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

# FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2019**

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

**Commission file number 1-12084**

# Libbey Inc.

(Exact name of registrant as specified in its charter)

| Delaware | 34-1559357 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (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)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, $.01 par value | LBY | NYSE American |

**Securities registered pursuant to Section 12(g) of the Act: None**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | |
|---|---|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☑ | Non-Accelerated Filer | ☐ |
| Smaller reporting company | ☑ | Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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 22,277,660 shares at April 24, 2019

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Libbey Inc.
Condensed Consolidated Statements of Operations
(dollars in thousands , except per share amounts)
(unaudited)

| | Three months ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| Net sales | $ 174,966 | $ 181,913 |
| Freight billed to customers | 683 | 757 |
| Total revenues | 175,649 | 182,670 |
| Cost of sales | 141,691 | 149,000 |
| Gross profit | 33,958 | 33,670 |
| Selling, general and administrative expenses | 32,580 | 31,523 |
| Income from operations | 1,378 | 2,147 |
| Other income (expense) | (1,584) | (2,107) |
| Earnings (loss) before interest and income taxes | (206) | 40 |
| Interest expense | 5,632 | 5,084 |
| Loss before income taxes | (5,838) | (5,044) |
| Benefit from income taxes | (1,296) | (2,083) |
| Net loss | $ (4,542) | $ (2,961) |
| | | |
| Net loss per share: | | |
| Basic | $ (0.20) | $ (0.13) |
| Diluted | $ (0.20) | $ (0.13) |
| Dividends declared per share | $ — | $ 0.1175 |

See accompanying notes

Libbey Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(dollars in thousands)
(unaudited)

| | Three months ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| Net loss | $ (4,542) | $ (2,961) |
| Other comprehensive income (loss): | | |
| Pension and other post-retirement benefit adjustments, net of tax | 777 | 755 |
| Change in fair value of derivative instruments, net of tax | (3,054) | 1,470 |
| Foreign currency translation adjustments, net of tax | (26) | 4,333 |
| Other comprehensive income (loss), net of tax | (2,303) | 6,558 |
| Comprehensive income (loss) | $ (6,845) | $ 3,597 |

See accompanying notes

Libbey Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands, except share amounts)

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| | (unaudited) | |
| **ASSETS** | | |
| Cash and cash equivalents | $ 14,965 | $ 25,066 |
| Accounts receivable — net | 81,917 | 83,977 |
| Inventories — net | 209,868 | 192,103 |
| Prepaid and other current assets | 19,484 | 16,522 |
| Total current assets | 326,234 | 317,668 |
| Purchased intangible assets — net | 13,070 | 13,385 |
| Goodwill | 84,412 | 84,412 |
| Deferred income taxes | 27,729 | 26,090 |
| Other assets | 10,293 | 7,660 |
| Operating lease right-of-use assets | 65,621 | — |
| Property, plant and equipment — net | 258,968 | 264,960 |
| Total assets | $ 786,327 | $ 714,175 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Accounts payable | $ 75,366 | $ 74,836 |
| Salaries and wages | 21,937 | 27,924 |
| Accrued liabilities | 39,137 | 43,728 |
| Accrued income taxes | 3,068 | 3,639 |
| Pension liability (current portion) | 3,333 | 3,282 |
| Non-pension post-retirement benefits (current portion) | 3,955 | 3,951 |
| Operating lease liabilities (current portion) | 12,499 | — |
| Long-term debt due within one year | 4,400 | 4,400 |
| Total current liabilities | 163,695 | 161,760 |
| Long-term debt | 417,625 | 393,300 |
| Pension liability | 44,238 | 45,206 |
| Non-pension post-retirement benefits | 42,001 | 43,015 |
| Noncurrent operating lease liabilities | 53,672 | — |
| Deferred income taxes | 2,713 | 2,755 |
| Other long-term liabilities | 18,722 | 18,246 |
| Total liabilities | 742,666 | 664,282 |
| Contingencies (Note 15) | | |
| | | |
| **Shareholders’ equity:** | | |
| Common stock, par value $.01 per share, 50,000,000 shares authorized, 22,273,568 shares issued in 2019 (22,157,220 shares issued in 2018) | 223 | 222 |
| Capital in excess of par value | 336,129 | 335,517 |
| Retained deficit | (175,983) | (171,441) |
| Accumulated other comprehensive loss | (116,708) | (114,405) |
| Total shareholders’ equity | 43,661 | 49,893 |
| Total liabilities and shareholders’ equity | $ 786,327 | $ 714,175 |

See accompanying notes

Libbey Inc.
Condensed Consolidated Statements of Shareholders' Equity
(dollars in thousands, except share amounts)
(unaudited)

| Three months ended March 31, 2019 | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Deficit | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|
| Balance December 31, 2018 | 22,157,220 | $ 222 | $ 335,517 | $ (171,441) | $ (114,405) | $ 49,893 |
| Net loss | | | | (4,542) | | (4,542) |
| Other comprehensive income (loss) | | | | | (2,303) | (2,303) |
| Stock compensation expense | | | 937 | | | 937 |
| Stock withheld for employee taxes | | | (317) | | | (317) |
| Stock issued | 116,348 | 1 | (8) | | | (7) |
| Balance March 31, 2019 | 22,273,568 | $ 223 | $ 336,129 | $ (175,983) | $ (116,708) | $ 43,661 |

| Three months ended March 31, 2018 | Common Stock Shares | Common Stock Amount | Capital in Excess of Par Value | Retained Deficit | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|
| Balance December 31, 2017 | 22,018,010 | $ 220 | $ 333,011 | $ (161,165) | $ (105,172) | $ 66,894 |
| Cumulative-effect adjustment for the adoption of ASU 2017-12 | | | | 275 | (275) | — |
| Net loss | | | | (2,961) | | (2,961) |
| Other comprehensive income (loss) | | | | | 6,558 | 6,558 |
| Stock compensation expense | | | 270 | | | 270 |
| Dividends | | | | (2,595) | | (2,595) |
| Stock withheld for employee taxes | | | (203) | | | (203) |
| Stock issued | 63,582 | 1 | 91 | | | 92 |
| Balance March 31, 2018 | 22,081,592 | $ 221 | $ 333,169 | $ (166,446) | $ (98,889) | $ 68,055 |

