receive the Company's common shares having market value of twice the exercise price. The rights are redeemable at \$0.001 per right at any time before the tenth day after a person has acquired 20% (or in the case of an Existing Holder, 25%) or more of the outstanding common shares. The redemption period may be extended under certain circumstances. If at any time after the rights become exercisable and not redeemed, the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving party, the rights will entitle a holder to buy a number of shares of common stock of the acquiring company having a market value of twice the exercise price of each right.

13. OPERATING LEASES

Rental expense for all non-cancelable operating leases, primarily for warehouses, was \$7,123; \$6,637 and \$5,235 for the years ended December 31, 2003, 2002 and 2001, respectively. Future minimum rentals under operating leases are as follows: 2004--\$6,845; 2005--\$4,136; 2006--\$2,687; 2007--\$2,245; 2008--\$1,684; and 2009 and thereafter--\$2,579. In 2002, the Company recorded a \$1.2 million expense related to the non-cancelable operating lease for the Company's corporate offices.

14. GUARANTEES

As part of Interpretation No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" the Company has the following guarantees.

The debt of Libbey Glass Inc. and Libbey Europe B.V, pursuant to the Amended and Restated Revolving Credit Agreement and privately placed senior notes are guaranteed by Libbey Inc. and by certain subsidiaries of Libbey Glass Inc. Also, Libbey Glass Inc. guarantees a (euro)10 million working capital facility of Libbey Europe B.V. and Royal Leerdam. All are related parties that are included in the Consolidated Financial Statements. See Note 9 for further disclosure on debt of the Company.

In addition, Libbey Inc. guarantees the payment of Vitrocrisa of its obligation to purchase electricity. The guarantee is based on the provisions of a Power Purchase Agreement to which Vitrocrisa is a party. The guarantee is limited to 49% of any such obligation of Vitrocrisa and limited to an aggregate amount of \$5.0 million. The guarantee was entered into in October 2000 and continues for 15 years from the initial date of electricity generation, which commenced on April 12, 2003.

In October 1995, Libbey Inc. guaranteed the obligations of Syracuse China Company and Libbey Canada Inc. under the Asset Purchase Agreement for the acquisition of Syracuse China. The guarantee is limited to \$5.0 million expiring on the fifteenth anniversary of the Closing Date (October 10, 1995). The guarantee is in favor of The Pfaltzgraff Co., The Pfaltzgraff Outlet Co. and Syracuse China Company of Canada Ltd.

15. INDUSTRY SEGMENT INFORMATION

The Company has one reportable segment, tableware products, from which the Company's revenues from external customers are derived. The Company does not have any customer who represents 10% or more of total sales. The Company's operations by geographic areas for 2003, 2002 and 2001 are presented below. Intercompany sales to affiliates represent products that are transferred between geographic areas on a basis intended to reflect as nearly as possible the market value of the products. The long-lived assets include net fixed assets, goodwill and equity investments.

	UNITED STATES -----	NON-U.S. -----	ELIMINATIONS -----	CONSOLIDATED -----
2003				
Net sales:				
Customers	\$397,187	\$116,458	--	\$513,645
Intercompany	2,663	--	\$(2,663)	--
	-----	-----	-----	-----
Total Net Sales	\$399,850	\$116,458	\$(2,663)	\$513,645
	-----	-----	-----	-----
Long-lived assets	\$179,813	\$134,380	--	\$314,193
	=====	=====	=====	=====
2002				
Net sales:				
Customers	\$387,662	\$ 46,099	--	\$433,761
Intercompany	--	--	--	--
	-----	-----	-----	-----
Total Net Sales	\$387,662	\$ 46,099	--	\$433,761
	-----	-----	-----	-----
Long-lived assets	\$223,644	\$ 87,119	--	\$310,763
	=====	=====	=====	=====
2001				
Net sales:				
Customers	\$371,865	\$ 47,729	--	\$419,594
Intercompany	--	--	--	--
	-----	-----	-----	-----
Total Net Sales	\$371,865	\$ 47,729	--	\$419,594
	-----	-----	-----	-----
Long-lived assets	\$172,924	\$ 82,513	--	\$255,437
	=====	=====	=====	=====

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables present selected quarterly financial data for the years ended December 31, 2003 and 2002:

2003				
Dollars in thousands, except per-share amounts				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	-----	-----	-----	-----
Net sales	\$111,903	\$128,254	\$129,126	\$144,349
Freight billed to customers	434	529	477	525
Cost of sales	90,779	99,085	100,996	116,531
Gross profit	21,558	29,698	28,607	28,343
Earnings before interest and income taxes	5,518	15,031	15,014	12,077
Net income	\$ 2,001	\$ 7,910	\$ 12,018	\$ 7,144
	-----	-----	-----	-----
Net income per share				
Basic	\$ 0.14	\$ 0.59	\$ 0.89	\$ 0.53
Diluted	\$ 0.14	\$ 0.59	\$ 0.88	\$ 0.52
	=====	=====	=====	=====

2002				
Dollars in thousands, except per-share amounts				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	-----	-----	-----	-----
Net sales	\$ 98,669	\$114,086	\$103,607	\$117,399
Freight billed to customers	418	434	344	536
Cost of sales	77,016	83,491	74,883	92,175
Gross profit	22,071	31,029	29,068	25,760
Earnings before interest and income taxes	8,058	9,346	14,142	13,390
Net income	\$ 3,952	\$ 4,900	\$ 10,780	\$ 8,423
	-----	-----	-----	-----
Net income per share				
Basic	\$ 0.26	\$ 0.32	\$ 0.70	\$ 0.57
Diluted	\$ 0.25	\$ 0.31	\$ 0.69	\$ 0.56
	=====	=====	=====	=====

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures: Based on their evaluation as of December 31, 2003, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act") are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to executive officers of the Company is incorporated herein by reference to Item 4 of this report under the caption "Executive Officers of the Registrant." Information with respect to directors of the Company is incorporated herein by reference to the information set forth under the caption "Libbey Corporate Governance-Who are the current members of Libbey's Board of Directors?" in the Proxy Statement. Certain information regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the information set forth under the caption "Stock Ownership - Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement. Information with respect to the Audit Committee members, the Audit Committee financial expert, and material changes in the procedures by which shareholders can recommend nominees to the Board of Directors is incorporated herein by reference to the information set forth under the caption "Libbey Corporate Governance-Who are the current members of Libbey's Board of Directors?, What is the role of the Board's Committees? and How does the Board select nominees for the Board?".

The Company's Code of Business Ethics and Conduct applicable to its Directors, Officers (including the Company's principal executive officer and principal financial & accounting officer) and employees, along with the Audit Committee Charter, Nominating and Governance Committee Charter, Compensation Committee Charter and Corporate Governance Guidelines will be posted to the Company's website at www.libbey.com no later than May 6, 2004. It will also be available in print no later than May 6, 2004, to any shareholder who submits a request in writing addressed to Arthur H. Smith, Vice President, General Counsel and Secretary, Libbey Inc., 300 Madison Avenue, P.O. Box 10060, Toledo, Ohio 43669-0060. In the event that the Company amends or waives any of the provisions of the Code of Business Ethics and Conduct applicable to the principal executive officer or principal financial & accounting officer, the Company intends to disclose the subsequent information on the Company's website.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation is incorporated herein by reference to the information set forth under the captions "Executive Compensation," "Comparison of Cumulative Total Returns," "Total Shareholder Return" and "Indexed Returns" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the information set forth under the caption "Stock Ownership-Who are the largest owners of Libbey stock? and How much stock do Libbey's directors and officers own?" in the Proxy Statement. Information regarding equity

compensation plans is incorporated herein by reference to Item 5 of this report under the caption "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is incorporated herein by reference to the information set forth under the caption "Libbey Corporate Governance-Certain Relationships and Related Transactions - What related party transactions involved directors?," in the Proxy Statement.

ITEM 14. PRINCIPLE ACCOUNTANT FEES AND SERVICES

Information regarding principal accountant fees and services is incorporated herein by reference to the information set forth under the caption "Audit-Related Matters-Who are Libbey's auditors? and What fees has Libbey paid to its auditors for Fiscal Year 2003 and 2002?" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

a) Index of Financial Statements and Financial Statement Schedule Covered by Report of Independent Auditors.

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All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule or because the information required is included in the Consolidated Financial Statements or the accompanying notes.

