LIBBEY INC

FORM 10-Q
(Quarterly Report)

Filed 8/8/1996 For Period Ending 6/30/1996

Address	300 MADISON AVE PO BOX 10060
	TOLEDO, Ohio 43604
Telephone	419-325-2100
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 June 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 - 15,032,200 shares at July 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 June 30, 1996	1995
Revenues:		
Net sales	$ 103,804	$ 84,006
Royalties and net technical assistance income	756	614
Total revenues	104,560	84,620
Costs and expenses:		
Cost of sales	73,838	58,235
Selling, general and administrative expenses	12,561	9,793
	86,399	68,028
Income from operations	18,161	16,592
Other income (expense):		
Interest expense - net	(3,812)	(3,725)
Other - net	35	(21)
	(3,777)	(3,746)
Income before income taxes	14,384	12,846
Provision for income taxes	5,682	5,173
Net income	$ 8,702	$ 7,673
Net income per share	$ 0.56	$ 0.50
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)

	Six months ended June 30, 1996	1995
Revenues:		
Net sales	$ 187,805	$ 155,022
Royalties and net technical assistance income	1,232	1,128
Total revenues	189,037	156,150
Costs and expenses:		
Cost of sales	137,864	111,321
Selling, general and administrative expenses	23,102	19,482
	160,966	130,803
Income from operations	28,071	25,347
Other income (expense):		
Interest expense - net	(7,932)	(6,676)
Other - net	759	86
	(7,173)	(6,590)
Income before income taxes	20,898	18,757
Provision for income taxes	8,255	7,597
Net income	$ 12,643	$ 11,160
Net income per share	$ 0.81	$ 0.72
Dividends per share	$ 0.15	$ 0.15

See accompanying notes.

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

	June 30, 1996 (unaudited)	December 31, 1995 (Note)
ASSETS		
Current assets:		
Cash	$ 1,770	$ 2,095
Trade receivables, less allowances of $3,494 and $3,289	42,561	38,775
Other receivables	1,409	1,582
Total receivables	43,970	40,357
Finished goods	76,313	69,987
Work in process	6,083	5,245
Raw materials	3,122	3,246
Operating supplies	711	714
Total inventories	86,229	79,192
Prepaid expenses	6,260	9,199
Total current assets	138,229	130,843
Other assets:		
Repair parts inventories	5,783	5,528
Goodwill, net of accumulated amortization of $9,728 and $9,118	38,881	39,755
Other assets and investments	23,367	21,711
Total other assets	68,031	66,994
Property, plant and equipment, at cost	225,392	220,675
Less accumulated depreciation	105,282	96,697
Net property, plant and equipment	120,110	123,978
Total assets	$326,370	$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)

	June 30, 1996 (unaudited)	December 31, 1995 (Note)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	$ 3,059	--
Accounts payable	16,057	$ 20,088
Accrued liabilities	27,196	22,792
Other current liabilities	15,626	13,168
Total current liabilities	61,938	56,048
Long-term debt	236,561	248,721
Nonpension retirement benefits	51,120	48,945
Deferred taxes and other liabilities	13,332	15,217
Commitments		
Shareholders' equity:		
Common stock, par value $.01 per share, 50,000,000 shares authorized, 15,032,200 shares issued and outstanding (15,023,500 in 1995)	150	150
Capital in excess of par value	191,376	191,226
Deficit	(228,018)	(238,407)
Cumulative foreign currency translation adjustment	(89)	(85)
Total shareholders' equity	(36,581)	(47,116)
Total liabilities and shareholders' equity	$ 326,370	$ 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)

	Six months ended June 30, 1996	1995
Operating activities		
Net income	$ 12,643	$ 11,160
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	11,223	8,828
Other non-cash charges	468	1,242
Net change in components of working capital and other assets	(7,105)	(29,023)
Net cash provided by (used in) operating activities	17,229	(7,793)
Investing activities--additions to property, plant and equipment	(6,355)	(13,981)
Financing activities		
Net borrowings (repayments) under Bank Credit Agreement	(12,155)	22,805
Other net borrowings	3,059	
Stock options exercised	150	--
Dividends	(2,254)	(2,250)
Net cash provided by (used in) financing activities	(11,200)	20,555
Effect of exchange rate fluctuations on cash	1	--
Decrease in cash	(325)	(1,219)
Cash at beginning of year	2,095	3,700
Cash at end of period	$ 1,770	$ 2,481

