

LIBBEY INC
Form 11-K
June 29, 2007

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 11-K
ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the plan year ended December 31, 2006

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-12084

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

LIBBEY INC. SUPPLEMENTAL RETIREMENT PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

LIBBEY INC.

300 Madison Ave.
Toledo, Ohio 43604

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REQUIRED INFORMATION

Financial Statements and Exhibits as follows:

1. Financial statements

Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Benefits as of December 31, 2006, and December 31, 2005

Statements of Changes in Net Assets Available for Benefits for years ended December 31, 2006 and December 31, 2005

Notes to Financial Statements

Supplemental Schedule

H, Line 4i Schedule of Assets (Held at End of Year)

2. Exhibits

(23) Consent of Independent Registered Public Accounting Firm

SIGNATURES

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

LIBBEY INC.
SUPPLEMENTAL RETIREMENT PLAN

Dated: June 29, 2007

Libbey Inc.
Employee Benefits Committee
Plan Administrator

By: /s/ Timothy T. Paige
Timothy T. Paige
Chairman
Employee Benefits Committee

By: /s/ Gregory T. Geswein
Gregory T. Geswein
Vice President and Chief Financial
Officer of Libbey Inc.

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Audited Financial Statements and
Supplemental Schedule
Libbey Inc. Supplemental Retirement Plan
Years Ended December 31, 2006 and 2005
With Report of Independent Registered Public Accounting Firm

Libbey Inc. Supplemental Retirement Plan
Audited Financial Statements and Supplemental Schedule
Years Ended December 31, 2006 and 2005

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Report of Independent Registered Public Accounting Firm

The Libbey Inc. Employee Benefits Committee

Libbey Inc. Supplemental Retirement Plan

We have audited the accompanying statements of net assets available for benefits of the Libbey Inc. Supplemental Retirement Plan as of December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2006 and 2005, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Toledo, Ohio

June 26, 2007

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Libbey Inc. Supplemental Retirement Plan
Statements of Net Assets Available for Benefits

	December 31	
	2006	2005
Assets		
Investments, at fair value (<i>Note 3</i>)	\$36,375,355	\$30,011,209
Contribution receivables:		
Employer		19,954
Participants	56,714	111,753
Net assets available for benefits, at fair value	36,432,069	30,142,916
Adjustment from fair value to contract value for fully benefit responsive investment contracts (<i>Note 4</i>)	99,864	80,922
Net assets available for benefits	\$36,531,933	\$30,223,838

See accompanying notes.

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Libbey Inc. Supplemental Retirement Plan
Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31	
	2006	2005
Additions		
Investment income:		
Net appreciation (depreciation) in fair value of investments <i>(Note 3)</i>	\$ 4,480,873	\$ (2,884,353)
Interest and dividends	219,073	314,305
	4,699,946	(2,570,048)
Contributions:		
Participants	2,832,533	3,005,608
Employer	1,073,249	1,038,643
	3,905,782	4,044,251
	8,605,728	1,474,203
Deductions		
Participant withdrawals or benefits paid directly to participants	(2,006,818)	(2,208,321)
Net transfer to Libbey Inc. Retirement Savings Plan	(247,331)	(229,157)
Other	(43,484)	(43,822)
Net increase (decrease)	6,308,095	(1,007,097)
Net assets available for benefits:		
Beginning of year	30,223,838	31,230,935
End of year	\$36,531,933	\$30,223,838

See accompanying notes.

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Libbey Inc. Supplemental Retirement Plan
Notes to Financial Statements
December 31, 2006

1. Description of Plan

General

The Libbey Inc. Supplemental Retirement Plan (the Plan) was adopted by Libbey Inc. (the Company) for the benefit of eligible union hourly employees.

The Plan is a defined contribution plan which provides eligible employees, upon completion of a probationary period, the opportunity to make pretax and/or after tax contributions, in specific percentages, within guidelines established by the Libbey Inc. Employee Benefits Committee (the Committee). Participant contributions are limited to 20% for Syracuse China Employees and 25% for Libbey Glass Union employees of the eligible compensation and are 100% vested immediately. Contributions may be divided at the participant's discretion among the various investment options from 1% to 100%, with no limit on the number of options selected. A participant may elect to change the percentage of annual compensation to be contributed and any such changes shall be effective as soon as administratively feasible. The benefit to which a participant is entitled is the benefit that can be provided from the value of the participant's account.