See accompanying notes

Libbey Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

| | Three months ended March 31, | |
|---|---|---|
| | **2019** | **2018** |
| **Operating activities:** | | |
| Net loss | $ (4,542) | $ (2,961) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 9,931 | 11,879 |
| Change in accounts receivable | 1,784 | 4,962 |
| Change in inventories | (18,075) | (14,311) |
| Change in accounts payable | 2,644 | (4,458) |
| Accrued interest and amortization of discounts and finance fees | 285 | 357 |
| Pension & non-pension post-retirement benefits, net | (977) | 1,975 |
| Accrued liabilities & prepaid expenses | (12,054) | (7,464) |
| Income taxes | (3,516) | (2,769) |
| Share-based compensation expense | 942 | 290 |
| Other operating activities | (327) | (644) |
| Net cash used in operating activities | (23,905) | (13,144) |
| | | |
| **Investing activities:** | | |
| Additions to property, plant and equipment | (10,361) | (11,271) |
| Net cash used in investing activities | (10,361) | (11,271) |
| | | |
| **Financing activities:** | | |
| Borrowings on ABL credit facility | 42,300 | 42,177 |
| Repayments on ABL credit facility | (16,800) | (12,000) |
| Other repayments | — | (1,383) |
| Repayments on Term Loan B | (1,100) | (1,100) |
| Taxes paid on distribution of equity awards | (317) | (203) |
| Dividends | — | (2,595) |
| Net cash provided by financing activities | 24,083 | 24,896 |
| | | |
| Effect of exchange rate fluctuations on cash | 82 | 569 |
| Increase (decrease) in cash | (10,101) | 1,050 |
| | | |
| Cash & cash equivalents at beginning of period | 25,066 | 24,696 |
| Cash & cash equivalents at end of period | $ 14,965 | $ 25,746 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid during the period for interest | $ 5,147 | $ 4,588 |
| Cash paid during the period for income taxes | $ 1,151 | $ 1,120 |

See accompanying notes

Libbey Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

**1. Description of the Business**

Libbey is a leading global manufacturer and marketer of glass tableware products. We produce glass tableware in five countries and sell to customers in over 100 countries. We design and market, under our Libbey ®, Libbey Signature ®, Master's Reserve ®, Crisa ®, Royal Leerdam ®, World ® Tableware, Syracuse ® China and Crisal Glass ® brand names (among others), an extensive line of high-quality glass tableware, ceramic dinnerware, metal flatware, hollowware and serveware items for sale primarily in the foodservice, retail and business-to-business channels of distribution. Our sales force presents our tabletop products to the global marketplace in a coordinated fashion. We own and operate two glass tableware manufacturing plants in the United States as well as glass tableware manufacturing plants in Mexico (Libbey Mexico), the Netherlands (Libbey Holland), Portugal (Libbey Portugal) and China (Libbey China). In addition, we import tabletop products from overseas in order to complement our line of manufactured items. The combination of manufacturing and procurement allows us to compete in the global tabletop market by offering an extensive product line at competitive prices.

Our website can be found at www.libbey.com . We make available, free of charge, at this website all of our reports filed or furnished pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, as well as amendments to those reports. These reports are made available on our website as soon as reasonably practicable after their filing with, or furnishing to, the Securities and Exchange Commission and can also be found at www.sec.gov .

Our shares are traded on the NYSE American exchange under the ticker symbol LBY.

**2. Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited Condensed Consolidated Financial Statements of Libbey Inc. and its majority-owned subsidiaries (collectively, Libbey or the Company) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Item 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2019 , are not necessarily indicative of the results that may be expected for the year ending December 31, 2019 .

The balance sheet at December 31, 2018 , has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The financial information included herein should be read in conjunction with our Consolidated Financial Statements in Item 8 of our Form 10-K for the year ended December 31, 2018 .

***Software*** We account for software in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350. Software represents the costs of internally developed and/or purchased software for internal use. Capitalized costs include software packages, installation and internal labor costs of employees devoted to the software development project. Costs incurred to modify existing software, providing significant enhancements and creating additional functionality are also capitalized. Once a project is complete, we estimate the useful life of the internal-use software, generally amortizing these costs over a 5 to 10 year period. Software is classified on the balance sheet in property, plant and equipment, and the related cash flows are shown as cash outflows from investing activities.

***Cloud Computing Arrangements*** We account for implementation costs for software that we gain access to in hosted cloud computing arrangements in accordance with FASB ASC 350. Capitalized costs of hosted cloud computing arrangements include configuration, installation, other upfront costs and internal labor costs of employees devoted to the cloud computing software implementation project. Once a project is complete, amortization is computed using the straight-line method over the term of the associated hosting arrangement, generally 3 to 10 years. In connection with our adoption of Accounting Standards Update (ASU) 2018-15 on January 1, 2019, these implementation costs are now classified on the balance sheet in prepaid and other current assets and other assets, and the related cash flows are presented as cash outflows from operations. Prior to January 1, 2019, implementation costs were included in property, plant and equipment, and the related cash flows were shown as cash outflows from investing activities. See *New Accounting Standards - Adopted* below. Our cloud computing arrangements

primarily relate to our new global enterprise resource planning (ERP) system. At March 31, 2019, the net book value of these implementation costs included $0.3 million in prepaid and other current assets and $2.8 million in other assets on the Condensed Consolidated Balance Sheet. Amortization expense for the first quarter and accumulated amortization were both immaterial.

