LIBBEY INC

FORM 10-Q
(Quarterly Report)

Filed 8/14/2001 For Period Ending 6/30/2001

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 June 30, 2001

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
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(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

300 Madison Avenue, Toledo, Ohio 43604

(Address of principal executive offices) (Zip Code)

419-325-2100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 - 15,303,531 shares at July 31, 2001

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, 2000. 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, 2001	2000
Revenues:		
Net sales	$108,100	$113,293
Royalties, net technical assistance Income, and other revenues	1,972	2,471
Total revenues	110,072	115,764
Costs and expenses:		
Cost of sales	73,864	75,851
Selling, general and administrative expenses	13,307	15,605
	87,171	91,456
Income from operations	22,901	24,308
Other income:		
Pretax equity earnings	1,541	4,329
Other - net	459	219
	2,000	4,548
Earnings before interest and income taxes	24,901	28,856
Interest expense - net	(2,433)	(3,155)
Income before income taxes	22,468	25,701
Provision for income taxes	8,325	11,362
Net income	$14,143	$14,339
Net income per share		
Basic	$ 0.92	$ 0.94
Diluted	$ 0.91	$ 0.92
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, 2001	2000
Revenues:		
Net sales	$200,615	$210,054
Royalties and net technical assistance income	2,891	3,562
Total revenues	203,506	213,616
Costs and expenses:		
Cost of sales	144,153	145,456
Selling, general and administrative expenses	27,511	30,974
	171,664	176,430
Income from operations	31,842	37,186
Other income:		
Pretax equity earnings	2,841	6,204
Other - net	123	(74)
	2,964	6,130
Earnings before interest and income taxes	34,806	43,316
Interest expense - net	(4,960)	(6,190)
Income before income taxes	29,846	37,126
Provision for income taxes	11,496	16,385
Net income	$18,350	$20,741
Net income per share		
Basic	$ 1.20	$ 1.36
Diluted	$ 1.18	$ 1.34
Dividends per share	$ 0.15	$ 0.15

See accompanying notes.

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

	June 30, 2001 (unaudited)	December 31, 2000 (Note)
ASSETS		
Current assets:		
Cash	$ 2,034	$ 1,282
Accounts receivable:		
Trade, less allowances of $6,237 and $6,788	47,880	47,747
Other	5,116	3,992
	52,996	51,739
Inventories:		
Finished goods	101,738	94,822
Work in process	6,289	6,060
Raw materials	2,810	3,021
Operating supplies	506	603
	111,343	104,506
Prepaid expenses and deferred taxes	8,387	7,923
Total current assets	174,760	165,450
Other assets:		
Repair parts inventories	4,983	8,027
Intangibles, net of accumulated amortization of $3,103 and $2,951	9,102	9,254
Pension assets	25,082	21,638
Deferred software, net of accumulated amortization of $9,676 and $8,651	2,889	4,286
Other assets	1,463	415
Equity investments	81,096	84,727
Goodwill, net of accumulated amortization of $16,935 and $16,174	44,044	44,805
	168,659	173,152
Property, plant and equipment, at cost	244,855	224,532
Less accumulated depreciation	123,908	116,427
Net property, plant and equipment	120,947	108,105
Total assets	$464,366	$446,707

Note: The condensed consolidated balance sheet at December 31, 2000, 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 (cont'd.)
(dollars in thousands)

	June 30, 2001 (unaudited)	December 31, 2000 (Note)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 5,093	$ 10,000
Accounts payable	23,119	29,861
Salaries and wages	7,712	15,574
Accrued liabilities	31,683	23,884
Income taxes	4,166	954
Long-term debt due within one year	11,096	--
Total current liabilities	82,869	80,273
Long-term debt	151,404	151,404
Deferred taxes	20,499	19,413
Other long-term liabilities	12,307	12,670
Nonpension retirement benefits	48,862	49,676
Shareholders' equity:		
Common stock, par value $.01 per share, 50,000,000 shares authorized, 17,953,931 shares issued and outstanding, less 2,651,400 treasury shares (17,804,921 shares issued and outstanding, less 2,575,800 treasury shares in 2000)	153	152
Capital in excess of par value	286,884	284,930
Treasury stock	(74,226)	(74,113)
Deficit	(61,684)	(77,698)
Accumulated other comprehensive loss	(2,702)	--
Total shareholders' equity	148,425	133,271
Total liabilities and shareholders' equity	$464,366	$446,707

