LIBBEY INC

FORM 10-Q
(Quarterly Report)

Filed 11/13/1996 For Period Ending 9/30/1996

Address	300 MADISON AVE PO BOX 10060
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CIK	0000902274
Industry	Personal & Household Prods.
Sector	Consumer/Non-Cyclical
Fiscal Year	12/31

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

FORM 10-Q

(Mark one)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For Quarter Ended September 30, 1996

or

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

Libbey Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-12084	34-1559357
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

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

419-727-2100
(Registrant's telephone number, including area code)

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

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

Common Stock, $.01 par value - 15,044,431 shares at October 31, 1996.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Condensed Consolidated Financial Statements presented herein are unaudited but, in the opinion of management, reflect all adjustments necessary to present fairly such information for the periods and at the dates indicated. Since the following condensed unaudited financial statements have been prepared in accordance with Article 10 of Regulation S-X, they do not contain all information and footnotes normally contained in annual consolidated financial statements; accordingly they should be read in conjunction with the Consolidated Financial Statements and notes thereto appearing in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995. The interim results of operations are not necessarily indicative of results for the entire year.

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

(unaudited)

	Three months ended September 30, 1996	1995
Revenues:		
Net sales	$ 94,888	$ 89,138
Royalties and net technical assistance income	695	770
Total revenues	95,583	89,908
Costs and expenses:		
Cost of sales	66,376	62,141
Selling, general and administrative expenses	9,817	8,260
	76,193	70,401
Income from operations	19,390	19,507
Other income (expense):		
Interest expense - net	(3,513)	(3,417)
Other - net	489	441
	(3,024)	(2,976)
Income before income taxes	16,366	16,531
Provision for income taxes	6,391	6,624
Net income	$ 9,975	$ 9,907
Net income per share	$ 0.65	$ 0.64
Dividends per share	$ 0.075	$ 0.075

See accompanying notes.

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

(unaudited)

	Nine months ended September 30, 1996	1995
Revenues:		
Net sales	$282,693	$244,160
Royalties and net technical assistance income	1,927	1,898
Total revenues	284,620	246,058
Costs and expenses:		
Cost of sales	204,240	173,462
Selling, general and administrative expenses	32,919	27,742
	237,159	201,204
Income from operations	47,461	44,854
Other income (expense):		
Interest expense - net	(11,445)	(10,093)
Other - net	1,248	527
	(10,197)	(9,566)
Income before income taxes	37,264	35,288
Provision for income taxes	14,646	14,221
Net income	$ 22,618	$ 21,067
Net income per share	$ 1.47	$ 1.38
Dividends per share	$ 0.225	$ 0.225

See accompanying notes.

LIBBEY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	September 30, 1996	December 31, 1995
	(unaudited)	(Note)
ASSETS		
Current assets:		
Cash	$ 4,617	$ 2,095
Trade receivables, less allowances of $3,525 and $3,289	40,626	38,775
Other receivables	1,814	1,582
Total receivables	42,440	40,357
Finished goods	77,968	69,987
Work in process	5,993	5,245
Raw materials	3,263	3,246
Operating supplies	720	714
Total inventories	87,944	79,192
Prepaid expenses	7,304	9,199
Total current assets	142,305	130,843
Other assets:		
Repair parts inventories	6,196	5,528
Goodwill, net of accumulated amortization of $10,033 and $9,118	38,576	39,755
Other assets	24,445	21,711
Total other assets	69,217	66,994
Property, plant and equipment, at cost	230,028	220,675
Less accumulated depreciation	109,796	96,697
Net property, plant and equipment	120,232	123,978
Total assets	$331,754	$321,815

Note: The condensed consolidated balance sheet at December 31, 1995 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