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 June 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 June 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 June 30, 1996 was 5.75% for an average remaining period of 2.2 years. The remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 5.9% at June 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 $7,535 and $6,504 for the first six months of 1996 and 1995, respectively. Income taxes paid in cash aggregated $5,169 and $10,652 for the first six 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 were 15,615,263 and 15,565,853 for the three and six month periods ending June 30, 1996, respectively; and 15,430,822 and 15,369,564 for the three and six month periods ending June 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	$0.50	$0.72	$0.51	$0.74
September 30, 1995	$0.64	$1.36	$0.66	$1.40
December 31, 1995	$0.58	$1.95	$0.60	$2.00
March 31, 1996	$0.25	$0.25	$0.26	$0.26
June 30, 1996	$0.56	$0.81	$0.58	$0.84

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 June 30,	1996	1995
Net sales	$103,804	$92,325
Net income	8,702	8,054
Net income per share (including common stock equivalents)	$ 0.56	$ 0.52

Six Months ended June 30,	1996	1995
Net sales	$187,805	$170,811
Net income	12,643	11,809
Net income per share (including common stock equivalents)	$ 0.81	$ 0.77

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 - SECOND QUARTER 1996 COMPARED WITH SECOND QUARTER 1995

	Three months ended June 30, (dollars in thousands)	
	1996	1995
Net sales	$103,804	$84,006
Gross profit	29,966	25,771
As a percentage of sales	28.9%	30.7%
Income from operations	$ 18,161	$16,592
As a percentage of sales	17.5%	19.8%
Net income	$ 8,702	$ 7,673

Net sales for the second quarter of 1996 of $103.8 million increased 23.6% from the net sales of $84.0 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 41.8%, increasing to $7.8 million from $5.5 million in the year-ago period.

Gross profit increased 16.3% to $30.0 million in the second quarter of 1996 from $25.8 million in the second quarter of 1995, but decreased as a percentage of sales to 28.9% from 30.7%. Gross margins were affected by product mix, with greater sales of lower margin items in the industrial and export markets, increased natural gas expense and increased compensation costs.

Income from operations increased 9.5% to $18.2 million from $16.6 million in the year-ago period. Operating income as a percentage of sales fell to 17.5% from 19.8% in the comparable year-ago period, as a result of the lower gross profit percentage and the inclusion of Syracuse China in 1996 and re-engineering-related expenses.

Net income increased by $1.0 million due to higher revenues and a reduction in the Company's effective tax rate from 40.3% to 39.5%, 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 - SIX MONTHS 1996 COMPARED WITH SIX MONTHS 1995

	Six months ended June 30, (dollars in thousands) 1996	1995
Net sales	$187,805	$155,022
Gross profit	49,941	43,701
As a percentage of sales	26.6%	28.2%
Income from operations	$ 28,071	$ 25,347
As a percentage of sales	14.9%	16.4%
Net income	$ 12,643	$ 11,160

Net sales for the first six months of 1996 of $187.8 million increased 21.1% from the sales of $155.0 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 24.9%, increasing to $14.3 million from $11.4 million in the year-ago period.

Gross profit increased 14.3% to $49.9 million in the first six months of 1996 from $43.7 million in the comparable period in 1995, but decreased as a percentage of sales to 26.6% from 28.2%. 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, contributed to a lower-margin sales mix. In addition, higher energy and compensation costs were factors.

Income from operations increased 10.7% to $28.1 million from $25.3 million in the year-ago period. Operating income as a percentage of sales fell to 14.9% from 16.4% in the comparable year-ago period, as a result of the lower gross profit percentage. In the selling, general and administrative expense category, reduced health care expenses were almost completely offset by the effects of Syracuse China.