Note: The condensed consolidated balance sheet at December 31, 2000, 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 FLOWS
(dollars in thousands)

(unaudited)

	Six months ended June 30, 2001	2000
Operating activities		
Net income	$18,350	$20,741
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	8,609	7,643
Amortization	1,938	2,113
Other non-cash charges	(871)	(1,239)
Equity earnings	(1,225)	(1,870)
Net change in components of working capital and other assets	(14,415)	(22,613)
Net cash provided by operating activities	12,386	4,775
Investing activities		
Additions to property, plant and equipment	(21,597)	(5,255)
Other	(63)	(63)
Dividends received from equity investment	4,918	2,940
Net cash used in investing activities	(16,742)	(2,378)
Financing activities		
Net bank credit facility activity	11,096	5,696
Other net payments	(4,907)	(5,384)
Stock options exercised	1,323	803
Treasury shares purchased	(113)	(2,076)
Dividends	(2,291)	(2,283)
Net cash provided by (used in) financing activities	5,108	(3,244)
Effect of exchange rate fluctuations on cash	--	(36)
Increase (decrease) in cash	752	(883)
Cash at beginning of year	1,282	3,918
Cash at end of period	$ 2,034	$ 3,035

See accompanying notes.

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 $380 million, maturing May 1, 2002. Swing Line borrowings are limited to $25 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 0.125% and 0.225%, respectively, at June 30, 2001. 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 $190 million. The Revolving Credit and Swing Line Facility also provides for the issuance of $35 million of letters of credit, with such usage applied against the $380 million limit. At June 30, 2001, the Company had $4.8 million in letters of credit outstanding under the Facility.

The Company has entered into interest rate protection agreements ("Rate Agreements") with respect to $125 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, 2001, was 6.2% for an average remaining period of 3.1 years. The remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 4.2% at June 30, 2001.

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. 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 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.

On June 15, 2001, the Company entered into an agreement with Bank of America; Bank One; and Bear, Stearns & Co. for new senior credit facilities totaling $625 million related to the Company's announced acquisition of the Anchor Hocking glassware operations of Newell Rubbermaid. When implemented, the new credit facilities will replace the existing Bank Credit Agreement. The agreement calls for the Revolving Credit Facility to mature five years from the initial funding, the Term Loan A Facility to mature five years from the initial funding, and the Term Loan B Facility to mature seven years from the initial funding. The Company expects the initial funding to be in the fourth quarter, 2001.

2. SIGNIFICANT SUBSIDIARY Summarized combined financial information for equity investments, which includes the 49% ownership in Vitrocrisa, which manufactures, markets, and sells glass tableware (e.g. beverageware, plates, bowls, serveware, and accessories) and industrial glassware (e.g. coffee pots, blender jars, meter covers, glass covers for cooking ware, and lighting fixtures sold to original equipment manufacturers) and the 49% ownership in Crisa Industrial, L.L.C., which distributes industrial glassware in the U.S. and Canada for Vitrocrisa, for 2001 and 2000 is as follows:

	June 30, 2001	December 31, 2000
Current assets	$ 90,217	$ 84,266
Non-current assets	135,275	140,644
Total assets	225,492	224,910
Current liabilities	66,935	65,496
Other liabilities and deferred items	139,913	134,884
Total liabilities and deferred items	206,848	200,380
Net assets	$ 18,644	$ 24,530