LIBBEY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

	September 30, 1996	December 31, 1995
	(unaudited)	(Note)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	$ 9,187	--
Accounts payable	15,331	$ 20,088
Accrued liabilities	19,908	22,792
Other current liabilities	16,534	13,168
Total current liabilities	60,960	56,048
Long-term debt	233,342	248,721
Nonpension retirement benefits	51,915	48,945
Deferred taxes and other liabilities	13,032	15,217
Commitments		
Shareholders' equity:		
Common stock, par value $.01 per share, 50,000,000 shares authorized, 15,044,431 shares issued and outstanding (15,023,500 in 1995)	150	150
Capital in excess of par value	191,602	191,226
Deficit	(219,171)	(238,407)
Cumulative foreign currency translation adjustment	(76)	(85)
Total shareholders' equity	(27,495)	(47,116)
Total liabilities and shareholders' equity	$ 331,754	$ 321,815

Note: The condensed consolidated balance sheet at December 31, 1995 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

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

(unaudited)

	Nine months ended September 30, 1996	1995
Operating activities		
Net income	$ 22,618	$ 21,067
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	16,334	13,292
Other non-cash charges	940	1,676
Net change in components of working capital and other assets	(17,037)	(42,382)
Net cash provided by (used in) operating activities	22,855	(6,347)
Investing activities--additions to property, plant and equipment	(11,121)	(17,402)
Financing activities		
Net borrowings (repayments) under Bank Credit Agreement	(15,394)	25,776
Other net borrowings	9,187	
Stock options exercised	376	--
Dividends	(3,382)	(3,375)
Net cash provided by (used in) financing activities	(9,213)	22,401
Effect of exchange rate fluctuations on cash	1	--
Increase (decrease) in cash	2,522	(1,348)
Cash at beginning of year	2,095	3,700
Cash at end of period	$ 4,617	$ 2,352

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Dollar amounts in thousands, except per share data

(unaudited)

1. LONG-TERM DEBT

The Company and its Canadian subsidiary have an unsecured agreement ("Bank Credit Agreement" or "Agreement") with a group of banks which provides for a Revolving Credit and Swing Line Facility ("Facility") permitting borrowings up to an aggregate total of $300 million, maturing October 1999. Swing Line borrowings are limited to $15 million with interest calculated at the prime rate minus the Commitment Fee Percentage. Revolving Credit borrowings bear interest at the Company's option at either the prime rate minus the Commitment Fee Percentage, or a Eurodollar rate plus the Applicable Eurodollar Margin. The Commitment Fee Percentage and Applicable Eurodollar Margin will vary depending on the Company's performance against certain financial ratios. The Commitment Fee Percentage and the Applicable Eurodollar Margin were 1/4% and 3/8%, respectively, at September 30, 1996. 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 $150 million. The Revolving Credit and Swing Line Facility also provides for the issuance of $22 million of letters of credit, with such usage applied against the $300 million limit. At September 30, 1996, the Company had $5.1 million in letters of credit outstanding.

The Company has entered into interest rate protection agreements ("Rate Agreements") with respect to $175 million of debt under its Bank Credit Agreement as a means to manage its exposure to fluctuating interest rates. The Rate Agreements effectively convert this portion of the Company's Bank Credit Agreement borrowings from variable rate debt to a fixed rate basis, thus reducing the impact of interest rate changes on future income. The average interest rate for the Company's borrowings related to the Rate Agreements at September 30, 1996 was 5.75% for an average remaining period of 2.0 years. The remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 5.8% at September 30, 1996.

The interest rate differential to be received or paid under the Rate Agreements is being recognized over the life of the Rate Agreements as an adjustment to interest expense. Should 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 must pay a commitment fee ("Commitment Fee Percentage") on the total credit provided under the Bank Credit Agreement. No compensating balances are required by the Agreement. The Agreement requires 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.

2. CASH FLOW INFORMATION

Interest paid in cash aggregated $11,077 and $10,291 for the first nine months of 1996 and 1995, respectively. Income taxes paid in cash aggregated $12,099 and $17,296 for the first nine months of 1996 and 1995, respectively.

3. NET INCOME PER SHARE OF COMMON STOCK

Net income per share of common stock is computed using the weighted average number of shares of common stock outstanding, including common stock equivalents. Weighted average shares, including common stock equivalents, were 15,439,632 and 15,381,872 for the three and nine month periods ending September 30, 1996, respectively; and 15,361,224 and 15,285,859 for the three and nine month periods ending September 30, 1995.

The following table shows the 1995 and 1996 earnings per share results using the average shares outstanding including and excluding common stock equivalents.