Net income increased by $1.5 million due to higher revenues, increased machinery sales, and a reduction in the Company's effective tax rate from 40.5% to 39.5%, 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 $239.6 million at June 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 June 30, 1996, were $7.0 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 June 30, 1996 under the Bank Credit Agreement of $58.3 million. Of Libbey's outstanding indebtedness, $64.6 million is subject to fluctuating interest rates at June 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 five-year 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 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 7, 1996 at the annual meeting of stockholders, Messrs. William A. Foley and Terry L. Wilkison were elected as members of Class III of the board of directors for three year terms expiring on the date of the 1999 annual meeting. The results of the voting were:

Directors

Name	For	Against
Mr. Foley	12,468,787	213,320
Mr. Wilkison	12,454,887	227,220

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibits

Exhibit

Number	Description
10.22*	The Amended and Restated Libbey Inc. Senior Management Incentive Plan
27	Financial Data Schedule

* Management Contract or Compensation Plan or Arrangement

(b.) No reports on Form 8-K were filed during the quarter.

SIGNATURES

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

LIBBEY INC.

Date August 8, 1996	*By /s/ Kenneth G. Wilkes* *----------------------------------* *Kenneth G. Wilkes,* *Vice President, Chief Financial Officer and Treasurer* *(Principal Accounting Officer)*

Exhibit 10.22

LIBBEY INC.

SENIOR MANAGEMENT INCENTIVE PLAN

AMENDED AS OF JANUARY 1, 1996

LIBBEY INC.

SENIOR MANAGEMENT INCENTIVE PLAN

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LIBBEY INC.

SENIOR MANAGEMENT INCENTIVE PLAN

AS AMENDED EFFECTIVE AS OF JANUARY 1, 1996

1. PURPOSE

The purposes of this Libbey Inc. Senior Management Incentive Plan are to reward officers and other management employees who contribute to the success of the Company, by making the amount of their compensation significantly contingent upon the Company's financial performance, and to attract and retain officers and other management employees of exceptional ability.

2. DEFINITIONS (as used herein):

"Annual Bonus" means the compensation payable to an Executive under this Plan and will consist of the Performance Component and, except for the Chief Executive Officer, a Discretionary Component, as described in paragraph 5.1 hereof;

"Board" means the Board of Directors of Libbey Inc.;

"Bonus Pool" means, for each year, the sum of all Target Bonuses for such year and will consist of the Performance Components and Discretionary Components, as described in paragraph 5.1 hereof;

"CEO" means the Chief Executive Officer of Libbey Inc.;

"Committee" means the Compensation Committee of the Board or any other committee of the Board to which administrative authority with respect to the Plan may be delegated by the Board;

"Company" means Libbey Inc., a Delaware corporation, together with any corporation (or unincorporated business entity) 50 percent or more of the voting shares (or other ownership interests) of which are owned, directly or indirectly, by Libbey Inc.;

"Deferred Compensation Plan" means any plan or arrangement adopted by the Company whereby an Executive may be permitted, at his option, to defer the actual receipt of an Annual Bonus otherwise payable to him under this Plan;

"Discretionary Component" means the component of a Target Bonus Pool payable in the discretion of the Board or the CEO in accordance with paragraph 8 hereof;

"Executive" means an officer or other management employee of the Company who is eligible to participate in this Plan in accordance with paragraph 4 hereof;

"Operating Results" means the Company's annual results from operations for any year, determined in accordance with paragraph 7 hereof and expressed as a percentage of the year's Performance Objective;

"Performance Component" means the components of a Target Bonus, Annual Bonus, or Bonus Pool measured by the Company's attainment of its Performance Objective for a year in accordance with paragraph 7 hereof;

"Performance Objective" means the annual objective established in accordance with paragraph 6 hereof for the operating performance of the Company;

"Plan" means this Libbey Inc. Senior Management Incentive Plan as set forth herein or as from time to time amended;

"Target Bonus" means an amount established each year in accordance with paragraph 5 hereof equal to a stated percentage of an Executive's annual base salary and will consist of the Performance Component and the Discretionary Component, as described in paragraph 5.1 hereof;

Words of the masculine gender include correlative words of the feminine and neuter genders and vice versa, and words denoting the singular include the plural and vice versa.