	Three months ended June 30,	
	2001	2000
Net sales	$ 51,826	$ 55,553
Cost of sales	39,605	39,197
Gross profit	12,221	16,356
Operating expenses	5,330	5,962
Income from operations	6,891	10,394
Other income	332	519
Earnings before finance costs and taxes	7,223	10,913
Interest expense	2,117	2,396
Translation gain (loss)	(1,446)	1,184
Earnings before income taxes and profit sharing	3,660	9,701
Income taxes and profit sharing	1,550	6,183
Net income	$ 2,110	$ 3,518

	Six months ended June 30,	
	2001	2000
Net sales	$ 96,098	$101,180
Cost of sales	72,559	71,850
Gross profit	23,539	29,330
Operating expenses	10,508	11,220
Income from operations	13,031	18,110
Other income	765	890
Earnings before finance costs and taxes	13,796	19,000
Interest expense	4,333	5,086
Translation gain (loss)	(1,934)	479
Earnings before income taxes and profit sharing	7,529	14,393
Income taxes and profit sharing	3,298	8,844
Net income	$ 4,231	$ 5,549

In 2001, the Company is reporting pre-tax equity earnings in condensed consolidated statements of income with related Mexican taxes included in the provision for income taxes. Prior to 2001, the Company reported equity earnings as a single line item, which included Mexican taxes. As such, the Company has reclassified its second quarter and year-to-date 2000 equity earnings to correspond to the 2001 presentation. The equity earnings are as follows:

	Three months ended June 30,	
	2001	2000
Pre-tax equity earnings	$ 1,541	$ 4,329
Mexican taxes	(760)	(3,030)
Net equity earnings	$ 781	$ 1,299

	Six months ended June 30,	
	2001	2000
Pre-tax equity earnings	$ 2,841	$ 6,204
Mexican taxes	(1,616)	(4,334)
Net equity earnings	$ 1,225	$ 1,870

3. CASH FLOW INFORMATION Interest paid in cash aggregated $5,720 and $5,626 for the first six months of 2001 and 2000, respectively. Interest expense capitalized was $466 and $0 for the first six months of 2001 and 2000, respectively. Income taxes paid in cash aggregated $4,266 and $13,007 for the first six months of 2001 and 2000, respectively.

4. NET INCOME PER SHARE OF COMMON STOCK Basic net income per share of common stock is computed using the weighted average number of shares of common stock outstanding. Diluted net income per share of common stock is computed using the weighted average number of shares of common stock outstanding and includes common share equivalents.

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

Quarter ended June 30,	2001	2000
Numerator for basic and diluted earnings per share--net income which is available to common shareholders	$14,143	$14,339
Denominator for basic earnings per share--weighted-average shares outstanding	15,291,191	15,214,911
Effect of dilutive securities--employee stock options	306,231	314,162
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	15,597,422	15,529,073
Basic earnings per share	$ 0.92	$ 0.94
Diluted earnings per share	$ 0.91	$ 0.92

Six months ended June 30,	2001	2000
Numerator for basic and diluted earnings per share--net income which is available to common shareholders	$18,350	$20,741
Denominator for basic earnings per share--weighted-average shares outstanding	15,268,653	15,242,324
Effect of dilutive securities--employee stock options	294,357	293,704
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	15,563,010	15,536,028
Basic earnings per share	$ 1.20	$ 1.36
Diluted earnings per share	$ 1.18	$ 1.34

5. COMPREHENSIVE INCOME The Company's components of comprehensive income are net income, foreign currency translation adjustments (2000), and change in fair value of derivative adjustments (2001). During the second quarter of 2001 and 2000, total comprehensive income amounted to $13,214 and

$14,578, respectively. For the first six months of 2001 and 2000, comprehensive income amounted to $15,648 and $20,946, respectively.