	Including Equivalents		Excluding Equivalents	
Quarter Ending	Quarter	Year-to-date	Quarter	Year-to-date
March 31, 1995	$0.23	$0.23	$0.23	$0.23
June 30, 1995	$0.51	$0.74	$0.51	$0.74
September 30, 1995	$0.64	$1.38	$0.66	$1.40
December 31, 1995	$0.59	$1.97	$0.60	$2.00
March 31, 1996	$0.26	$0.26	$0.26	$0.26
June 30, 1996	$0.56	$0.82	$0.58	$0.84
September 30, 1996	$0.65	$1.47	$0.66	$1.50

4. ACQUISITION

On October 10, 1995, the Company completed the acquisition of certain assets and liabilities of the business operated as Syracuse China from the Pfaltzgraff Co., The Pfaltzgraff Outlet Co., and Syracuse China Company of Canada Ltd. The purchase price approximated $40.0 million and the acquisition has been recorded using the purchase method of accounting. The excess of the aggregate purchase price over the fair market value of net assets acquired of approximately $7.2 million was recognized as goodwill. The operating results of Syracuse China have been included in the consolidated financial statements since the date of acquisition.

The following unaudited pro forma results of operations assume the acquisition occurred as of January 1, 1994 (in thousands except per-share amounts):

Quarter ended September 30,	1996	1995
Net sales	$ 94,888	$ 96,757
Net income	9,975	9,997
Net income per share (including common stock equivalents)	$ 0.65	$ 0.65

Nine Months ended September 30,	1996	1995
Net sales	$282,693	$267,568
Net income	22,618	21,806
Net income per share (including common stock equivalents)	$ 1.47	$ 1.43

The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the Syracuse China acquisition been consummated as of January 1, 1994, nor are they necessarily indicative of future operating results.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THIRD QUARTER 1996 COMPARED WITH THIRD QUARTER 1995

	Three months ended September 30, (dollars in thousands)	
	1996	1995
Net sales	$94,888	$89,138
Gross profit	28,512	26,997
As a percentage of sales	30.0%	30.3%
Income from operations	$19,390	$19,507
As a percentage of sales	20.4%	21.9%
Net income	$ 9,975	$ 9,907

Net sales for the third quarter of 1996 of $94.9 million increased 6.5% from the net sales of $89.1 million reported in the comparable period in 1995. The increase in sales is due primarily to higher sales to the Company's industrial market in the U.S. and the acquisition of Syracuse China in the fourth quarter of 1995. Glassware sales units in total decreased slightly in the third quarter. Export sales were up 4.6%, increasing to $6.0 million from $5.7 million in the year-ago period.

Gross profit increased 5.6% to $28.5 million in the third quarter of 1996 from $27.0 million in the third quarter of 1995, but decreased as a percentage of sales to 30.0% from 30.3%. A decline in the profitability at Libbey Canada and operating margins below the company's average experienced at Syracuse China were factors in the company's margin decline. A work stoppage at Libbey Canada of approximately three weeks contributed to the decline.

Income from operations decreased 0.6% to $19.4 million from $19.5 million in the year-ago period. Operating income as a percentage of sales fell to 20.4% from 21.9% in the comparable year-ago period, as a result of the lower gross profit percentage and duplicative costs in labor and information systems expenses associated with the implementation of portions of the company's re-engineering program.

RESULTS OF OPERATIONS - THIRD QUARTER 1996 COMPARED WITH THIRD QUARTER 1995 (CONT.)

Net income increased by $0.7 million due to higher revenues and a reduction in the Company's effective tax rate from 40.1% to 39.0%, principally due to lower state income taxes, offset by lower operating profits and increased interest expense due to additional debt associated with the Syracuse China acquisition.