The Company contributes to the Plan on behalf of each participant an amount equal to fifty percent (50%) of the participant's contributions, not to exceed three percent (3%) of the participant's eligible compensation. Company matching contributions are invested in the Libbey Company Stock Fund, and may be immediately re-directed by the participant. Company matching contributions are immediately 100% vested.

Within certain limitations, a participant may also transfer into the Plan a rollover contribution from another qualified plan.

Participants may transfer existing fund balances among the various investment funds daily.

The above information is intended as a general description of the Plan's operating guidelines. Reference should be made to the Plan document for more specific provisions, including benefit payments.

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Libbey Inc. Supplemental Retirement Plan
Notes to Financial Statements (continued)

1. Description of Plan (continued)

Trusteed Assets

For the years ended December 31, 2006 and 2005, all of the assets of the Plan were held by the Trustee, JP Morgan Chase Bank.

2. Summary of Accounting Policies

Investment Valuation and Income Recognition

Investments in the four Harbor Funds, five American Century Investment Funds, the AIM Small Cap Growth Fund, the Dodge & Cox Stock Fund, the American Funds Growth Fund of America, the JP Morgan Money Market fund, and the funds holding Company's common stock are recorded at fair value based on their respective quoted market values at year end. Investments in the Barclay's Equity Index and JP Morgan Stable Value common/collective trusts are valued at the net asset value as determined using the estimated fair value of the underlying investments in the respective funds at year end. The estimated fair value of the JP Morgan Stable Value Fund is then adjusted to contract value in the adjustment from fair value to contract value for fully benefit responsive investment contracts as described in Note 4. Participant loans are valued at their outstanding balances, which approximate fair value. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Plan Expenses

Substantially all Plan administrative expenses are paid by the Company.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Table of ContentsLibbey Inc. Supplemental Retirement Plan
Notes to Financial Statements (continued)**3. Investments**

Investments whose fair value represents 5% or more of the fair value of the Plan's net assets are as follows:

	December 31	
	2006	2005
Libbey Common Stock*	\$7,626,630	\$4,348,249
Harbor International Fund*	5,317,177	3,862,326
JP Morgan Stable Value*	5,228,623	4,860,585
Harbor Capital Appreciation Fund*	3,699,388	3,658,158
Participant Loans*	2,576,883	2,758,317
Harbor Bond Fund*	2,181,877	2,074,513
Harbor Large Capital Value Fund*	**	1,545,370

* The fund is sponsored by the Plan Trustee or represents a party in interest.

** Less than 5% of fair value of Plan's net assets.

During 2006 and 2005, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

	December 31	
	2006	2005
Registered Investment Companies	\$2,458,113	\$ 1,591,817
Common/Collective Trusts	395,029	283,200
Common Stock	1,627,731	(4,759,370)
	\$4,480,873	\$(2,884,353)

Table of ContentsLibbey Inc. Supplemental Retirement Plan
Notes to Financial Statements (continued)**4. Investment Contracts**

In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP). The FSP defines the circumstances in which an investment contract is considered fully benefit responsive and provides certain reporting and disclosure requirements for fully benefit responsive investment contracts in defined contribution health and welfare and pension plans. The financial statement presentation and disclosure provisions of the FSP are effective for financial statements issued for annual periods ending after December 15, 2006 and are required to be applied retroactively to all prior periods presented for comparative purposes. The Plan has adopted the provisions of the FSP at December 31, 2006.

As required by the FSP, investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit responsive investment contracts recognized at fair value. AICPA Statement of Position 94-4-1, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans*, as amended, requires fully benefit responsive investment contracts to be reported at fair value in the Plan's Statement of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value. The requirements of the FSP have been applied retroactively to the Statement of Net Assets Available for Benefits as of December 31, 2005 presented for comparative purposes. Adoption of the FSP had no effect on the Statement of Changes in Net Assets Available for Benefits for any period presented.