Total comprehensive income is as follows:

	Three months ended June 30,	
	2001	2000
Net income	$14,143	$14,339
Change in fair value of derivative instruments	(929)	--
Cumulative effect of change in method Of accounting	--	--
Foreign currency translation adjust- ments	--	239
	$13,214	$14,578

	Six months ended June 30,	
	2001	2000
Net income	$18,350	$20,741
Change in fair value of derivative Instruments	(2,029)	--
Cumulative effect of change in method Of accounting	(673)	--
Foreign currency translation adjust- Ments	--	205
	$15,648	$20,946

6. CHANGE IN METHOD OF ACCOUNTING Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities"(Statement 133), as amended. Statement 133 requires that all derivative instruments be recognized on the balance sheet and be measured at fair value and that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In accordance with the transition provisions of Statement 133, the Company recorded a cumulative transition adjustment to decrease other comprehensive income by $0.7 million (net of tax) to recognize the fair value of its derivative instruments at January 1, 2001.

The Company uses derivative instruments, primarily interest rate swaps (Rate Agreements as defined above), commodity futures contracts, and foreign currency forward contracts, to manage certain of its interest rate, commodity price, and foreign exchange rate risks, respectively.

The Company uses the Rate Agreements to manage its exposure to fluctuating interest rates. These Rate Agreements 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. 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. The Company's foreign currency exposures arise from occasional transactions denominated in a currency other than the functional currency (U.S. dollar) primarily associated with anticipated purchases of new equipment.

As of June 30, 2001, the Company has Rate Agreements for $125 million of its variable rate debt, commodity futures contracts for 2.5 million BTUs of natural gas, and foreign currency forward contracts for 1.4 million Deutsche marks.

The Company recognizes all derivatives on the balance sheet at fair value. 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 are recorded in accumulated other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Amounts reclassified into earnings related to interest rate swap agreements are included in interest expense, natural gas futures contracts in natural gas expense, and foreign currency forward contracts for the purchase of new equipment in capital expenditures.

All of the Company's derivatives qualify and are designated as cash flow hedges at June 30, 2001. The derivatives were designated as cash flow hedges at the time of adoption of Statement 133 or at the time they were executed, if later than January 1, 2001. 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.

During the quarter ended June 30, 2001, an unrealized net gain of $0.8 million (net of tax) related to interest rate swap agreements was included in OCI. An unrealized net loss of $1.7 million (net of tax) related to commodity futures contracts was included in OCI. The amount recognized in OCI at June 30, 2001, for foreign currency forward contracts was not material. During the first six months of 2001, an unrealized net loss of $0.9 million (net of tax) related to interest rate swap agreements was included in OCI, including a $(0.8) million cumulative transition adjustment as of January 1, 2001. An unrealized loss of $1.8 million (net of tax) related to commodity futures contracts was included in OCI. The January 1, 2001, transition adjustment for the commodity futures contracts and foreign currency forward contracts were not material.

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 during the second quarter of 2001 was not material.

7. NEW ACCOUNTING PRONOUNCEMENTS In July, 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and prohibits the use of the pooling-of-interests method. SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. The amortization of goodwill from past business combinations will cease upon adoption of this Statement on December 30, 2001. Goodwill and intangible assets acquired in business combinations completed after June 30, 2001, must comply with the provisions of this Statement. Also under this Statement, companies will be required to evaluate all existing goodwill for impairment within six months of adoption by comparing the fair value of each reporting unit to its carrying value at the date of adoption. Any transitional impairment losses will be recognized in the first interim period in the year of adoption and will be recognized as the effect of the change in accounting principle. Libbey is evaluating the potential impact of adopting these pronouncements on the results of operations and financial position for the Company.

8. ACQUISITION OPPORTUNITY On June 18, 2001, Libbey announced a definitive agreement to acquire the Anchor Hocking glassware operations of Newell Rubbermaid. The transaction valued at $332 million is to be paid in cash. On July 20, the Federal Trade Commission requested additional information regarding Libbey's proposed acquisition of the Anchor Hocking glassware operations of Newell Rubbermaid Inc. This request will extend the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act. Libbey intends to respond to the request as quickly as practicable, and anticipates closing the transaction in the fourth quarter of this year.