3. ADMINISTRATION

3.1 Subject to the overall responsibility of the Committee, the Plan will be administered by the CEO, whose administrative powers hereunder shall include the powers to interpret the Plan and to exercise full and complete discretion to adopt, modify, and/or rescind (or to authorize one or more other appropriate officers of the Company to adopt, modify, and/or rescind) any rulings, determinations, policies, and/or procedures deemed necessary or appropriate for the maintenance and administration of the Plan. All such interpretations, rulings, determinations, policies, and procedures shall be final, conclusive, and binding upon all interested persons.

3.2 The Committee, in its discretion on recommendation of the CEO, shall be authorized at any time and from time to time to modify any Performance Objective, and the Committee, in its discretion or recommendation of the CEO, shall be authorized at any time and from time to time to adjust the amount of any Target Bonus, the size of the Bonus Pool, and/or the relative proportions of the Performance and Discretionary Components and to accelerate or defer the payment of Annual Bonuses.

4. ELIGIBILITY AND PARTICIPATION

4.1 Each person who, as of the beginning of the initial Plan year or any subsequent calendar year, is an elected corporate officer of the Company, shall be an Executive eligible to participate in the Plan for such initial Plan year or subsequent calendar year. Each person who first becomes an elected corporate officer of the Company during the initial Plan year or during a subsequent calendar year shall be an Executive eligible to participate in the Plan for at least the balance of such initial Plan year or subsequent calendar year or, if approved by the Committee on recommendation of the CEO, for the entire year.

4.2 Any other officer or management employee of the Company shall be an Executive eligible to participate in the Plan for all or any part of any year during or before which such participation has been approved by the CEO. The CEO may prospectively or retroactively suspend or withdraw such approval with respect to any such Executive for all or any part of any year.

5. TARGET BONUSES

5.1 A Target Bonus shall be established each year for each Executive, equal in amount to a stated percentage, not to exceed 100 percent, of the Executive's base salary for such year. Each Target Bonus shall consist of the Performance Component and a Discretionary Component.

5.2 The Committee shall establish the CEO's Target Bonus, and the CEO shall establish the Target Bonuses of all other Executives. Target Bonuses shall be established based on an evaluation of the responsibilities of each Executive and of each Executive's potential to contribute to the Company's attainment of its Performance Objective for such year. Target Bonuses shall be established before or as soon as practicable after the beginning of each year, and each Executive shall thereupon be notified of his Target Bonus.

5.3 If the rate of an Executive's base salary is changed during a year after the Executive's Target Bonus has been established, the amount of the Executive's Target Bonus shall be adjusted to equal the stated percentage of the Executive's actual base salary before and after the change.

6. PERFORMANCE OBJECTIVES

The Board, on recommendation of the CEO, shall establish a Performance Objective for the Company for each year for payment of one hundred percent of each target bonus, which Performance Objective shall include the range over which greater or lesser amounts of bonus shall be paid, provided however, payment of any bonus in excess of 200% of the target bonus shall be at the discretion of the Committee. Each year's Performance Objective shall be established before or as soon as practicable after the beginning of such year, and each Executive shall thereupon be notified thereof. The Performance Objective for such year shall be based on one or more key financial indicators such as earnings per share, income from operations, economic value added, cash flow, return on equity, return on assets or any other financial measure deemed appropriate for the situation of the Company.

7. OPERATING RESULTS

As soon as practicable after the end of each year, the operating performance for such year for the Company shall be determined and reported to the Board and the CEO. The Company's Operating Results for each year for the purposes of the Plan, shall be the percentage which the financial performance achieved for the selected financial measures for such year, as so reported, is of the Company's financial Performance Objectives for such year.

8. DETERMINATION OF ANNUAL BONUSES

8.1 The Operating Results shall determine the extent to which the Discretionary and Performance Components of the Bonus Pool are payable as Annual Bonuses. However, the CEO, in his discretion, may reduce or eliminate the Annual Bonus of any Executive for any year to the extent the CEO determines that such Executive's performance for such year did not materially contribute to the Operating Results for such year or that any act or omission by such Executive has adversely affected (or can be reasonably expected to adversely affect) the Company.