***Leases*** We determine if an arrangement is a lease at inception. As of January 1, 2019, operating leases are included in operating lease right-of-use (ROU) assets, current operating lease liabilities and noncurrent operating lease liabilities in our balance sheet; related payments are included in operating activities on the statement of cash flows. We currently do not have any finance leases; but, if we do in the future, we will include them in property, plant and equipment, long-term debt due within one year and long-term debt within our balance sheet.

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

When our leases do not provide an implicit rate, we use our incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. We give consideration to our secured borrowing rates as well as publicly available data for instruments with similar characteristics when calculating our incremental borrowing rates.

The operating lease ROU asset also includes any lease prepayments made before commencement or in advance of the payment due date. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheet. Our lease agreements do not contain any residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease costs represent the incremental change in lease payments associated with an indexed rate (i.e. Consumers Price Index), and these costs are not included in the lease liability on the balance sheet because they are unknown at commencement date.

We have lease agreements with lease and non-lease components. Non-lease components for real estate leases relate primarily to common area maintenance, insurance, taxes and utilities associated with the properties. For real estate leases and a limited class of equipment leases, we account for the lease and non-lease components separately. Non-lease components are not recorded on the balance sheet as a ROU asset and lease liability and are not included in lease costs. For all other equipment leases, we account for the lease and non-lease components as a single lease component.

See *New Accounting Standards - Adopted* below for the adoption impact of this lease accounting standard.

***Stock-Based Compensation Expense***

Stock-based compensation expense charged to the Condensed Consolidated Statements of Operations is as follows:

| | Three months ended March 31, | |
|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** |
| Stock-based compensation expense | $ 942 | $ 290 |

***New Accounting Standards - Adopted***

Each change to U.S. GAAP is established by the FASB in the form of an ASU to the FASB's ASC. We consider the applicability and impact of all ASUs. ASUs not listed below were assessed and either were determined to be not applicable or are expected to have minimal impact on the Company's Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires a lessee to recognize on the balance sheet ROU assets and corresponding liabilities for both finance and operating leases with lease terms greater than 12 months. On January 1, 2019, we adopted this standard using the optional transition method of applying the modified retrospective approach at our adoption date. Under this method, previously reported comparative periods prior to 2019 have not been restated. We have elected the package of practical expedients permitted under the transition guidance, which allowed us to carry forward our prior conclusions on existing contracts for lease identification, lease classification and initial direct costs. In addition, for most of our classes of equipment leases, we elected the practical expedient to not separate lease and non-lease components. We also made an accounting policy election to keep leases with a term of 12 months or less off of the balance

sheet for all classes of underlying assets. At adoption, we had operating leases which resulted in us recognizing operating ROU assets and lease liabilities on the balance sheet of approximately $69 million . The adoption of this ASU did not have a material impact on our condensed consolidated results of operations or cash flows, and there was no cumulative effect adjustment to retained earnings. The new standard also required additional disclosures which are included in note 13 .

On January 1, 2019, we early adopted ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software* (Subtopic 350-40): *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* . This standard aligns the requirements for capitalizing implementation costs in a cloud computing arrangement service contract with the requirements for capitalizing implementation costs incurred for internal-use software. The new guidance also prescribes the balance sheet, income statement and cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures. Prior to January 1, 2019, implementation costs for cloud computing arrangements were capitalized into property, plant and equipment and amortized on a straight-line basis. Upon adoption of this new standard, we reclassed $2.8 million from construction in progress within property, plant, and equipment to other assets. When implementation projects are completed and amortization of capitalized costs begins, a portion is recorded in prepaids and other current assets. Results and disclosures for reporting periods beginning on or after January 1, 2019, are presented under the new guidance within ASU 2018-15, while prior period amounts and disclosures are not adjusted and continue to be reported in accordance with our previous accounting.

***New Accounting Standards - Not Yet Adopted***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* . This standard introduces a new approach to estimating credit losses on certain types of financial instruments, including trade receivables, and modifies the impairment model for available-for-sale debt securities. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early application permitted. Although we are still evaluating the impact of this standard, we believe it will not have a material impact on our Condensed Consolidated Financial Statements.

## 3. Balance Sheet Details

The following table provides detail of selected balance sheet items:

| (dollars in thousands) | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **Accounts receivable:** | | |
| Trade receivables | $ 80,095 | $ 82,521 |
| Other receivables | 1,822 | 1,456 |
| Total accounts receivable, less allowances of $7,846 and $8,538 | $ 81,917 | $ 83,977 |
| | | |
| **Inventories:** | | |
| Finished goods | $ 192,625 | $ 175,074 |
| Work in process | 1,555 | 1,363 |
| Raw materials | 3,886 | 4,026 |
| Repair parts | 10,206 | 10,116 |
| Operating supplies | 1,596 | 1,524 |
| Total inventories, less loss provisions of $8,398 and $9,453 | $ 209,868 | $ 192,103 |
| | | |
| **Accrued liabilities:** | | |
| Accrued incentives | $ 15,924 | $ 19,359 |
| Other accrued liabilities | 23,213 | 24,369 |
| Total accrued liabilities | $ 39,137 | $ 43,728 |

## 4. Borrowings

Borrowings consist of the following:

| (dollars in thousands) | Interest Rate | Maturity Date | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Borrowings under ABL Facility | floating [2] | December 7, 2022 [1] | $ 45,045 | $ 19,868 |
| Term Loan B | floating [3] | April 9, 2021 | 379,100 | 380,200 |
| Total borrowings | | | 424,145 | 400,068 |
| Less — unamortized discount and finance fees | | | 2,120 | 2,368 |
| Total borrowings — net | | | 422,025 | 397,700 |
| Less — long term debt due within one year | | | 4,400 | 4,400 |
| Total long-term portion of borrowings — net | | | $ 417,625 | $ 393,300 |

(1) Maturity date will be January 9, 2021, if Term Loan B is not refinanced by this date.