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

RESULTS OF OPERATIONS - SECOND QUARTER 2001 COMPARED WITH SECOND QUARTER 2000

	Three months ended June 30, (dollars in thousands) 2001	2000
Net sales	$108,100	$113,293
Gross profit	34,789	37,971
As a percent of sales	32.2%	33.5%
Income from operations	$22,901	$24,308
As a percent of sales	21.2%	21.5%
Earnings before interest and income taxes	$24,901	$28,856
As a percent of sales	23.0%	25.5%
Net income	$14,143	$14,339
As a percent of sales	13.1%	12.7%

For the quarter ended June 30, 2001, sales were $108.1 million compared to $113.3 million in the year-ago quarter. Sales declined across all channels of distribution, principally as a result of sluggish economic conditions. However, only modest declines were experienced in sales of glassware to foodservice and retail customers. Export sales were down 7.1%, decreasing to $12.4 million from $13.4 million in the year-ago period primarily due to lower sales to Canadian customers combined with a weaker Canadian dollar.

Gross profit (defined as net sales plus freight billed to customers less cost of sales) was $34.8 million in the second quarter of 2001 compared to $38.0 million in the second quarter of 2000; and as a percent of sales was 32.2% in the second quarter of 2001 compared to 33.5% in the year-ago quarter. Higher energy costs and the effect of lower sales were the major factors impacting gross profit during the second quarter 2001.

Income from operations was $22.9 million compared to $24.3 million in the second quarter last year. Lower selling, general and administrative expenses, primarily due to lower compensation expenses, partially offset the impact of higher natural gas costs and lower sales.

Earnings before interest and income taxes (EBIT) were $24.9 million compared with $28.9 million in the second quarter last year. Equity earnings were $1.5 million on a pretax basis compared to $4.3 million pretax in the second quarter of 2000. The decline in equity earnings is principally attributable to the impact of a stronger Mexican peso on international sales, sluggish end markets in Mexico, and higher natural gas costs at the company's joint venture in Mexico. The company expects equity earnings will approximate $7 to $9 million pretax for 2001.

Net income was $14.1 million, or 91 cents per share on a diluted basis, compared with $14.3 million or 92 cents per share on a diluted basis in the year-ago period. Lower debt levels due to strong cash flow and declining interest rates contributed to a reduction in interest expense. A reduction in the company's effective tax rate to 37.1 percent from 44.2 percent in the year-ago quarter contributed to net income. The reduction in the company's effective tax rate is primarily attributable to lower Mexican taxes related to peso exchange rates, a reduction in tax on undistributed earnings, and increased state tax credits. The six month year-to-date effective tax rate of 38.5% is representative of the projected effective tax rate for the full year 2001.

RESULTS OF OPERATIONS - SIX MONTHS 2001 COMPARED WITH SIX MONTHS 2000

	Six months ended June 30, (dollars in thousands)	
	2001	2000
Net sales	$200,615	$210,054
Gross profit	57,461	65,585
As a percentage of sales	28.6%	31.2%
Income from operations	$31,842	$37,186
As a percentage of sales	15.9%	17.7%
Earnings before interest and income taxes	$34,806	$43,316
As a percentage of sales	17.3%	20.6%
Net income	$18,350	$20,741
As a percentage of sales	9.1%	9.9%

Net sales for the first six months of 2001 were $200.6 million compared to net sales of $210.1 million reported in the comparable period in 2000. Export sales, including sales to Libbey's customers in Canada, were down 10.0%, decreasing to $22.5 million from $25.1 million in the year-ago period reflecting lower sales to Canadian customers combined with a weaker Canadian dollar.

Gross profit (defined as net sales including prepaid freight billed to customers less cost of sales) was $57.5 million in the first six months of 2001 compared to $65.6 million in the first six months of 2000 due to higher energy costs and the effect of lower sales.