8.2 A Discretionary Component of the Bonus Pool shall be paid to Executives as Annual Bonuses in the discretion of the CEO taking into consideration, in addition to the Company's Operating Results as defined for purposes of this Plan, an Executive's contributions to the Company's other financial and non-financial objectives, such as quality of service and products, customer satisfaction, adherence to or furtherance of the Company's legal and ethical policies, product development, market share, improvement in financial indicators of the Company's success other than the Performance Objective, and effective response to adverse economic conditions or to unforeseen adverse events beyond the control of the Company.

9. PAYMENT OF ANNUAL BONUSES

9.1 Except to the extent deferred at the option of an Executive in accordance with a Deferred Compensation Plan, each Executive's Annual Bonus for each year, determined in accordance with paragraph 8 hereof, shall be paid in cash no later than March 15 of the following year.

9.2 In the event of an Executive's death after the end of a year but before payment of the Annual Bonus, if any, for such year has been paid to the Executive, it shall be paid to the beneficiary or beneficiaries designated by the Executive in writing filed with the Company or, in the absence of any such designation or if no such designated beneficiary survives the Executive, to the beneficiary or beneficiaries of the Executive's life insurance under the Company's Life Insurance Plan. If there is no such designated beneficiary or life insurance beneficiary, such Executive's Annual Bonus shall be paid to the Executive's estate.

9.3 If an Executive's employment with the Company is terminated for any reason during the course of a year, or if the Executive is transferred to a position with the Company which the CEO determines no longer qualifies to participate in this Plan, the extent, if any, to which the Annual Bonus for such year will be paid to the Executive will be determined by the CEO, in the CEO's discretion.

10. AMENDMENT OR TERMINATION OF THE PLAN

The Board, in its sole discretion, may amend, suspend, or terminate the Plan at any time, except that no such action shall adversely affect the rights of any person with respect to an Annual Bonus that has become payable in accordance with paragraph 8 hereof without such person's consent.

11. MISCELLANEOUS

11.1 Nothing in the Plan shall confer on any Executive or other employee of the Company any right to continue in the employ of the Company or limit in any way the right of the Company to terminate any such person's employment at any time.

11.2 No rights under this Plan shall be assignable or transferable, or subject to encumbrance of any nature, except to the extent that an Executive may designate a beneficiary to receive any payment to be made following his death. If any Executive or beneficiary shall attempt to assign, transfer, encumber or charge any such right, or should such right be subjected to attachment, execution, garnishment, sequestration or other legal, equitable or other process, it shall thereupon pass to such one or more persons as may be designated by the Committee from among the Executive, any beneficiary theretofore designated by the Executive, and any spouse, parent, or child of such Executive or beneficiary.

11.3 With respect to the rights of Executives under the Plan, the obligations of the Company under the Plan shall be wholly unsecured. The Company shall be under no obligation to reserve, segregate or earmark any cash or other property for the payment of any amounts under the Plan.

12. EFFECTIVE DATE

This Plan, when duly executed, shall become effective as amended as of January 1, 1996.

IN WITNESS WHEREOF, the Board of Directors of Libbey Inc. has caused this Libbey Inc. Senior Management Incentive Plan to be executed by a duly authorized officer of the corporation this _____ day of ______________, 1996.

LIBBEY INC.

By:____ John F. Meier
Chairman of the Board and Chief Executive Officer

Attest:

By:______________________________
Arthur H. Smith
Secretary

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	JUN 30 1996
CASH	1,770
SECURITIES	0
RECEIVABLES	42,561
ALLOWANCES	0
INVENTORY	86,229
CURRENT ASSETS	138,229
PP&E	225,392
DEPRECIATION	105,282
TOTAL ASSETS	326,370
CURRENT LIABILITIES	61,938
BONDS	236,561
COMMON	150
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	(36,731)
TOTAL LIABILITY AND EQUITY	326,370
SALES	187,805
TOTAL REVENUES	189,037
CGS	137,864
TOTAL COSTS	160,966
OTHER EXPENSES	(759)
LOSS PROVISION	0
INTEREST EXPENSE	7,932
INCOME PRETAX	20,898
INCOME TAX	8,255
INCOME CONTINUING	12,643
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	12,643
EPS PRIMARY	0.81
EPS DILUTED	0.81

End of Filing