(2) The interest rate for the ABL Facility is comprised of several different borrowings at various rates. The weighted average rate of all ABL Facility borrowings was 3.11 percent at March 31, 2019.

(3) We have entered into interest rate swaps that effectively fix a series of our future interest payments on a portion of the Term Loan B debt. See interest rate swaps in note 8 for additional details. The Term Loan B floating interest rate was 5.49 percent at March 31, 2019.

The ABL Facility also provides for the issuance of up to $15.0 million of letters of credit that, when outstanding, are applied against the $100.0 million limit. At March 31, 2019 , $8.6 million in letters of credit and other reserves were outstanding. Remaining unused availability under the ABL Facility was $46.4 million at March 31, 2019 , compared to $71.6 million at December 31, 2018 .

## 5. Income Taxes

For interim tax reporting, we estimate our annual effective tax rate and apply it to our year-to-date ordinary income. Tax jurisdictions with a projected or year-to-date loss for which a tax benefit cannot be realized are excluded from the annualized effective tax rate. The tax effects of unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, are reported in the interim period in which they occur.

Our effective tax rate was 22.2 percent for the three months ended March 31, 2019 , compared to 41.3 percent for the three months ended March 31, 2018 . Our effective tax rate for the three months ended March 31, 2019, which was above the United States statutory rate of 21 percent, was decreased 46.4 percent by the timing and mix of pretax income earned outside the United States, increased 3.4 percent by the impact of foreign exchange, increased 22.5 percent for nondeductible interest and increased 21.7 percent by other items including foreign withholding tax and nondeductible expenses.

The Company and its subsidiaries are subject to examination by various countries' tax authorities. These examinations may lead to proposed or assessed adjustments to our taxes. In August 2016, the Mexican tax authority (SAT) assessed one of our Mexican subsidiaries related to the audit of its 2010 tax year. The amount assessed was approximately 3 billion Mexican pesos, which was equivalent to approximately $157 million U.S. dollars as of the date of the assessment. The Company has filed an administrative appeal with SAT requesting that the assessment be fully nullified. We are awaiting the outcome of the appeal. Management, in consultation with external legal counsel, believes that if contested in the Mexican court system, it is more likely than not that the Company would prevail on all significant components of the assessment. Management intends to continue to vigorously contest all significant components of the assessment in the Mexican courts if they are not nullified at the administrative appeal level. We believe that our tax reserves related to uncertain tax positions are adequate at this time. There were no significant developments affecting this matter for the three months ended March 31, 2019.

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### 6. Pension and Non-pension Post-retirement Benefits

The components of our net pension expense, including the SERP (supplemental employee retirement plan), are as follows:

| Three months ended March 31, | U.S. Plans | | Non-U.S. Plans | | Total | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Service cost | $ 783 | $ 979 | $ 259 | $ 292 | $ 1,042 | $ 1,271 |
| Interest cost | 3,382 | 3,165 | 769 | 763 | 4,151 | 3,928 |
| Expected return on plan assets | (5,193) | (5,660) | — | — | (5,193) | (5,660) |
| Amortization of unrecognized: | | | | | | |
| Prior service (credit) | — | — | (50) | (51) | (50) | (51) |
| Actuarial loss | 1,087 | 1,637 | 103 | 159 | 1,190 | 1,796 |
| Pension expense | $ 59 | $ 121 | $ 1,081 | $ 1,163 | $ 1,140 | $ 1,284 |

We have contributed $1.3 million of cash to our pension plans for the three months ended March 31, 2019 . Pension contributions for the remainder of 2019 are estimated to be $2.1 million .

The provision for our non-pension, post-retirement, benefit expense consists of the following:

| Three months ended March 31, | U.S. Plans | | Non-U.S. Plans | | Total | |
|---|---|---|---|---|---|---|
| (dollars in thousands) | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Service cost | $ 110 | $ 151 | $ — | $ — | $ 110 | $ 151 |
| Interest cost | 469 | 456 | 9 | 10 | 478 | 466 |
| Amortization of unrecognized: | | | | | | |
| Prior service (credit) | (70) | (71) | — | — | (70) | (71) |
| Actuarial (gain) | (82) | (52) | (18) | (16) | (100) | (68) |
| Non-pension post-retirement benefit expense | $ 427 | $ 484 | $ (9) | $ (6) | $ 418 | $ 478 |

Our 2019 estimate of non-pension cash payments is $4.0 million , of which we have paid $1.8 million for the three months ended March 31, 2019 .

### 7. Net Loss per Share of Common Stock

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

| | Three months ended March 31, | |
|---|---|---|
| (dollars in thousands, except earnings per share) | 2019 | 2018 |
| **Numerator for earnings per share:** | | |
| Net loss that is available to common shareholders | $ (4,542) | $ (2,961) |
| | | |
| **Denominator for basic earnings per share:** | | |
| Weighted average shares outstanding | 22,262,565 | 22,086,640 |
| | | |
| **Denominator for diluted earnings per share:** | | |
| Effect of stock options and restricted stock units | — | — |
| Adjusted weighted average shares and assumed conversions | 22,262,565 | 22,086,640 |
| | | |
| **Basic loss per share** | $ (0.20) | $ (0.13) |
| | | |
| **Diluted loss per share** | $ (0.20) | $ (0.13) |
| | | |
| Anti-dilutive shares excluded from computation of diluted loss per share | 1,483,470 | 1,167,398 |

When applicable, diluted shares outstanding is calculated using the weighted-average number of common shares outstanding plus the dilutive effects of equity-based compensation outstanding during the period using the treasury stock method.