The accompanying Exhibit Index is hereby incorporated herein by this reference. The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this report.

b) A Form 8-K was filed during the fourth quarter, dated October 28, 2003, with respect to the press release announcing financial results for the quarter-ended September 30, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

by: /s/ Scott M. Sellick

Scott M. Sellick
Vice President and Chief Financial Officer

Date: March 15, 2004

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----
William A. Foley	Director
Peter C. McC. Howell	Director
Carol B. Moerdyk	Director
Gary L. Moreau	Director
Terence P. Stewart	Director
Carlos V. Duno	Director
Deborah G. Miller	Director
Richard I. Reynolds	Director, Executive Vice President, Chief Operating Officer
John F. Meier	Chairman of the Board of Directors, Chief Executive Officer

By: /s/ Scott M. Sellick

Scott M. Sellick
Attorney-In-Fact

/s/ Scott M. Sellick

Date: March 15, 2004

Scott M. Sellick
Vice President and Chief Financial Officer
(Principal Accounting Officer)

Date: March 15, 2004

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Financial Statement Schedule of Libbey Inc. for the years ended December 31, 2003, 2002, and 2001 for Schedule II Valuation and Qualifying Accounts (Consolidated)	S-1

LIBBEY INC.
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS (Consolidated)
Years ended December 31, 2003, 2002 and 2001
(Dollars in thousands)

	Balance at Beginning Of Year -----	Additions Charged (Credited) to Costs and Expenses -----	Other (Note 1) -----	Deductions (Note 2) -----	Balance at End of Year -----
Allowances for Losses and Discounts on Receivables:					
2003	\$7,792 =====	\$ (72) =====	\$ 53 =====	\$ 613 =====	\$7,160 =====
2002	\$5,962 =====	\$ 2,728 =====	\$ 436 =====	\$1,334 =====	\$7,792 =====
2001	\$6,788 =====	\$ 279 =====	\$ 2 =====	\$1,107 =====	\$5,962 =====

(1) The amounts in "Other" represent recoveries of accounts previously charged off as uncollectible, and in 2002, amounts established through purchase accounting for the acquisitions of Traex and Royal Leerdam for Losses and Discounts on Receivables.

(2) Deductions from allowances for losses and discounts on receivables represent uncollectible notes and accounts written off.

EXHIBIT INDEX

S-K
601No. Document

- 2.0 -- Asset Purchase Agreement dated as of September 22, 1995 by and among The Pfaltzgraff Co., The Pfaltzgraff Outlet Co., Syracuse China Company of Canada Ltd., LG Acquisition Corp. and Libbey Canada Inc., Acquisition of Syracuse China Company (filed as Exhibit 2.0 to the Registrant's Current Report on Form 8-K dated September 22, 1995 and incorporated herein by reference).
- 2.1 -- Master Investment Agreement, dated to be effective as of August 15, 1997, entered into by and between Libbey Inc., Libbey Glass Inc., LGA2 Corp., LGA3 Corp., LGA4 Corp., Vitro S.A., Vitrocrista Holding, S.A. de C.V., Vitro Corporativo, S.A., Vitrocrista S.A. de C.V. Crisa Corporation, and WorldCrista Corporation (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated August 29, 1997 and incorporated herein by reference).
- 2.2 -- Asset Purchase Agreement dated as of December 2, 2002 by and between Menasha Corporation and Libbey Inc. (filed as Exhibit 2.2 to Registrant's Annual Report on Form 10-K for the year-ended December 31, 2002, and incorporated herein by reference).
- 2.3 -- Stock Purchase Agreement dated as of December 31, 2002 between BSN Glasspack N.V. and Saxophone B.V. (filed as Exhibit 2.3 to Registrant's Annual Report on Form 10-K for the year-ended December 31, 2002, and incorporated herein by reference).
- 3.1 -- Restated Certificate of Incorporation of Libbey Inc. (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- 3.2 -- Amended and Restated By-Laws of Libbey Inc. (filed as Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- 4.1 -- Restated Certificate of Incorporation of Libbey Inc. (incorporated by reference herein to Exhibit 3.1).
- 4.2 -- Amended and Restated By-Laws of Libbey Inc. (incorporated by reference herein to Exhibit 3.2).
- 4.3 -- Rights Agreement, dated January 5, 1995, between Libbey Inc. and The Bank of New York, which includes the form of Certificate of Designations of the Series A Junior Participating Preferred Stock of Libbey Inc. as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C, (filed as Exhibit 1 to Registrant's Registration Statement on Form 8-A dated January 20, 1995 and incorporated herein by reference).
- 4.4 -- First Amendment to Rights Agreement, dated February 3, 1999, between Libbey Inc. and The Bank of New York (filed as Exhibit 4.4 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).
- 10.1 -- Management Services Agreement dated as of June 24, 1993 between Owens-Illinois General Inc. and Libbey Glass Inc. (filed as Exhibit 10.2 to Registrant'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 -- Tax Allocation and Indemnification Agreement dated as of May 18, 1993 by and among Owens-Illinois, Inc., Owens-Illinois Group, Inc. and Libbey Inc. (filed as Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- *10.3 -- Pension and Savings Plan Agreement dated as of June 17, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- 10.4 -- Cross-Indemnity Agreement dated as of June 24, 1993 between Owens-Illinois, Inc. and Libbey Inc. (filed as Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- *10.5 -- Employment Agreements dated as of June 24, 1993 between Libbey Inc. and its then Executive Officers (filed as Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference).
- *10.6 -- Employment Agreement dated as of August 1, 1993 between Libbey Inc. and Kenneth G. Wilkes (filed as an Exhibit 10.6(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
- *10.7 -- Form of Non-Qualified Stock Option Agreement between Libbey Inc. and certain key employees participating in the Libbey Inc. Stock Option Plan for Key Employees (filed as Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
- *10.8 -- Description of Libbey Inc. Senior Executive Life Insurance Plan (filed as Exhibit 10.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
- *10.9 -- Libbey Inc. Deferred Compensation Plan for Outside Directors (filed as Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).
- *10.10 -- The Amended and Restated Libbey Inc. Stock Option Plan for Key Employees (filed as Exhibit 10.14 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 and incorporated herein by reference).
- 10.11 -- 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 the Registrant's Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).

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- 10.12 -- 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 the Registrant's Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
- 10.13 -- Letter Agreement dated as of October 10, 1995 by and between The Pfaltzgraff Co., The Pfaltzgraff Outlet Co., Syracuse China Company of Canada Ltd., LG Acquisition Corp. and Libbey Canada Inc., amending the Letter Agreement dated September 22, 1995 filed as part of the Asset Purchase Agreement for the Acquisition of Syracuse China (Exhibit 2.0) (filed as Exhibit 10.19 to the Registrant's Current Report on Form 8-K dated October 10, 1995 and incorporated herein by reference).
- *10.14 -- Employment Agreement dated as of April 1, 1996 between Libbey Inc. and John A. Zarb (filed as Exhibit 10.21 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and incorporated herein by reference).
- *10.15 -- The Amended and Restated Libbey Inc. Senior Management Incentive Plan (filed as Exhibit 10.22 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).
- *10.16 -- First Amended and Restated Libbey Inc. Executive Savings Plan (filed as Exhibit 10.23 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- *10.17 -- Employment Agreement dated as of January 1, 1997 between Libbey Inc. and Timothy T. Paige (filed as Exhibit 10.24 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).
- 10.18 -- The Second Amended and Restated Credit Agreement dated as of April 23, 1997 to the First Amended and Restated Credit Agreement dated as of July 17, 1995 among Libbey Glass Inc. and Libbey Canada Inc. as Borrowers, the lenders listed therein, The Bank of Nova Scotia, as Canadian Agent, The First National Bank of Chicago, as Syndication Agents, NationsBank, N.A., as Documentation Agent, The Bank of New York, The Bank of Nova Scotia, Caisse National De Credit Agricole, Fleet Bank, N.A. and Keybank National Association, as Co-Agents and Bankers Trust Company, as Administrative Agent (filed as Exhibit 10.25 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 and incorporated herein by reference).
- 10.19 -- Amended and Restated Distribution Agreement dated to be effective as of August 29, 1997, by and among Vitro S.A., Vitrocrisa, S.A. de C.V., Libbey Inc. and Libbey Glass Inc. whereby Libbey Glass Inc. will distribute certain products (filed as Exhibit 10.26 to Registrant's Current Report on Form 8-K/A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- 10.20 -- Vitrocrisa S.A. de C.V. Shareholders Agreement dated to be effective as of August 29, 1997 by and among Libbey Inc., LGA3 Corp., Vitro S.A., Vitrocrisa Holding S.A. de C.V. and Vitrocrisa S.A. de C.V. (filed as Exhibit 10.28 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).