The JP Morgan Stable Value Fund is a collective/common fund which invests assets in investment contracts and carries its contracts at contract value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The crediting interest rate on the contract is reset on a quarterly basis. As of December 31, 2006 and 2005, these contracts had a contract value of \$5,328,487 and \$4,941,507, respectively. The fair market value was \$5,228,623 and \$4,860,585 as of December 31, 2006 and 2005, respectively.

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Libbey Inc. Supplemental Retirement Plan
Notes to Financial Statements (continued)

5. Loan Fund

The Plan permits a participant to borrow a portion of their existing account balance. Loans are made subject to certain conditions and limitations specified in the Plan document and are repaid in weekly installments, including interest, over periods of between one and ten years. Participant loans are collateralized by their account balances. The rate at which loans bear interest is established at the inception of the borrowing, based on the prime rate then being charged by the Trustee plus 1%. Repayments of loans, including the interest portion thereof, are reinvested on the participant's behalf in accordance with their current choice of investment options.

6. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated February 27, 2004, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the IRS, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

7. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

8. Related-Party Transactions

Certain plan investments are shares of mutual funds managed by the trustee, JP Morgan Chase Bank, and shares of mutual funds managed by Harbor Capital Advisors, the investment advisors of various defined benefit pension plans of the Company. The investments in mutual funds managed by JP Morgan Chase Bank and Harbor Capital Advisors qualify as party-in-interest transactions. There have been no known prohibited transactions with a party in interest.

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Notes to Financial Statements (continued)**9. Reconciliation Between Financial Statements and Form 5500**

The accompanying financial statements present fully benefit responsive contracts at contract value. The Form 5500 requires fully benefit responsive investment contracts to be reported at fair value. Therefore, the adjustment from fair value to contract value for fully benefit responsive investment contracts represents a reconciling item.

A reconciliation of net assets available for benefits per the financial statements at December 31, 2006 to the Form 5500 follows:

	December 31, 2006
Net assets available for benefits per the financial statements	\$ 36,531,933
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(99,864)
Net assets available for benefits per the form 5500	\$ 36,432,069

A reconciliation of net increase in assets available for benefits per the financial statements for the year ended December 31, 2006 to the Form 5500 follows:

	December 31, 2006
Total net increase in assets available for benefits per the financial statements	\$ 6,308,095
Adjustment from fair value to contract value for fully benefit responsive investment contracts	(99,864)
Total net income and transfers of assets per the Form 5500	\$ 6,208,231

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Supplemental Schedule

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Libbey Inc. Supplemental Retirement Plan
 EIN #34-1559357 Plan #002
 Schedule H, Line 4i Schedule of Assets
 (Held at End of Year)
 December 31, 2006

Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment, Including Maturity Date, Par or Maturity Value Rate of Interest	Current Value
Registered Investment Companies:		
American Century Investments	154,964 shares of Strategic Moderate	\$ 1,086,298
	81,514 shares of Small Capital Value	793,944
	54,099 shares of Equity Income	464,170
	55,616 shares of Strategic Conservative	315,898
	35,361 shares of Strategic Aggressive	294,205
*Harbor	111,933 shares of Capital Appreciation Fund	3,699,388
	86,346 shares of International Fund	5,317,177
	188,712 shares of Bond Fund	2,181,877
	91,232 shares of Large Capital Value Fund	1,754,399
AIM	54,092 shares of Small Cap Growth	1,581,106
Dodge & Cox	8,113 shares of Stock Fund	1,245,013
American Funds	21,417 shares of Growth Fund of America	703,969
*JP Morgan	613,891 units, 100% US Treasury Money Market	613,891
	2 units, Cash Investment Fund	2
Common/Collective Trusts:		
*JP Morgan	44,534 shares of Stable Value Fund	5,228,623
Barclay s	20,447 shares of Equity Index Fund	891,882
Common stock:		
*Libbey Inc.	618,037 shares of Common Stock	7,626,630
* Participant loans	5% to 10.5%	2,576,883
Total investments		\$ 36,375,355

* Indicates a party
in interest to the

Plan.

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