## 8. Derivatives

We utilize derivative financial instruments to hedge certain interest rate risks associated with our long-term debt and commodity price risks associated with forecasted future natural gas requirements. These derivatives qualify for hedge accounting since the hedges are highly effective, and we have designated and documented contemporaneously the hedging relationships involving these derivative instruments. While we intend to continue to meet the conditions for hedge accounting, if hedges do not qualify as highly effective or if we do not believe that forecasted transactions would occur, the changes in the fair value of the derivatives used as hedges would be reflected in our earnings. Our contracts with counterparties generally contain right of offset provisions. These provisions effectively reduce our exposure to credit risk in situations where the Company has gain and loss positions outstanding with a single counterparty. It is our policy to offset on the Condensed Consolidated Balance Sheets the amounts recognized for derivative instruments executed with the same counterparty under a master netting agreement.

We do not believe we are exposed to more than a nominal amount of credit risk in our natural gas hedges and interest rate swaps as the counterparties are established financial institutions. The counterparties for the derivative agreements are rated BBB+ or better as of March 31, 2019 , by Standard and Poor’s.

***Fair Values***

The following table provides the fair values of our derivative financial instruments for the periods presented:

| | | Fair Value of Derivative Assets | |
|---|---|---|---|
| **(dollars in thousands)** | **Balance Sheet Location** | **March 31, 2019** | **December 31, 2018** |
| **Cash flow hedges:** | | | |
| Interest rate swaps | Prepaid and other current assets | $ 672 | $ 1,425 |
| Natural gas contracts | Prepaid and other current assets | 142 | 226 |
| Natural gas contracts | Other assets | 49 | 39 |
| Total derivative assets | | $ 863 | $ 1,690 |
| | | **Fair Value of Derivative Liabilities** | |
| **Cash flow hedges:** | | | |
| Interest rate swaps | Other long-term liabilities | $ 8,793 | $ 5,713 |
| Natural gas contracts | Accrued liabilities | 84 | — |
| Natural gas contracts | Other long-term liabilities | 6 | — |
| Total derivative liabilities | | $ 8,883 | $ 5,713 |

The following table presents cash settlements (paid) received related to the below derivatives:

| | Three months ended March 31, | |
|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** |
| Natural gas contracts | $ 128 | $ (198) |
| Interest rate swaps | 344 | (178) |
| Total | $ 472 | $ (376) |

The following table provides a summary of the impacts of derivative gain (loss) on the Condensed Consolidated Statements of Operations and other comprehensive income (OCI):

| (dollars in thousands) | Location | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|---|
| **Cash flow hedges:** | | | |
| *Derivative gain (loss) recognized into OCI:* | | | |
| Natural gas contracts | OCI | $ (37) | $ 211 |
| Interest rate swaps | OCI | (3,478) | 1,253 |
| Total | | $ (3,515) | $ 1,464 |
| *Derivative gain (loss) reclassified from accumulated OCI to current earnings:* | | | |
| Natural gas contracts | Cost of Sales | $ 128 | $ (198) |
| Interest rate swaps | Interest expense | 355 | (143) |
| Total | | $ 483 | $ (341) |

***Natural Gas Contracts***

We use natural gas swap contracts related to forecasted future North American natural gas requirements. The objective of these commodity contracts is to limit the fluctuations in prices paid due to price movements in the underlying commodity. We consider our forecasted natural gas requirements in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements, 18 months in the future, or more, depending on market conditions. The fair values of these instruments are determined from market quotes.

The following table presents the notional amount of our natural gas derivatives on the Condensed Consolidated Balance Sheets:

| Derivative Types | Unit of Measure | Notional Amounts March 31, 2019 | Notional Amounts December 31, 2018 |
|---|---|---|---|
| Natural gas contracts | Millions of British Thermal Units (MMBTUs) | 3,130,000 | 3,150,000 |

Hedge accounting is applied only 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. Changes in the fair value of these hedges are recorded in other comprehensive income (loss). As the natural gas contracts mature, the accumulated gains (losses) for the respective contracts are reclassified from accumulated other comprehensive loss to current expense in cost of sales in our Condensed Consolidated Statement of Operations.

Based on our current valuation, we estimate that accumulated gains for natural gas contracts currently carried in accumulated other comprehensive loss that will be reclassified into earnings over the next twelve months will result in $0.1 million of gain to our Condensed Consolidated Statements of Operations.

***Interest Rate Swaps***

The table below lists the interest rate swaps we executed as part of our risk management strategy to mitigate the risks associated with the fluctuating interest rates under our Term Loan B. The interest rate swaps effectively convert a portion of our Term Loan B debt from a variable interest rate to a fixed interest rate, thus reducing the impact of interest rate changes on future income.

| Swap execution date | Effective date | Expiration date | Notional amount | Fixed swap rate |
|---|---|---|---|---|
| April 1, 2015 | January 11, 2016 | January 9, 2020 | $220.0 million | 4.85% |
| September 24, 2018 | January 9, 2020 | January 9, 2025 | $200.0 million | 6.19% [1] |

[1] Upon refinancing our Term Loan B, the fixed interest rate will be 3.19 percent plus the new refinanced credit spread.

Our interest rate swaps are valued using the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves.

Our interest rate swaps qualify and are designated as cash flow hedges at March 31, 2019 , and are accounted for under FASB ASC 815, "Derivatives and Hedging." Hedge accounting is applied only 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 are recorded to earnings immediately. Changes in the fair value of these hedges are recorded in other comprehensive income (loss). Based on our current valuation, we estimate that accumulated gains currently carried in accumulated other comprehensive loss that will be reclassified into earnings over the next twelve months will result in a reduction to interest expense of $0.7 million in our Condensed Consolidated Statements of Operations.