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- 10.21 -- Vitrocrisa Holding S.A. de C.V. Shareholders Agreement dated to be effective as of August 29, 1997 by and among Libbey Inc., LGA3 Corp., Vitro S.A. and Vitrocrisa Holding S.A. de C.V. (filed as Exhibit 10.29 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- 10.22 -- Amended and Restated Covenant Not to Compete dated to be effective as of August 29, 1997 by and between Libbey Inc. and Vitro S.A. (filed as Exhibit 10.30 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- 10.23 -- Crisa Libbey S.A. de C.V. Shareholders Agreement dated to be effective as of August 29, 1997 by and among Libbey Inc., LGA3 Corp., Vitro S.A. and Crisa Libbey S.A. de C.V. (filed as Exhibit 10.31 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- 10.24 -- Limited Liability Company Agreement of Crisa Industrial, L.L.C. dated to be effective as of August 29, 1997 by and among Crisa Corporation, LGA4 Corp., Vitro S.A. and Libbey Inc. (filed as Exhibit 10.32 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- 10.25 -- Management Services Agreement dated to be effective August 29, 1997 by and between Libbey Inc. and Vitrocrisa S. A. de C.V. for services to be provided by one or more subsidiary corporations of Libbey Inc. (filed as Exhibit 10.33 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- *10.26 -- Employment Agreement dated as of September 1, 1997 between Libbey Inc. and Daniel P. Ibele (filed as Exhibit 10.34 to Registrant's Current Report on Form 8-K /A dated August 29, 1997 Amendment No. 1 and incorporated herein by reference).
- *10.27 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Rob A. Bules (filed as Exhibit 10.38 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.28 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Robert A. Dunton (filed as Exhibit 10.39 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.29 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Terry E. Hartman (filed as Exhibit 10.40 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.30 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and William M. Herb (filed as Exhibit 10.41 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.31 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Daniel P. Ibele (filed as Exhibit 10.42 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.32 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Pete D. Kasper (filed as Exhibit 10.43 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).

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- *10.33 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and John F. Meier (filed as Exhibit 10.44 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.34 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Timothy T. Paige (filed as Exhibit 10.45 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.35 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and John P. Pranckun (filed as Exhibit 10.46 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.36 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Willie B. Purvis (filed as Exhibit 10.47 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.37 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Richard I. Reynolds (filed as Exhibit 10.48 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.38 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Arthur H. Smith (filed as Exhibit 10.50 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.39 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Kenneth G. Wilkes (filed as Exhibit 10.51 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.40 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and John A. Zarb (filed as Exhibit 10.52 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.41 -- Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Wayne J. Zitkus (filed as Exhibit 10.53 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- *10.42 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and J. F. Meier (filed as Exhibit 10.49 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.43 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Arthur H. Smith (filed as Exhibit 10.50 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.44 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Richard I. Reynolds (filed as Exhibit 10.51 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).

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- *10.45 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Kenneth G. Wilkes (filed as Exhibit 10.52 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.46 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Timothy T. Paige (filed as Exhibit 10.53 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.47 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and John A. Zarb (filed as Exhibit 10.54 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.48 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Daniel P. Ibele (filed as Exhibit 10.55 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.49 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Willie Purvis (filed as Exhibit 10.57 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.50 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Robert Dunton (filed as Exhibit 10.58 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.51 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and William Herb (filed as Exhibit 10.59 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.52 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Wayne Zitkus (filed as Exhibit 10.60 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.53 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and John P. Pranckun (filed as Exhibit 10.61 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.54 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Pete Kasper (filed as Exhibit 10.63 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).

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- *10.55 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Rob Bules (filed as Exhibit 10.65 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.56 -- Amendment dated May 21, 1999 to the Change of Control Agreement dated as of May 27, 1998 between Libbey Inc. and Terry Hartman (filed as Exhibit 10.66 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- *10.57 -- Employment Agreement dated as of August 1, 1999 between Libbey Inc. and Kenneth A. Boerger (filed as Exhibit 10.67 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- *10.58 -- Change of Control Agreement dated as of August 1, 1999 between Libbey Inc. and Kenneth A. Boerger (filed as Exhibit 10.68 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- *10.59 -- 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 Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- *10.60 -- The 1999 Equity Participation Plan of Libbey Inc. (filed as Exhibit 10.67 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- *10.61 -- The Libbey Inc. Long-Term Incentive Compensation Plan effective as of January 1, 2001 (filed as Exhibit 10.66 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
- 10.62 -- Amended and Restated Credit Agreement, dated February 10, 2003, among Libbey Glass Inc. and Libbey Europe B.V., as the borrowers, Bank of America, N.A., as the administrative agent, swing line lender and letter of credit issuer, Bank One, N.A. and Fleet National Bank, as syndication agents and the other lenders party thereto (filed as Exhibit (b) to Registrant's Tender Offer Statement on Schedule TO incorporated herein by reference).
- 10.63 -- Note Purchase Agreement, dated March 31, 2003, among Libbey Glass Inc. and Purchasers of the notes (filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter-ended March 31, 2003, and incorporated herein by reference).
- 10.64 -- Guaranty Agreement, dated March 31, 2003, among Libbey Glass Inc., and the Purchasers of the notes referenced in 10.65 above (filed as Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter-ended March 31, 2003, and incorporated herein by reference).

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- 10.65 -- Subsidiary Guaranty dated as of March 31, 2003, among Libbey Inc. and wholly owned subsidiaries of Libbey Glass Inc. and the Purchasers of the notes referenced in 10.65 above (filed as Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter-ended March 31, 2003, and incorporated herein by reference).
- *10.66 -- Employment Agreement dated as of May 1, 2003, between Libbey Inc. and Scott M. Sellick (filed as Exhibit 10.65 to Registrant's Quarterly Report on Form 10-Q for the quarter-ended June 30, 2003, and incorporated herein by reference).
- *10.67 -- Change in Control Agreement dated as of May 1, 2003, between Libbey Inc. and Scott M. Sellick (filed as Exhibit 10.66 to Registrant's Quarterly Report on Form 10-Q for the quarter-ended June 30, 2003, and incorporated herein by reference).
- *10.68 -- Employee Agreement dated December 15, 2003, between Libbey Inc. and Susan A. Kovach (filed herein).
- *10.69 -- Change of Control Agreement dated as of December 15, 2003, between Susan A. Kovach (filed herein).
- 21 -- Subsidiaries of the Registrant (filed herein).
- 23 -- Consent of Independent Auditors (filed herein).
- 24 -- Power of Attorney (filed herein).
- 31.1 -- Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).
- 31.2 -- Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein).
- 32.1 -- Chief Executive Officer Certification Pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herein).
- 32.2 -- Chief Financial Officer Certification Pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herein).
- 99.1 -- Safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (filed herein).

* Management Contract or Compensation Plan or Arrangement.

EXHIBIT 10.68

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is effective as of December 15, 2003, between LIBBEY INC., a Delaware corporation (the "Company"), and Susan Allene Kovach ("Employee").

RECITALS

- A. The Company has agreed to employ Employee in the position and at the base rate of pay set forth on Schedule 1.
- B. The Company has further agreed to provide severance benefits to Employee upon a termination of Employee's employment resulting from certain specified events.

EVENTS

In consideration of the foregoing, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Employee and the Company hereby agree as follows:

1. Salary and Position. The base rate of pay and job title shown on Schedule I are correct and in accordance with Employee's understanding.
2. At-Will Employment. Employee's employment with the Company is not for any specified term and may be terminated by Employee or by the Company at the time for any reason, with or without cause.
3. No Other Agreements. Employee represents and warrant that there are no written or oral agreements, understandings or assignments, compensation (including compensation upon termination), benefits, or any other term or condition of employment, except as specifically set forth herein and in Schedule II attached hereto.
4. Entire Agreement. This Agreement and the agreements listed in Schedule II attached hereto constitute the complete agreement between Employee and the Company regarding any and all aspects of their employment relationship and supersede any and all prior written or oral agreements, understandings or commitments. Employee understands that no representative of the Company has been authorized to enter into any agreement, understanding or commitment with Employee which is inconsistent in any way with the terms of this Agreement.
5. Prohibition Against Amendment. Employee's base salary may be modified by the Company at any time in its sole discretion. The retirement and benefit plans set forth in Schedule II attached hereto with respect to which Employee is entitled to participate in may be improved, reduced or terminated by the Company at any time in its sole discretion; provided, however, that no vested or accrued benefit shall be adversely affected. All terms set forth in this Agreement, including without limitation the terms set forth in paragraph 2 hereof, may not be modified in any way except by a written agreement signed by Employee

and by an authorized representative of the Company which expressly states that intention of the parties to modify the terms of this Agreement.