Income from operations was $31.8 million compared to $37.2 million in the year-ago period as a result of lower sales and higher energy costs. Partially offsetting these factors were lower administrative costs.

Earnings before interest and income taxes (EBIT) were $34.8 million compared to $43.3 million due to the lower income from operations and lower equity earnings.

Net income was $18.4 million, or $1.18 per diluted share, compared to $20.7 million, or $1.34 per diluted share, in the year-ago period. A reduction in the company's effective tax rate to 37.1 percent from 44.2 percent in the year-ago quarter only partially offset lower earnings before interest and income taxes.

CAPITAL RESOURCES AND LIQUIDITY

The Company had total debt of $167.6 million at June 30, 2001, compared to $161.4 million at December 31, 2000. Inventories declined during the quarter, as the company continues to target improved working capital management. While the company incurred normal seasonal increases in receivables and inventory year-to-date through June 30, 2001, it recorded a reduction of debt during the quarter of $10.7 million. Capital expenditures totaled $21.6 million year-to-date, as a result of furnace rebuild activity and investments in new equipment. The company expects capital expenditures to total approximately $27 to $29 million for the year. The seasonal increase in inventories and higher capital expenditures through June 30, 2001, were only slightly offset by lower accounts receivable and higher accounts payable. During the second quarter, the Company did not purchase any shares pursuant to its share repurchase plan. Board authorization remains for the purchase of an additional 973,600 shares. In addition, Libbey received dividends from its Vitrocrisa investments of $4.9 million in the first six months of 2001 compared to a dividend of $2.9 million in the first six months of 2000. The Company had additional debt capacity at June 30, 2001, under the Bank Credit Agreement of $212.7 million. Of Libbey's outstanding indebtedness, $42.6 million is subject to fluctuating interest rates at June 30, 2001. A change of one percent in such rates would result in a change in interest expense of approximately $0.4 million on an annual basis as of June 30, 2001.

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.

In addition, the Company anticipates refinancing the Bank Credit Agreement at or prior to the maturity date of May 1, 2002, to meet the Company's longer term funding requirements. On June 15, 2001, the Company entered into an agreement with Bank of America; Bank One; and Bear, Stearns & Co. for new senior credit facilities totaling $625 million related to the Company's announced acquisition of the Anchor Hocking glassware operations of Newell Rubbermaid. When implemented, the new credit facilities will replace the existing Bank Credit Agreement. The agreement calls for the Revolving Credit Facility to mature five years from the initial funding, the Term Loan A Facility to mature five years from the initial funding, and the Term Loan B Facility to mature seven years from the initial funding. The Company expects the initial funding to be in the fourth quarter, 2001.

ITEM 3. 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 that could reduce the cost competitiveness of the Company'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 and cash flow impact of those changes on the earnings and cash flow of the Company's joint venture in Mexico, Vitrocrisa, expressed under U.S. GAAP.

The Company is exposed to market risk associated with changes in interest rates in the U.S. However, the Company has entered into Interest Rate Protection Agreements ("Rate Agreements") with respect to $125.0 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 interest rate for the Company's borrowings related to the Rate Agreements at June 30, 2001, was 6.2% for an average remaining period of 3.1 years. Total remaining debt not covered by the Rate Agreements has fluctuating interest rates with a weighted average rate of 4.2% at June 30, 2001. The Company had $42.6

million of debt subject to fluctuating interest rates at June 30, 2001. A change of one percent in such rates would result in a change in interest expense of approximately $0.4 million on an annual basis.

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. 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. At December 31, 2000, the carrying value of the long-term debt approximates its fair value based on the Company's current incremental borrowing rates. The fair market value for the Company's Interest Rate Protection Agreements at December 31, 2000, was $(1.2) million. The fair value of long-term debt is estimated based on borrowing rates currently available to the Company for loans with similar terms and maturities. The fair value of the Company's Rate Agreements is based on quotes from brokers for comparable contracts. The Company does not expect to cancel these agreements and expects them to expire as originally contracted.