## 9. Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) (AOCI), net of tax, is as follows:

| **Three months ended March 31, 2019 (dollars in thousands)** | **Foreign Currency Translation** | **Derivative Instruments** | **Pension and Other Post-retirement Benefits** | **Accumulated Other Comprehensive Loss** |
|---|---|---|---|---|
| Balance on December 31, 2018 | $ (23,240) | $ (2,866) | $ (88,299) | $ (114,405) |
| Amounts recognized into AOCI | 244 | (3,515) | — | (3,271) |
| Currency impact | — | — | 34 | 34 |
| Amounts reclassified from AOCI | — | (483) [1] | 970 [2] | 487 |
| Tax effect | (270) | 944 | (227) | 447 |
| Other comprehensive income (loss), net of tax | (26) | (3,054) | 777 | (2,303) |
| Balance on March 31, 2019 | $ (23,266) | $ (5,920) | $ (87,522) | $ (116,708) |

| **Three months ended March 31, 2018 (dollars in thousands)** | **Foreign Currency Translation** | **Derivative Instruments** | **Pension and Other Post-retirement Benefits** | **Accumulated Other Comprehensive Loss** |
|---|---|---|---|---|
| Balance on December 31, 2017 | $ (16,183) | $ 351 | $ (89,340) | $ (105,172) |
| Cumulative-effect adjustment for the adoption of ASU 2017-12 | — | (275) | — | (275) |
| Amounts recognized into AOCI | 4,333 | 1,464 | — | 5,797 |
| Currency impact | — | — | (484) | (484) |
| Amounts reclassified from AOCI | — | 341 [1] | 1,606 [2] | 1,947 |
| Tax effect | — | (335) | (367) | (702) |
| Other comprehensive income (loss), net of tax | 4,333 | 1,470 | 755 | 6,558 |
| Balance on March 31, 2018 | $ (11,850) | $ 1,546 | $ (88,585) | $ (98,889) |

(1) We reclassified natural gas contracts through cost of sales and the interest rate swaps through interest expense on the Condensed Consolidated Statements of Operations. See note 8 for additional information.

(2) We reclassified the net pension and non-pension post-retirement benefits amortization and settlement charges through other income (expense) on the Condensed Consolidated Statements of Operations. See note 6 for additional information.

**10. Segments**

Our reporting segments align with our regionally focused organizational structure, which we believe enables us to better serve customers across the globe. Under this structure, we report financial results for U.S. and Canada; Latin America; Europe, the Middle East and Africa (EMEA); and Other. Segment results are based primarily on the geographical destination of the sale. Our three reportable segments are defined below. Our operating segment that does not meet the criteria to be a reportable segment is disclosed as Other.

U.S. & Canada—includes sales of manufactured and sourced tableware having an end-market destination in the U.S and Canada, excluding glass products for Original Equipment Manufacturers (OEM), which remain in the Latin America segment.

Latin America—includes primarily sales of manufactured and sourced glass tableware having an end-market destination in Latin America, as well as glass products for OEMs regardless of end–market destination.

EMEA—includes primarily sales of manufactured and sourced glass tableware having an end-market destination in Europe, the Middle East and Africa.

Other—includes primarily sales of manufactured and sourced glass tableware having an end-market destination in Asia Pacific.

Our measure of profit for our reportable segments is Segment Earnings before Interest and Taxes (Segment EBIT) and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs and other allocations that are not considered by management when evaluating performance. Segment EBIT also includes an allocation of manufacturing costs for inventory produced at a Libbey facility that is located in a region other than the end market in which the inventory is sold. This allocation can fluctuate from year to year based on the relative demands for products produced in regions other than the end markets in which they are sold. We use Segment EBIT, along with net sales and selected cash flow information, to evaluate performance and to allocate resources. Segment EBIT for reportable segments includes an allocation of some corporate expenses based on the costs of services performed.

Certain activities not related to any particular reportable segment are reported within retained corporate costs. These costs include certain headquarter, administrative and facility costs, and other costs that are global in nature and are not allocable to the reporting segments.

The accounting policies of the reportable segments are the same as those described in note 2 . We do not have any customers who represent 10 percent or more of total sales. Inter-segment sales are consummated at arm's length and are reflected at end-market reporting below.

| (dollars in thousands) | Three months ended March 31, 2019 | 2018 |
|---|---|---|
| **Net Sales:** | | |
| U.S. & Canada | $ 109,906 | $ 107,941 |
| Latin America | 30,401 | 34,333 |
| EMEA | 28,042 | 32,248 |
| Other | 6,617 | 7,391 |
| Consolidated | $ 174,966 | $ 181,913 |
| | | |
| **Segment EBIT:** | | |
| U.S. & Canada | $ 9,797 | $ 4,724 |
| Latin America | 649 | 2,150 |
| EMEA | (50) | 1,005 |
| Other | (1,152) | (1,129) |
| Total Segment EBIT | $ 9,244 | $ 6,750 |
| | | |
| **Reconciliation of Segment EBIT to Net Loss:** | | |
| Segment EBIT | $ 9,244 | $ 6,750 |
| Retained corporate costs | (9,450) | (6,710) |
| Interest expense | (5,632) | (5,084) |
| Benefit from income taxes | 1,296 | 2,083 |
| Net loss | $ (4,542) | $ (2,961) |
| | | |
| **Depreciation & Amortization:** | | |
| U.S. & Canada | $ 3,133 | $ 3,387 |
| Latin America | 3,780 | 4,710 |
| EMEA | 1,699 | 2,009 |
| Other | 882 | 1,314 |
| Corporate | 437 | 459 |
| Consolidated | $ 9,931 | $ 11,879 |
| | | |
| **Capital Expenditures:** | | |
| U.S. & Canada | $ 3,384 | $ 7,137 |
| Latin America | 4,191 | 2,389 |
| EMEA | 2,346 | 1,294 |
| Other | 259 | 120 |
| Corporate | 181 | 331 |
| Consolidated | $ 10,361 | $ 11,271 |

## 11. Revenue

Our primary source of revenue is the sale of glass tableware products manufactured within a Libbey facility as well as globally sourced tabletop products, including glassware, ceramicware, metalware and others. For the three months ended March 31, 2019 and 2018 , bad debt expense was immaterial. Additionally, adjustments related to revenue recognized in prior periods was not material for the three months ended March 31, 2019 and 2018 . There were no material contract assets, contract liabilities or deferred contract costs recorded on the Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018 .