6. Severance Payment.

(a) Upon the termination of Employee's employment as a result of Employee's electing to resign his employment without the consent of the Company or electing to retire other than at the request of the Company, no payments shall be required or made pursuant to this paragraph 6.

(b) Upon the termination of Employee's employment by the Company for "Cause", no payments shall be required or made pursuant to this paragraph 6. "Cause" shall mean Employee's financial dishonesty, fraud in the performance of his duties, willful failure to perform assigned duties hereunder or the commission of a felony.

(c) Upon the termination of Employee's employment by the Company for any reason other than for Cause or disability, the Company shall continue payment of Employee's annual base salary, at the rate then in effect on the date of such termination, for a period of one year after such date of termination. The Company shall give 30 days written notice of any such termination which notice shall specify the date of termination.

(d) Upon the termination of Employee's employment as a result of the death of Employee, the Company shall continue payment of Employee's annual base salary, at the rate then in effect on the date of such termination, for a period of one year after such date of termination; provided however that such payments shall be offset by any survivor benefits, excluding life insurance proceeds, received by Employee's spouse or other designated beneficiary under the Company's plans, programs and policies paid in such one year period.

(e) Upon the termination of Employee's employment as a result of his becoming unable to perform his duties due to a disability as established by the award of long-term disability benefits under the Company's long-term disability plan, the Company may terminate Employee's employment by giving Employee 30 days written notice of its intention to terminate. In such event, Company shall continue payment of the Employee's annual base salary, at the rate then in effect on the date of such termination, for a period of one year after such date of termination; provided, however, that such payments shall be offset by any disability benefits, excluding disability insurance proceeds, received by Employee, or his legal guardian, under the Company's plans, programs and policies paid in such one year period.

(f) Notwithstanding anything to the contrary contained herein, upon the termination of Employee's employment for any reason, voluntarily or involuntarily, with or without Cause, Employee shall be entitled to the payments provided for hereunder and such rights as he otherwise has under the Company's restricted Stock Plan and the Company's Stock Option Plan in the circumstances of his particular termination.

7. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

The Company: LIBBEY INC.

By: /s/ Arthur H. Smith

Its Vice President and Secretary

Employee: /s/ Susan Allene Kovach

Susan Allene Kovach

EXHIBIT 10.69

December 15, 2003

Ms. Susan Allene Kovach
3965 East Loch Alpine Drive
Ann Arbor, MI 48103

Dear Susan,

Libbey Inc. (the "Corporation") considers it essential to the best interests of its shareholders to foster the continuous employment of key management personnel. In connection with this, the Corporation's Board of Directors (the "Board") recognizes that, as is the case with many publicly held corporations, the possibility of a change in control of the Corporation may exist and that the uncertainty and questions that it may raise among management could result in the departure or distraction of management personnel to the detriment of the Corporation and its shareholders.

The Board has decided to reinforce and encourage the continued attention and dedication of members of the Corporation's management, including yourself, to their assigned duties without the distraction arising from the possibility of a change in control of the Corporation.

In order to induce you to remain in its employ, the Corporation hereby agrees that after this letter agreement (this "Agreement") has been fully executed, you shall receive the severance benefits set forth in this Agreement in the event your employment with the Corporation is terminated under the circumstances described below subsequent to a Change in Control (as defined in Section 2).

1. **Term of Agreement.** This Agreement shall commence on the date hereof and shall continue in effect through December 31, 2003; provided, however, that commencing on January 1, 2004 and on each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than September 30 of the preceding year, the Corporation shall have given notice that it does not wish to extend this Agreement; provided, further, that if a Change in Control (as defined in Section 2), occurs during the original or any extended term of this Agreement, the term of this Agreement shall continue in effect for a period of not less than thirty-six (36) months beyond the month in which such Change in Control occurred.

2. **Change in Control.** No benefits shall be payable hereunder unless there has been a Change in Control. For purposes of this Agreement, a Change in Control shall be deemed to occur if:

(a) any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Corporation representing twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities. For purposes of this Agreement, the term "Person" is used as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); provided, however, that the term shall not include the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, and any corporation owned, directly or indirectly, by the shareholders of the Corporation, in substantially the same proportions as their ownership of stock of the Corporation, and provided further that for purposes of this subsection (a) the term person shall not apply to Baron Capital Group, Inc., BAMCO, Inc., Baron Capital Management, Inc., Baron Asset Fund or Ronald Baron (collectively the "Baron Group"), by virtue of their individual or collective beneficial ownership of securities of the Corporation's outstanding securities as of the date of this letter so long as the Baron Group does not individually or collectively, beneficially own, or increase such beneficial ownership to, twenty-five percent (25%) or more of the combined voting power of the corporation's then outstanding securities. For purposes of this Agreement, the term "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act;

(b) during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in Sections 2(a), (c) or

(d) whose election by the Board or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved (hereinafter referred to as "Continuing Directors"), cease for any reason to constitute at least a majority thereof;

(c) the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other corporation (or other entity), other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 66 2/3% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation;

(d) the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets; or

(e) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing ten percent (10%) or more of the combined voting power of the Corporation's then outstanding securities (a "10% Owner") and (A) the identity of the Chief Executive Officer of the Corporation is changed during the period beginning sixty (60) days before the attainment of the ten percent (10%) beneficial ownership and ending two (2) years thereafter, or (B) individuals constituting at least one-third (1/3) of the members of the Board at the beginning of such period shall cease for any reason to serve on the Board during the period beginning sixty (60) days before the attainment of the ten percent (10%) beneficial ownership and ending two (2) years thereafter; provided, however, (i) that this subsection (e) shall not apply to (i) any Person who is a 10% Owner as of the date hereof so long as such Person does not increase such beneficial ownership by five percent (5%) or more over the percentage so owned by such Person as of the date hereof; (ii) that this subsection (e) shall not apply to the Baron Group by virtue of their individual or collective beneficial ownership of securities of the Corporation's outstanding securities as of the date of this letter so long as the Baron Group does not individually or collectively, beneficially own, or increase such beneficial ownership to, twenty-five percent (25%) or more of the combined voting power of the corporation's then outstanding securities, and (iii) that this subsection (e) shall not apply to Ariel Capital Management ("Ariel") by virtue of its beneficial ownership of the Corporation's outstanding securities as of the date of this Agreement so long as Ariel does not beneficially own, or increase such beneficial ownership to, twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities.

3. Termination Following Change in Control.

(i) General. During the term of this Agreement, if any of the events described in Section 2 constituting a Change in Control shall have occurred, you shall be entitled to the benefits provided in Section 4(ii) upon the subsequent termination of your employment, provided that such termination occurs during the term of this Agreement and within the two (2) year period immediately following the date of such Change in Control, unless such termination is (a) because of your death or Disability (as defined in Section 3(ii)), (b) by the Corporation for Cause (as defined in Section 3(iii)), or (c) by you other than (1) for Good Reason (as defined in Section 3(iv)), or (2) in a Covered Resignation (as defined in Section 3(v)). In the event that you are entitled to such benefits, such benefits shall be paid notwithstanding the subsequent expiration of the term of this Agreement. In the event your employment with the Corporation is terminated for any reason and subsequently a Change in Control occurs, you shall not be entitled to any benefits hereunder.

(ii) Disability. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Corporation for six (6) consecutive months, and within thirty (30) days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability."

(iii) Cause. Termination by the Corporation of your employment for "Cause" shall mean termination (a) upon your willful and continued failure to substantially perform your duties with the Corporation (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after your issuance of a Notice of Termination (as defined in Section 3(vi)) either (x) for Good Reason, or (y) in connection with a Covered Resignation, after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, (b) upon your willful and continued failure to substantially follow and comply with the specific and lawful directives of the Board, as reasonably determined by the Board (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after your issuance of a Notice of Termination for Good Reason or in connection with a Covered Resignation), after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, (c) upon your willful commission of an act of fraud or dishonesty resulting in material economic or financial injury to the Corporation, or (d) upon your willful engagement in illegal conduct or gross misconduct, in each case which is materially and demonstrably injurious to the Corporation. For purposes of this Section 3(iii), no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith. Notwithstanding the foregoing, you shall not be deemed terminated for Cause pursuant to Sections 3(iii)(a), (b) or (d) hereof unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board at a meeting of the Board (after reasonable notice to you, an opportunity for you, together with your counsel, to be heard before the Board and a reasonable opportunity to cure), finding that in the Board's good faith opinion you were guilty of conduct set forth above in this Section 3(iii) and specifying the particulars thereof in reasonable detail.