RESULTS OF OPERATIONS - NINE MONTHS 1996 COMPARED WITH NINE MONTHS 1995

	Nine months ended September 30, (dollars in thousands)	
	1996	1995
Net sales	$282,693	$244,160
Gross profit	78,453	70,698
As a percentage of sales	27.8%	29.0%
Income from operations	$ 47,461	$ 44,854
As a percentage of sales	16.8%	18.4%
Net income	$ 22,618	$ 21,067

Net sales for the first nine months of 1996 of $282.7 million increased 15.8% from the sales of $244.2 million reported in the comparable period in 1995. The increase in sales is due primarily to higher sales to the Company's foodservice and industrial markets in the U.S. and the acquisition of Syracuse China in the fourth quarter of 1995. Sales benefited from increased unit volume, particularly with industrial customers. Export sales were up 18.1%, increasing to $20.3 million from $17.2 million in the year-ago period.

Gross profit increased 11.0% to $78.5 million in the first nine months of 1996 from $70.7 million in the comparable period in 1995, but decreased as a percentage of sales to 27.8% from 29.0%. Gross margins primarily were affected by product mix, with greater sales of lower margin items in the industrial and export markets and the inclusion of Syracuse China. In addition, higher energy and compensation costs were factors.

RESULTS OF OPERATIONS - NINE MONTHS 1996 COMPARED WITH NINE MONTHS 1995 (CONT.)

Income from operations increased 5.8% to $47.5 million from $44.9 million in the year-ago period. Operating income as a percentage of sales fell to 16.8% from 18.4% in the comparable year-ago period, as a result of the lower gross profit percentage and the effects of Syracuse China.

Net income increased by $1.6 million due to higher revenues, increased machinery sales, and a reduction in the Company's effective tax rate from 40.3% to 39.3%, principally due to lower state income taxes, offset by lower operating profits and increased interest expense due to additional debt associated with the Syracuse China acquisition.

CAPITAL RESOURCES AND LIQUIDITY

The Company had total debt of $242.5 million at September 30, 1996, compared to $248.7 million at December 31, 1995. The decrease in debt from December 31, 1995 is due to operating cash flows supplemented by aggressive working capital management and timing of capital expenditures. Inventories at September 30, 1996, were $8.8 million higher than at December 31, 1995, principally due to the seasonal nature of the Company's business, however, because of improved inventory management, this increase is not as large as in previous years. The Company had additional capacity at September 30, 1996 under the Bank Credit Agreement of $61.6 million. Of Libbey's outstanding indebtedness, $58.3 million is subject to fluctuating interest rates at September 30, 1996. A change of one percentage point in such rates would result in a change in interest expense of approximately $.6 million on an annual basis.

The Company is not aware of any trends, demands, commitments, or uncertainties which will result or which 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 Bank Credit Agreement 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 Bank Credit Agreement. The Company continues to be engaged in various efforts to expand through acquisitions as well as through internal growth and may seek further amendments to its Bank Credit Agreement if such indebtedness is required. In addition, the Company anticipates refinancing the Bank Credit Agreement at or prior to the maturity date of October 1999 to meet the Company's longer term funding requirements.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibit

27 Financial Data Schedule

(b.) A form 8-K dated August 8,1996, was filed during the third quarter to obtain the benefits of the provisions of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 by outlining important factors that potentially affect performance.

SIGNATURES

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

LIBBEY INC.

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Date November 13, 1996                By /s/ Kenneth G. Wilkes
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                                        Kenneth G. Wilkes,
                                        Vice President, Chief  Financial
                                        Officer and  Treasurer
                                        (Principal Accounting  Officer)
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ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	SEP 30 1996
CASH	4,617
SECURITIES	0
RECEIVABLES	40,626
ALLOWANCES	0
INVENTORY	87,944
CURRENT ASSETS	142,305
PP&E	230,028
DEPRECIATION	109,796
TOTAL ASSETS	331,754
CURRENT LIABILITIES	60,960
BONDS	0
COMMON	150
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	(27,645)
TOTAL LIABILITY AND EQUITY	331,754
SALES	282,693
TOTAL REVENUES	284,620
CGS	204,240
TOTAL COSTS	237,159
OTHER EXPENSES	(1,248)
LOSS PROVISION	0
INTEREST EXPENSE	11,445
INCOME PRETAX	37,264
INCOME TAX	14,646
INCOME CONTINUING	22,168
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	22,618
EPS PRIMARY	1.47
EPS DILUTED	1.47

End of Filing