**Disaggregation of Revenue:**

The following table presents our net sales disaggregated by business channel:

| | Three months ended March 31, | |
|---|---|---|
| (dollars in thousands) | 2019 | 2018 |
| Foodservice | $ 70,817 | $ 76,173 |
| Retail | 55,573 | 55,761 |
| Business-to-business | 48,576 | 49,979 |
| Consolidated | $ 174,966 | $ 181,913 |

Each operating segment has revenues across all our business channels. Each channel has a different marketing strategy, customer base and product composition. For both periods presented, over 75 percent of each segment's revenue is derived from the following business channels: U.S. and Canada from foodservice and retail; Latin America from retail and business-to-business; and EMEA from business-to-business and retail.

## 12. Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs used in measuring fair value into three broad levels as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 — Unobservable inputs based on our own assumptions.

The fair value of our derivative financial instruments by level is as follows:

| | Fair Value at March 31, 2019 | | | | Fair Value at December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Asset / (Liability) (dollars in thousands) | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Commodity futures natural gas contracts | $ — | $ 101 | $ — | $ 101 | $ — | $ 265 | $ — | $ 265 |
| Interest rate swaps | — | (8,121) | — | (8,121) | — | (4,288) | — | (4,288) |
| Net derivative asset (liability) | $ — | $ (8,020) | $ — | $ (8,020) | $ — | $ (4,023) | $ — | $ (4,023) |

The fair values of our commodity futures natural gas contracts are determined using observable market inputs. The fair value of our interest rate swaps are based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. Since these inputs are observable in active markets over the terms that the instruments are held, the derivatives are classified as Level 2 in the hierarchy. We also evaluate Company and counterparty risk in determining fair values. The commodity futures natural gas contracts and interest rate swaps are hedges of either recorded assets or liabilities or anticipated transactions. Changes in values of the underlying hedged assets and liabilities or anticipated transactions are not reflected in the above table.

Financial instruments carried at cost on the Condensed Consolidated Balance Sheets, as well as the related fair values, are as follows:

| | | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|
| (dollars in thousands) | Fair Value Hierarchy Level | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Term Loan B | Level 2 | $ 379,100 | $ 354,459 | $ 380,200 | $ 362,141 |

The fair value of our Term Loan B has been calculated based on quoted market prices for the same or similar issues, and the fair value of our ABL Facility approximates carrying value due to variable rates. The fair value of our cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value due to their short-term nature.

**13. Leases**

Globally, we lease certain warehouses, office space, showrooms, manufacturing and office equipment, automobiles and outlet stores. Many of the real estate leases contain one or more options to renew, with renewal options that can extend the lease term from one to 20 years or more. The exercise of lease renewal options is at our discretion and is not reasonably certain at lease commencement. Most of our equipment leases have a lease term of two to eight years with limited renewal options. However, one class of equipment has a lease term of 15 years with annual renewal options thereafter. Generally, the longer term lease agreements contain escalating lease payments or are adjusted periodically for inflation.

At March 31, 2019, the weighted-average remaining lease term was 6.8 years , and the weighted-average discount rate was 4.05 percent. Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

The following table presents the lease costs and supplemental cash flow information related to our operating leases:

| (dollars in thousands) | Three months ended March 31, 2019 |
|---|---|
| Operating lease costs | $ 3,961 |
| Short-term lease costs [(1)] | 880 |
| Total lease costs | $ 4,841 |

[(1)] Includes variable lease costs which are immaterial.

| | |
|---|---|
| Cash paid for operating leases included in the measurement of lease liabilities | $ 3,945 |
| ROU assets obtained in exchange for lease liabilities | $ 69,562 |

The following table reconciles the undiscounted cash flows to the operating lease liabilities recorded on the balance sheet:

| (dollars in thousands) | March 31, 2019 |
|---|---|
| 2019 (remainder of year) | $ 11,162 |
| 2020 | 13,753 |
| 2021 | 10,304 |
| 2022 | 9,120 |
| 2023 | 8,507 |
| 2024 and thereafter | 22,866 |
| Total minimum lease payments | 75,712 |
| Less: interest | (9,541) |
| Present value of future minimum lease payments | 66,171 |
| Less: lease liabilities (current portion) | (12,499) |
| Noncurrent lease liabilities | $ 53,672 |

As of March 31, 2019, we have an additional operating lease commitment that has not yet commenced of approximately $ 1.3 million . This lease will commence during the second quarter of 2019 with a lease term of 10 years.

As presented in our 2018 Form 10-K, the future minimum rental commitments under ASC 840 for non-cancelable operating leases as of December 31, 2018, was as follows (dollars in thousands):

| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and thereafter |
|---|---|---|---|---|---|
| $15,407 | $13,787 | $10,339 | $9,143 | $8,551 | $20,755 |

**14. Other Income (Expense)**

Items included in other income (expense) in the Condensed Consolidated Statements of Operations are as follows:

| | Three months ended March 31, | |
|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** |
| Gain (loss) on currency transactions | $ (1,163) | $ (1,650) |
| Pension and non-pension benefits, excluding service cost | (406) | (340) |
| Other non-operating income (expense) | (15) | (117) |
| Other income (expense) | $ (1,584) | $ (2,107) |

**15. Contingencies**

***Legal Proceedings***

From time to time we are identified as a "potentially responsible party" (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and/or similar state laws that impose liability without regard to fault for costs and damages relating to the investigation and cleanup of contamination resulting from releases or threatened releases of hazardous substances. We are also subject to similar laws in some of the countries where our facilities are located. Our environmental, health and safety department monitors compliance with applicable laws on a global basis.

Although we cannot predict the ultimate outcome of these proceedings, we believe that these environmental proceedings will not have a material adverse impact on our financial condition, results of operations or liquidity. There were no significant changes to our environmental legal proceedings since December 31, 2018 . Please refer to Part II, Item 8. "Financial Statements and Supplementary Data," note 17, Contingencies, included in our 2018 Annual Report on Form 10-K for a more complete discussion.