(iv) Good Reason. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a Change in Control of any of the following circumstances unless, in the case of Sections 3(iv)(a), (e), (f), (g), (h) or (i), such circumstances

are fully corrected (provided such circumstances are capable of correction) prior to the Date of Termination (as defined in Section 3(vii)) specified in the Notice of Termination given in respect thereof:

- (a) the assignment to you of any duties inconsistent with the position in the Corporation that you held immediately prior to the Change in Control, a significant adverse alteration in the nature or status of your responsibilities or the conditions of your employment from those in effect immediately prior to such Change in Control, including by virtue of the Corporation ceasing to be a publicly-held corporation, or any other action by the Corporation that results in a material diminution in your position, authority, duties or responsibilities;
- (b) the Corporation's reduction of your annual base salary as in effect on the date hereof or as the same may be increased from time to time;
- (c) the relocation of the Corporation's offices at which you are principally employed immediately prior to the date of the Change in Control (your "Principal Location") to a location more than thirty (30) miles from such location, or the Corporation's requiring you, without your written consent, to be based anywhere other than your Principal Location, except for required travel on the Corporation's business to an extent substantially consistent with your present business travel obligations;
- (d) the Corporation's failure to pay to you any portion of your current compensation or to pay to you any portion of an installment of deferred compensation under any deferred compensation program of the Corporation within seven (7) days of the date such compensation is due;
- (e) the Corporation's failure to continue in effect any material compensation or benefit plan or practice in which you participate immediately prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the Corporation's failure to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change in Control;

(f) the Corporation's failure to continue to provide you with benefits substantially similar in the aggregate to those enjoyed by you under any of the Corporation's life insurance, medical, health and accident, disability, pension, retirement, or other benefit plans or practices in which you and your eligible family members were participating at the time of the Change in Control, the taking of any action by the Corporation which would directly or indirectly materially reduce any of such benefits, or the failure by the Corporation to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Corporation in accordance with the Corporation's normal vacation policy in effect at the time of the Change in Control;

(g) the Corporation's failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 6 hereof;

(h) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3(vi) hereof (and, if applicable, the requirements of Section 3(iii) hereof), which purported termination shall not be effective for purposes of this Agreement; or

(i) the continuation or repetition, after written notice of objection from you, of harassing or denigrating treatment of you inconsistent with your position with the Corporation.

Your right to terminate your employment pursuant to this Section 3(iv) shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(v) Voluntary Termination and Covered Resignation. You shall be entitled to voluntarily terminate your employment for any reason or no reason at any time after a Change in Control. Any such termination which occurs within the thirty (30) day period following the first anniversary of the occurrence of a Change in Control shall constitute a resignation which entitles you to receive benefits under this Agreement (a "Covered Resignation").

(vi) Notice of Termination. Any purported termination of your employment by the Corporation or by you (other than termination due to death which shall terminate your employment automatically) shall be communicated by written Notice of Termination to the other party hereto in accordance with

Section 7. "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(vii) Date of Termination, Etc. "Date of Termination" shall mean (a) if your employment is terminated due to your death, the date of your death; (b) if your employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), and

(c) if your employment is terminated pursuant to Section 3(iii), Section 3(iv) or Section 3(v) or for any other reason (other than death or Disability), the date specified in the Notice of Termination (which, in the case of a termination for Cause shall not be less than thirty (30) days from the date such Notice of Termination is given, and in the case of a termination for Good Reason or in connection with a Covered Resignation shall not be less than fifteen (15) nor more than sixty (60) days from the date such Notice of Termination is given).

Notwithstanding anything to the contrary contained in this Section 3(vii), if within fifteen (15) days after any Notice of Termination is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, or otherwise; provided, however, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

4. Compensation Upon Termination.

Following a Change in Control during the term of this Agreement, you shall be entitled to the benefits described below upon termination of your employment, provided that such termination occurs during the term of this Agreement and within the two (2) year period immediately following the date of such Change in Control. The benefits to which you are entitled, subject to the terms and conditions of this Agreement, are:

(i) If your employment shall be terminated by the Corporation for Cause or by you other than (x) for Good Reason or (y) pursuant to a Covered Resignation, the Corporation shall pay you your full base salary, when due, through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan or practice of the Corporation at the time such payments are due, and the Corporation shall have no further obligations to you under this Agreement.

(ii) If your employment by the Corporation shall be terminated by you (x) for Good Reason or (y) pursuant to a Covered Resignation, or by the Corporation other than for Cause or Disability, then you shall be entitled to the benefits provided below:

(a) the Corporation shall pay to you your full base salary, when due, through the Date of Termination at the rate in effect at the time Notice of Termination is given, at the time specified in Section 4(iii), plus all other amounts to which you are entitled under any compensation plan or practice of the Corporation at the time such payments are due;

(b) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Corporation shall pay as severance pay to you, at the time specified in Section 4(iii), a lump-sum severance payment (together with the payments provided in Section 4(ii)(c) below, the "Severance Payments") equal to the sum of the following:

(A) three (3) times your annual base salary as in effect as of the Date of Termination or immediately prior to the Change in Control, whichever is greater; and

(B) three (3) times the greater of (x) your targeted annual bonus as in effect as of the Date of Termination or immediately prior to the Change in Control, whichever is greater, or (y) your annual bonus for the year immediately preceding the Date of Termination;

(c) notwithstanding any provisions of the Corporation's stock option plans, incentive plans, or other similar plans, the restricted period with respect to any restricted stock granted to you thereunder shall lapse and such shares shall be distributed to you at the time specified in Section 4 (iii);

(d) for a period of one (1) year following the Date of Termination, the Corporation shall, at its sole expense as incurred, provide you with financial planning services of substantially the same type and scope as those which the Corporation was providing to you immediately prior to the Date of Termination, or, if more favorable to you, the date of the Change in Control;

(e) for a period of two (2) years following the Date of Termination, the Corporation shall, at its sole expense as incurred, provide you with outplacement services, the scope and provider of which shall be selected by you in your sole discretion;

(f) for a thirty-six (36) month period after such termination, the Corporation shall continue to provide you and your eligible family members, based on the cost sharing arrangement between you and the Corporation on the date of the Change in Control, with medical and dental health benefits at least equal to those which would have been provided to you and them if your employment had not been terminated or, if more favorable to you, as in effect generally at any time thereafter; provided, however, that if you become re-employed with another employer and are eligible to receive medical and dental health benefits under another employer's plans, the Corporation's obligations under this Section 4(ii) (f) shall be reduced to the extent comparable benefits are actually received by you during the thirty-six (36) month period following your termination, and any such benefits actually received by you shall be reported to the Corporation. In the event you are ineligible under the terms of such benefit plans or programs to continue to be so covered, the Corporation shall provide you with substantially equivalent coverage through other sources or will provide you with a lump-sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to you of providing yourself such benefit coverage. At the termination of the benefits coverage under the second preceding sentence, you, your spouse and your dependents shall be entitled to continuation coverage pursuant to section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), sections 601-608 of the Employee Retirement Income Security Act of 1974, as

amended, and under any other applicable law, to the extent required by such laws, as if you had terminated employment with the Corporation on the date such benefits coverage terminates. The lump-sum shall be determined on a present value basis using the interest rate provided in section 1274(b)(2)(B) of the Code on the Date of Termination.