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities"(Statement 133), as amended. In accordance with the provisions of Statement 133, the Company recognizes all derivatives on the balance sheet at fair value.

The Company's Rate Agreements are recorded at fair value. The Company has also entered into commodity futures contracts to hedge the price of anticipated required purchases of natural gas and foreign currency forward contracts to hedge the purchase of equipment denominated in Deutsche marks. These instruments are also recorded at fair value.

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 and reclassified into earnings as the underlying hedged transaction or item affects earnings. At June 30, 2001, approximately $2.7 million of unrealized net loss was recorded in accumulated other comprehensive income (loss).

OTHER INFORMATION

On June 18, 2001, Libbey announced a definitive agreement to acquire the Anchor Hocking glassware operations of Newell Rubbermaid. The transaction valued at $332 million is to be paid in cash. On July 20, the Federal Trade Commission requested additional information regarding Libbey's proposed acquisition of the Anchor Hocking glassware operations of Newell Rubbermaid Inc. This request will extend the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act. Libbey intends to respond to the request as quickly as practicable, and anticipates closing the transaction in the fourth quarter of this year.

This document and supporting schedules contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such statements only reflect the Company's best assessment at this time, and are indicated by words or phrases such as goal, expects, believes, will, estimates, anticipates, or similar phrases.

Investors are cautioned that forward-looking statements involve risks and uncertainty, that actual results may differ materially from such statements, and that investors should not place undue reliance on such statements.

Important factors potentially affecting performance include major slowdowns in the retail, travel, or entertainment industries in the United States, Canada, or Mexico; significant increases in interest rates that increase the Company's borrowing costs and per unit increases in the costs for natural gas, corrugated packaging, and other purchased materials; devaluations and other major currency fluctuations relative to the U.S. dollar that could reduce the cost competitiveness of the Company'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 U.S. GAAP and cash flow of the Company's joint venture in Mexico, Vitrocrisa; the inability to achieve savings and profit improvements at targeted levels in 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; whether the Company completes any significant acquisition and whether such acquisitions can operate profitably including the Anchor Hocking acquisition.

PART II - OTHER INFORMATION

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

On May 10, 2001, at the annual meeting of stockholders, Messrs. Peter C. McC. Howell and Richard I. Reynolds were elected as members of Class II of the board of directors for three-year terms expiring on the date of the 2004 annual meeting. The results of the voting were:

Name	For	Withheld
Mr. Howell	14,511,818	185,006
Mr. Reynolds	14,512,421	184,403

A proposal to approve the Libbey 2002 Employee Stock Purchase Plan was submitted to the meeting and approved. The results of the voting were:

For	Against	Abstain
13,360,355	704,611	32,365

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a.) Exhibits

Exhibit Number	Description
2.2	Share Purchase Agreement dated as of June 17, 2001, by and among Newell Rubbermaid Inc., Anchor Hocking Corporation, Menagerie Corporation, Newell Operating Company, and Libbey Inc. (filed as Exhibit 2.2 to Registrant's Report of Form 8-K dated June 19, 2001, and incorporated herein by reference).
2.3	Canadian Purchase Agreement dated as of June 17, 2001, by and among Newell Rubbermaid Inc., Newell Industries Canada Inc., Libbey Inc., and Libbey Canada Inc. (filed as Exhibit 2.3 to Registrant's Report of Form 8-K dated June 19, 2001, and incorporated herein by reference).

(b.) A form 8-K was filed during the second quarter, dated June 19, 2001, with respect to an announcement through a press release that the Company had signed a purchase agreement to acquire the Anchor Hocking consumer and specialty glass business of Newell Rubbermaid in a stock purchase for approximately $332 million in cash.

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 14, 2001	*By /s/ Kenneth G. Wilkes*
	Kenneth G. Wilkes, *Vice President, Chief Financial Officer* *(Principal Accounting Officer)*