(g) (1) anything in this Agreement to the contrary notwithstanding, if it shall be determined that any payment or distribution to you or for your benefit (whether paid or payable or distributed or distributable) pursuant to the terms of this Agreement or otherwise (the "Payment") would be subject to the excise tax imposed by section 4999 of the Code (the "Excise Tax"), then you shall be entitled to receive from the Corporation an additional payment (the "Gross-Up Payment") in an amount such that the net amount of the Payment and the Gross-Up Payment retained by you after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the payment and all federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) on the Gross-Up Payment provided for in this Section 4(ii)(g), and taking into account any lost or reduced tax deductions on account of the Gross-Up Payment, shall be equal to the Payment;

(2) all determinations required to be made under this Section 4(ii)(g), including whether and when the Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determinations shall be made by the Accountants (as defined below) which shall provide you and the Corporation with detailed supporting calculations with respect to such Gross-Up Payment within fifteen (15) business days of the receipt of notice from you or the Corporation that you have received or will receive a Payment. For the purposes of this Section 4(ii)(g), the "Accountants" shall mean the Corporation's independent certified public accountants serving immediately prior to the Change in Control. In the event that the Accountants are also serving as accountant or auditor for the individual, entity or group effecting the Change in Control, you shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accountants hereunder). All fees and expenses of the Accountants shall be borne solely by the Corporation. For the purposes of determining whether any of the Payments will be subject to the Excise Tax and the amount of such Excise Tax, such Payments will be treated as "parachute payments" within the meaning of section 280G of

the Code, and all "parachute payments" in excess of the "base amount" (as defined under section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that in the opinion of the Accountants such Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for services actually rendered (within the meaning of section 280G(b)(4) of the Code) in excess of the "base amount," or such "parachute payments" are otherwise not subject to such Excise Tax. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay Federal income taxes at the highest applicable marginal rate of Federal income taxation for the calendar year in which the Gross-Up Payment is to be made and to pay any applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Gross-Up Payment is to be made, net of the maximum reduction in Federal income taxes which could be obtained from the deduction of such state or local taxes if paid in such year (determined without regard to limitations on deductions based upon the amount of your adjusted gross income), and to have otherwise allowable deductions for Federal, state and local income tax purposes at least equal to those disallowed because of the inclusion of the Gross-Up Payment in your adjusted gross income. To the extent practicable, any Gross-Up Payment with respect to any Payment shall be paid by the Corporation at the time you are entitled to receive the Payment and in no event will any Gross-Up Payment be paid later than five days after the receipt by you of the Accountant's determination. Any determination by the Accountants shall be binding upon the Corporation and you. As a result of uncertainty in the application of section 4999 of the Code at the time of the initial determination by the Accountants hereunder, it is possible that the Gross-Up Payment made will have been an amount less than the Corporation should have paid pursuant to this Section 4(ii)(g) (the "Underpayment"). In the event that the Corporation exhausts its remedies pursuant to Section 4(ii)(g)(3) and you are required to make a payment of any Excise Tax, the Underpayment shall be promptly paid by the Corporation to or for your benefit; and

(3) you shall notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Corporation of the Gross-Up Payment. Such notification shall be given as soon as practicable after you are informed in writing of such claim and shall apprise the Corporation of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the expiration of the 30-day period following the date on which you give such notice to the Corporation (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If the Corporation notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(A) give the Corporation any information reasonably requested by the Corporation relating to such claim;

(B) take such action in connection with contesting such claim as the Corporation shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Corporation;

(C) cooperate with the Corporation in good faith in order to effectively contest such claim; and

(D) permit the Corporation to participate in any proceedings relating to such claims;

provided, however, that the Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify you for and hold you harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this Section 4(ii)(g), the Corporation shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner,

and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; provided, however, that if the Corporation directs you to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to you, on an interest-free basis, and shall indemnify you for and hold you harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by the Corporation of such advance); provided, further, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of you with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and you shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority;

(h) in any situation where under applicable law the Corporation has the power to indemnify (or advance expenses to) you in respect of any judgments, fines, settlements, loss, cost or expense (including attorneys' fees) of any nature related to or arising out of your activities as an agent, employee, officer or director of the Corporation or in any other capacity on behalf of or at the request of the Corporation, the Corporation shall promptly on written request, indemnify (and advance expenses to) you to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Corporation may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification or advancement. Such agreement by the Corporation shall not be deemed to impair any other obligation of the Corporation respecting your indemnification otherwise arising out of this or any other agreement or promise of the Corporation or under any statute;

(i) the Corporation shall furnish you for six (6) years following the Date of Termination (without reference to whether the term of this Agreement continues in effect) with directors' and officers' liability insurance insuring you against insurable events which occur or have occurred while you were a director or officer of the

Corporation, such insurance to have policy limits aggregating not less than the amount in effect immediately prior to the Change in Control, and otherwise to be in substantially the same form and to contain substantially the same terms, conditions and exceptions as the liability insurance policies provided for officers and directors of the Corporation in force from time to time, provided, however, that such terms, conditions and exceptions shall not be, in the aggregate, materially less favorable to you than those in effect on the date hereof; provided, further, that if the aggregate annual premiums for such insurance at any time during such period exceed one hundred and fifty percent (150%) of the per annum rate of premium currently paid by the Corporation for such insurance, then the Corporation shall provide the maximum coverage that will then be available at an annual premium equal to one hundred and fifty percent (150%) of such rate; and

(j) you shall be fully vested in your accrued benefits under any qualified or nonqualified pension, profit sharing, deferred compensation or supplemental plans maintained by the Corporation for your benefit, and the Corporation shall provide you with additional fully vested benefits under such plans in an amount equal to the benefits which you would have accrued had you continued your employment with the Corporation for three (3) additional years following your Date of Termination; provided, however, that to the extent that the acceleration of vesting or enhanced accrual of such benefits would violate any applicable law or require the Corporation to accelerate the vesting of the accrued benefits of all participants in such plan or plans or to provide additional benefit accruals to such participants, the Corporation shall pay you a lump-sum payment at the time specified in Section 4(iii) in an amount equal to the value of such benefits; provided, further, that to the extent that the present value of all benefits payable to you under this Section 4(ii)(j) is less than \$250,000, the Corporation shall pay you a lump-sum payment at the time specified in Section 4(iii) in an amount equal to the difference between \$250,000 and the amount of such benefits which are otherwise payable to you under this Section 4(ii)(j); provided, further, that if you are eligible to receive grandfathered benefits under the Corporation's pension plan, the provisions of this Section 4(ii)(j) shall apply to such grandfathered benefits, without reduction for age, in addition to any other benefits to which you are entitled under this Section 4(ii)(j).

(iii) The payments provided for in Sections 4(ii)(a), (b), (c), (d) and (j) shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Corporation shall pay to you on such day an estimate, as determined in good faith by the Corporation, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Corporation to you, payable on the fifth day after demand by the Corporation (together with interest at the rate provided in section 1274(b)(2)(B) of the Code).

(iv) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise nor, except as provided in Section 4(ii)(f), shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer or self-employment, by retirement benefits, by offset against any amount claimed to be owed by you to the Corporation, or otherwise.

5. Acceleration of Vesting of Options. Notwithstanding anything contained herein, in the event of a Change in Control during the term of this Agreement, all outstanding options ("Options"), if any, granted to you under any of the Corporation's stock option plans, incentive plans or other similar plans (or options substituted therefor covering the stock of a successor corporation) shall, effective immediately prior to such Change in Control, become fully vested and exercisable as to all shares of stock covered thereby.

6. Successors; Binding Agreement.

(i) The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. Failure of the Corporation to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to terminate your employment and receive compensation from the Corporation in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a Change in Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be

deemed the Date of Termination. Unless expressly provided otherwise, "Corporation" as used herein shall mean the Corporation as defined in this Agreement and any successor to its business and/or assets as aforesaid.

(ii) This Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

7. Notice. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Corporation shall be directed to the attention of the Board with a copy to the Secretary of the Corporation, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

8. Non- Compete, Confidentiality and Non-Solicitation Covenants.

(i) Non-Compete. In consideration of and in connection with the benefits provided to you under this Agreement, and in order to protect the goodwill of the Corporation, you hereby agree that, if your employment is terminated pursuant to a Covered Resignation, then, for a period of twelve (12) months commencing on the Date of Termination, you shall not, directly or indirectly, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or be connected as a director, officer, employee, partner, consultant or otherwise with any of the following entities (or any subsidiary of any such entity) other than as a shareholder or beneficial owner owning 5% or less of the outstanding securities of a public company:

Durand International, the Anchor Hocking unit of Newell Co., Cardinal International, Inc., the Indiana Glass unit of Lancaster Colony Corporation, Oneida LTD or any glass tableware manufacturer, seller or importer for Bormioli Rocco Casa SpA, for the Kedaung group of companies of Indonesia or for the Sisecam group of companies of Turkey including Pasabahce.

(ii) Confidentiality. You hereby agree that, for the period commencing on the Date of Termination and terminating on the third anniversary thereof, you shall not, directly or indirectly, disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). You agree that, upon termination of your employment with the Corporation, all Confidential Information in your possession that is in written or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Corporation and shall not be retained by you or furnished to any third party, in any form except as provided herein; provided, however, that you shall not be obligated to treat as confidential, or return to the

(iii) Corporation copies of any Confidential Information that (i) was publicly known at the time of disclosure to you, (ii) becomes publicly known or available thereafter other than by any means in violation of this Agreement or any other duty owed to the Corporation by any person or entity, or (iii) is lawfully disclosed to you by a third party. As used in this Agreement, the term "Confidential Information" means: information disclosed to you or known by you as a consequence of or through your relationship with the Corporation, about the customers, employees, business methods, public relations methods, organization, procedures or finances, including, without limitation, information of or relating to customer lists, of the Corporation and its affiliates.

(iv) Non-Solicitation. You hereby agree that, for the period commencing on the Date of Termination and terminating on the third anniversary thereof, you shall not, either on your own account or jointly with or as a manager, agent, officer, employee, consultant, partner, joint venturer, owner or shareholder or otherwise on behalf of any other person, firm or corporation, directly or indirectly solicit or attempt to solicit away from the Corporation any of its officers or employees or offer employment to any person who, on or during the six (6) months immediately preceding the date of such solicitation or offer, is or was an officer or employee of the Corporation; provided, however, that a general advertisement to which an employee of the Corporation responds shall in no event be deemed to result in a breach of this Section 8(iii).

9. Funding of Obligations. Within a reasonable time following the execution and delivery of this Agreement by you and the Corporation, the Corporation shall partially fund its obligations to provide benefits hereunder (including, without limitation, its obligations under Section 4(ii) (g)) by establishing and irrevocably partially funding a trust for your benefit and the benefit of other executives of the Corporation with whom

the Corporation has entered into agreements similar to this Agreement. The Corporation shall initially contribute \$1000 to such trust. Such trust shall be a grantor trust described in section 671 of the Code. Upon the occurrence of a Potential Change in Control (as defined below), the Corporation shall fully fund its obligations to provide benefits hereunder (including, without limitation, its obligations under Section 4(ii)(g)) by irrevocably contributing funds to such trust on your behalf. The amount of such contribution shall equal the then present value of the Corporation's obligations under Section 4 hereof as determined by the firms serving as the Corporation's actuaries and accountants immediately prior to the Change in Control. Such actuaries and accountants shall be paid by the Corporation. The establishment and funding of such trust shall not affect the obligation of the Corporation to provide benefits under the terms of this Agreement. For purposes of this Agreement a "Potential Change in Control" shall be deemed to occur if:

- (a) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
- (b) any Person (including the Corporation) publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;
- (c) any Person who is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation representing ten percent (10%) or more of the combined voting power of the Corporation's then outstanding securities, increases such Person's beneficial ownership of such securities by five percent (5%) or more of the Corporation's then outstanding securities over the percentage so owned by such Person on the date hereof provided however, (i) that this subsection (c) shall not apply to the Baron Group by virtue of their individual or collective beneficial ownership of securities of the Corporation's outstanding securities as of the date of this letter so long as the Baron Group does not individually or collectively, beneficially own, or increase such beneficial ownership to, twenty-five percent (25%) or more of the combined voting power of the corporation's then outstanding securities, and (ii) that this subsection (c) shall not apply to Ariel by virtue of its beneficial ownership of the Corporation's outstanding securities as of the date of this Agreement so long as Ariel does not beneficially own, or increase such beneficial ownership to, twenty percent (20%) or more of the combined voting power of the Corporation's then outstanding securities; or
- (d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of or

compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Except as provided in Section 4(ii)(g) hereunder, any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The obligations of the Corporation under Section 4 shall survive the expiration of the term of this Agreement. The section headings contained in this Agreement are for convenience only, and shall not affect the interpretation of this Agreement.

11. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

13. Suits, Actions, Proceedings, Etc..

(i) Jurisdiction and Venue. No suit, action or proceeding with respect to this Agreement, nor any judgment entered by any court in respect thereof, may be brought in any court, domestic or foreign, or before any similar domestic or foreign authority, other than in a court of competent jurisdiction in the State of Ohio, and you and the Corporation hereby irrevocably waive any right which you or the Corporation, as applicable, may otherwise have had to bring such a suit, action, proceeding or judgment in any other court, domestic or foreign, or before any similar domestic or foreign authority. You and the Corporation hereby submit to the exclusive jurisdictions of such courts for the purpose of any such suit, action, proceeding or judgment. By your execution and delivery of this Agreement, you appoint the Secretary of the Corporation, at the Corporation's office in Toledo, Ohio, as your agent upon which process may be served in any such suit, action or proceeding; and by its execution and delivery of this Agreement, the Corporation appoints the Secretary of the Corporation, at its office in Toledo, Ohio, as its agent upon which process may be served in any such suit, action or proceeding. Service of process upon such applicable agent, together

with actual notice of such service given to you or the Corporation, as applicable, in the manner provided in Section 7 hereof, shall be deemed in every respect effective service of process upon the applicable party in any suit, action, proceeding or judgment. Nothing herein shall be deemed to limit the ability of you or the Corporation to serve any such writs, process or summonses in any other manner permitted by applicable law. You and the Corporation hereby irrevocably waive any objections which you or the Corporation, as applicable, may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement brought in any court of competent jurisdiction in the State of Ohio, and hereby further irrevocably waive any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Notwithstanding the foregoing, in the event that no court of competent jurisdiction in the State of Ohio will accept such jurisdiction and venue, then any suit, action or proceeding with respect to this Agreement, or any judgment entered by any court in respect thereof, may be brought in any court of competent jurisdiction in the continental United States which has jurisdiction over such suit, proceeding or action and the parties thereto.

(ii) Compensation During Dispute, Etc.. Your compensation during any disagreement, dispute, controversy, claim, suit, action or proceeding (collectively, a "Dispute") arising out of or relating to this Agreement or the interpretation of this Agreement shall be as follows:

If there is a termination by you or the Corporation followed by a Dispute as to whether you are entitled to the payments and other benefits provided under this Agreement, then, during the period of that Dispute the Corporation shall pay you fifty percent (50%) of the amount specified in Sections 4(ii)(a) and 4(ii)(b) hereof, and the Corporation shall provide you with the other benefits provided in Section 4(ii) of this Agreement, if, but only if, you agree in writing that if the Dispute is resolved against you, you shall promptly refund to the Corporation all payments you receive under Sections 4(ii)(a) and 4(ii)(b) of this Agreement plus interest at the rate provided in Section 1274(d) of the Code, compounded quarterly. If the Dispute is resolved in your favor, promptly after resolution of the dispute the Corporation shall pay you the sum that was withheld during the period of the Dispute plus interest at the rate provided in Section 1274(d) of the Code, compounded quarterly.

(iii) Legal Fees. The Corporation shall pay to you all legal fees and expenses incurred by you in connection with any Dispute arising out of or relating to this Agreement or the interpretation thereof (including, without limitation, all such fees

and expenses, if any, incurred in contesting or disputing any termination of your employment or in seeking to obtain or enforce any right or benefit provided by this Agreement, or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder).

14. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein, including, without limitation, any prior severance agreements, is hereby terminated and cancelled; provided, however, that the Employment Agreement, dated as of December 15, 2003 by and between you and the Corporation, as amended, shall remain in full force and effect and shall, pursuant to the terms and conditions thereof, provide certain severance benefits to you upon certain terminations of employment. Any of your rights hereunder shall be in addition to any rights you may otherwise have under benefit plans or agreements of the Corporation to which you are a party or in which you are a participant, including, but not limited to, any Corporation sponsored employee benefit plans and stock options plans. Provisions of this Agreement shall not in any way abrogate your rights under such other plans and agreements.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Corporation the enclosed copy of this letter, which shall then constitute our agreement on this subject.

Sincerely,

LIBBEY INC.

By: /s/ Arthur H. Smith

Its: Vice President and Secretary

Agreed and Accepted as of the,
15th day of December, 2003

/s/ Susan Allene Kovach

Susan Allene Kovach

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

Syracuse China Company - Incorporated in Delaware

World Tableware Inc. - Incorporated in Delaware

LGA4 Corp. - Incorporated in Delaware

LGA3 Corp. - Incorporated in Delaware

The Drummond Glass Company - Incorporated in Delaware

Libbey Canada Inc. - Incorporated in Ontario, Canada

Libbey Foreign Sales Corporation - Incorporated in Barbados

Libbey Glass Inc. - Incorporated in Delaware

LGC Corp. - Incorporated in Delaware

Traex Company - Incorporated in Delaware

Libbey.com LLC - Formed in Delaware

LGMH, S. de R.L. de C.V. - Formed in Mexico

LGFS Inc. - Incorporated in Delaware

LGAC LLC - Formed in Delaware

Libbey Europe B.V. - Incorporated in the Netherlands

B.V. Koninklijke Nederlandsche Glasfabriek Leerdam - Incorporated in the Netherlands

Leerdam Crystal B.V. - Incorporated in the Netherlands

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements of Libbey Inc. listed below, of our report dated January 30, 2004, with respect to the Consolidated Financial Statements and schedule of Libbey Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2003:

Form S-3	No. 333-28735	Registration and Related Prospectus for 2,000,000 shares of common stock
Form S-8	No. 33-64726	Libbey Inc. Retirement Savings Plan and the Libbey Inc. Supplemental Retirement Plan (formally known as Libbey Inc. Stock Purchase and Retirement Savings Plan and the Libbey Inc. Stock Purchase and Supplemental Retirement Plan, respectively)
	No. 33-80448	Libbey Inc. Stock Option Plan for Key Employees
	No. 33-98234	Libbey Inc. Amended and Restated Stock Option Plan for Key Employees
	No. 333-49082	The 1999 Equity Participation Plan of Libbey Inc.
	No. 333-88752	Libbey Inc. 2002 Employee Stock Purchase Plan

/s/ ERNST & YOUNG LLP

Toledo, Ohio
March 12, 2004

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director or officer, or both, of LIBBEY INC., a Delaware corporation (the "Company"), hereby does constitute and appoint SUSAN A. KOVACH, JOHN F. MEIER, RICHARD I. REYNOLDS, SCOTT M. SELICK AND ARTHUR H. SMITH, with full power to each of them to act alone, as the true and lawful attorneys and agents of the undersigned, with full power of substitution and resubstitution to each of said attorneys, to execute, file or deliver any and all instruments and to do any and all acts and things which said attorneys and agents, or any of them, deem advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any requirements of the Securities and Exchange Commission in respect thereto, relating to annual reports on Form 10-K, including specifically, but without limitation of the general authority hereby granted, the power and authority to sign his or her name in the name and on behalf of the Company or as a director or officer, or both, of the Company, as indicated below opposite his or her signature to annual reports on Form 10-K for the year ending December 31, 2003 or any amendment or papers supplemental thereto; and each of the undersigned hereby does fully ratify and confirm all that said attorneys and agents, or any of them, or the substitute of any of them, shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has subscribed these presents as of this 8th day of March, 2004.

<i>/s/ John F. Meier</i> ----- <i>John F. Meier</i>	<i>Director, Chairman of the Board and Chief Executive Officer</i>
<i>/s/ Richard I. Reynolds</i> ----- <i>Richard I. Reynolds</i>	<i>Director, Executive Vice President and Chief Operating Officer</i>
<i>/s/ Scott M. Sellick</i> ----- <i>Scott M. Sellick</i>	<i>Vice President, Chief Financial Officer</i>
<i>/s/ Carlos V. Duno</i> ----- <i>Carlos V. Duno</i>	<i>Director</i>
<i>/s/ William A. Foley</i> ----- <i>William A. Foley</i>	<i>Director</i>
<i>/s/ Deborah G. Miller</i> ----- <i>Deborah G. Miller</i>	<i>Director</i>
<i>/s/ Peter C. McC. Howell</i> ----- <i>Peter C. McC. Howell</i>	<i>Director</i>
<i>/s/ Carol B. Moerdyk</i> ----- <i>Carol B. Moerdyk</i>	<i>Director</i>
<i>/s/ Gary L. Moreau</i> ----- <i>Gary L. Moreau</i>	<i>Director</i>
<i>/s/ Terence P. Stewart</i> ----- <i>Terence P. Stewart</i>	<i>Director</i>

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John F. Meier, certify that:

1. I have reviewed this annual report on Form 10-K of Libbey Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date *March 15, 2004*

By */s/ John F. Meier*

*John F. Meier,
Chief Executive Officer*

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott M. Sellick, certify that:

1. I have reviewed this annual report on Form 10-K of Libbey Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date March 15, 2004

By /s/ Scott M. Sellick

*Scott M. Sellick,
Chief Financial Officer*

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C.ss.1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Libbey Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2004

/s/ John F. Meier

John F. Meier
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C.ss.1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Libbey Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 15, 2004

/s/ Scott M. Sellick

Scott M. Sellick
Chief Financial Officer

EXHIBIT 99.1

SAFE HARBOR PROVISION OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Libbey desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

Libbey wishes to caution readers that the following important factors, among others, could affect Libbey's actual results and could cause Libbey's actual consolidated results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Libbey.

The Company is exposed to market risks due to changes in currency values, although the majority of the Company's 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 or Mexican peso that could reduce the cost competitiveness of the Company's products or that of Vitrocrista's compared to foreign competition; the effect of high inflation in Mexico and exchange rate changes to the value of the Mexican peso; and impact of those changes on the earnings and cash flow of Vitrocrista, expressed under accounting principles generally accepted in the United States.

The Company is exposed to market risk associated with changes in interest rates in the U.S. and has entered into Interest Rate Protection Agreements (Rate Agreements) with respect to \$100 million of debt as a means to manage its exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of the Company's borrowings from variable rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future income. The average fixed rate of interest for the Company's borrowings related to the Rate Agreements at December 31, 2003, is 5.8% and the total interest rate, including applicable fees, is 7.6%. The average maturity of these Rate Agreements is 1.3 years at December 31, 2003. Total remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 3.9% at December 31, 2003. The Company had \$47.9 million of debt subject to fluctuating interest rates at December 31, 2003. A change of one percentage point in such rates would result in a change in interest expense of approximately \$0.5 million on an annual basis. If the counterparts to these Rate Agreements fail to perform, the Company would no longer be protected from interest rate fluctuations by these Rate Agreements. However, the Company does not anticipate nonperformance by the counterparts.

The fair value of the Company's Rate Agreements is determined using the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. The Company does not expect to cancel these agreements and expects them to expire as originally contracted. The fair market value for the Company's Rate Agreements at December 31, 2003, was \$(5.5) million.

In addition to the Rate Agreements, the Company has other derivatives as discussed below and in Notes 2, 9 and 11 to the Consolidated Financial Statements. The Company has designated these derivative instruments as cash flow hedges. As such, the changes in fair value of these derivative instruments are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged transaction or item affects earnings. At December 31, 2003, approximately \$3.4 million of unrealized net loss was recorded in accumulated other comprehensive income (loss).

The Company holds derivative financial instruments to hedge certain of its interest rate risks associated with long-term debt, commodity price risks associated with forecasted future natural gas requirements and foreign

exchange rate risks associated with occasional transactions denominated in a currency other than the U.S. dollar. These derivatives have been designated as cash flow hedges and qualify for hedge accounting as discussed in detail in Notes 2, 9 and 11 to the Consolidated Financial Statements. As such, the fair value of these cash flow hedges are recorded on the balance sheet at fair value with a corresponding change in accumulated other comprehensive income (loss), net of related tax effects. The Company does not participate in speculative derivatives trading. While the Company intends to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if the Company does not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. Information about fair values, notional amounts and contractual terms of these instruments can be found in Notes 2, 9 and 11 to the Company's Consolidated Financial Statements and the section titled "Qualitative and Quantitative Disclosures About Market Risk."

The Company does not believe it is exposed to more than a nominal amount of credit risk in its interest rate, natural gas and foreign currency hedges as the counterparts are established financial institutions.

Other important factors potentially affecting performance include major slowdowns in the retail, travel, restaurant and bar or entertainment industries, including the impact of the armed hostilities or any other international or national calamity, including any act of terrorism on the retail, travel, restaurant and bar or entertainment industries; significant increases in interest rates that increase the Company's borrowing costs; significant increases in per-unit costs for natural gas, electricity, corrugated packaging and other purchased materials; increases in expenses associated with higher medical costs, increased pension expense associated with lower returns on pension investments and increased pension obligations; devaluations and other major currency fluctuations relative to the U.S. dollar, euro or Mexican peso that could reduce the cost competitiveness of the Company's or Vitrocrisa's products compared to foreign competition; the effect of high inflation in Mexico and exchange rate changes to the value of the Mexican peso and the earnings expressed under accounting principles generally accepted in the United States and cash flow of Vitrocrisa; the inability to achieve savings and profit improvements at targeted levels at the Company and Vitrocrisa from capacity realignment, re-engineering and operational restructuring programs or within the intended time periods; protracted work stoppages related to collective bargaining agreements; increased competition from foreign suppliers endeavoring to sell glass tableware in the United States, Mexico and Europe, including the impact of lower duties for imported products; and whether the Company completes any significant acquisitions and whether such acquisitions can operate profitably.