***Income Taxes***

The Company and its subsidiaries are subject to examination by various countries' tax authorities. These examinations may lead to proposed or assessed adjustments to our taxes. Please refer to note 5 , Income Taxes, for a detailed discussion on tax contingencies.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes thereto appearing elsewhere in this report and in our Annual Report filed with the Securities and Exchange Commission. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ from those anticipated in these forward-looking statements as a result of many factors. Our risk factors are set forth in Part I, Item 1A. "Risk Factors" in our 2018 Annual Report on Form 10-K for the year ended December 31, 2018 .

**Overview**

During the first quarter of 2019 , we continued to operate in a competitive environment. With global glass production capacity exceeding demand and several of our competitors throughout the world experiencing financial difficulties, all business channels continue to be impacted by intense global competition. We see limited signs of this competitive environment abating throughout 2019.

The U.S. economic growth is projected to slow more than initially planned, due to political uncertainty resulting from potential tariff wars and economic slowdowns in Europe and China. Despite these headwinds, the U.S. & Canada segment delivered growth in the low-single-digit range from our increased retail channel, including our e-commerce initiative. As the retail industry continues to transform from brick-and-mortar to online commerce, we expect to leverage the investments made in our e-commerce platform during 2017 and 2018 to deliver continued sales growth throughout 2019.

We do, however, continue to see declines in our U.S. & Canada foodservice market, as third-party research firms Knapp-Track and Blackbox have reported declines in U.S. foodservice traffic for every quarter since 2012. The recent government shutdown

in the U.S. combined with unusually severe weather across much of the U.S. this winter, negatively impacted the U.S. foodservice traffic during the first quarter. Our U.S. & Canada foodservice channel appears to be currently in-line with market trends, and management expects the current market trends and challenging environment experienced during 2018 and the first quarter of 2019 to continue for the remainder of the year.

Growth forecasts in the Latin America economy are showing to be weaker than initially planned by economic forecasters. A weakening global economy, continued geopolitical uncertainty and weaker external demands have led to reduced forecasts, specifically in Brazil and Mexico. In addition, the economic slowdown at the end of 2018 has negatively impacted Mexico's first-quarter economic projections for 2019.

The European economic slowdown has continued into 2019, as continued political risk within the region, continued trade tensions globally and declines in business and consumer confidence are prevalent. In addition, there remains concern for a "hard Brexit" as the United Kingdom's Parliament has failed to approve an agreement with the European Union for the United Kingdom's exit.

China's competitive environment continues to be challenging, and economic growth rates in China are similar to, if not lower than, those over the last few years. Despite what appears to be progress in regards to trade talks between the U.S. and China, there are continued debt risks and signs of weakening consumption that remain. On February 18, 2019, the Board of Directors of Libbey approved a plan to pursue strategic alternatives with respect to our business in the People's Republic of China (PRC), including the sale or closure of our manufacturing and distribution facility located in Langfang, PRC. We are currently continuing the process of assessing all available options.

The business-to-business channel is impacted by general trends in each region and is dependent on customer demands.

In the first quarter of 2019, our net sales of $175.0 million were 3.8 percent lower than the prior-year quarter, or 2.1 percent lower on a constant currency basis. The reduction in net sales was driven by lower volumes, unfavorable channel mix and unfavorable currency impacts, partially offset by favorable price and mix on product sold. We recorded a net loss of $4.5 million for the three months ended March 31, 2019, compared to a net loss of $3.0 million in the year-ago quarter. Unfavorable weather in the U.S. and uncertainty with the macro-economies in Europe and Latin America challenged our top-line performance in the quarter; however, improved pricing, lower depreciation and solid operational execution across our footprint enabled us to deliver a 90 basis point improvement in our gross margins. In addition, we continue to make progress on our e-commerce platform (including our launches of new products), as well as make advancements in our ERP implementation.

We intend to use our cash flow from operations to reduce our debt obligations and continue investing in strategic initiatives that are expected to increase long-term shareholder returns.

See note 10 , Segments, for details on how we report and define our segments.

**Results of Operations**

The following table presents key results of our operations for the three months ended March 31, 2019 and 2018 :

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| **(dollars in thousands, except percentages and per-share amounts)** | **2019** | | **2018** | |
| Net sales | $ | 174,966 | $ | 181,913 |
| Gross profit | $ | 33,958 | $ | 33,670 |
| *Gross profit margin* | | *19.4 %* | | *18.5 %* |
| Income from operations (IFO) | $ | 1,378 | $ | 2,147 |
| *IFO margin* | | *0.8 %* | | *1.2 %* |
| Net loss | $ | (4,542) | $ | (2,961) |
| *Net loss margin* | | *(2.6)%* | | *(1.6)%* |
| Diluted net loss per share | $ | (0.20) | $ | (0.13) |
| Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) [(1)] (non-GAAP) | $ | 9,725 | $ | 11,919 |
| *Adjusted EBITDA margin [(1)] (non-GAAP)* | | *5.6 %* | | *6.6 %* |

*(1)* *We believe that Adjusted EBITDA and the associated margin, non-GAAP financial measures, are useful metrics for evaluating our financial performance, as they are measures that we use internally to assess our performance. For a reconciliation from net loss to Adjusted EBITDA, certain limitations and reasons we believe these non-GAAP measures are useful, see the "Reconciliation of Net Loss to Adjusted EBITDA" and "Non-GAAP Measures" sections below in the Discussion of First Quarter 2019 Compared to First Quarter 2018 .*

**Discussion of First Quarter 2019 Compared to First Quarter 2018**

***Net Sales***

The following table summarizes net sales by operating segment:

| | | | | | Increase/(Decrease) | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Three months ended March 31, (dollars in thousands)** | **2019** | | **2018** | | **$ Change** | | **% Change** | **Currency Effects** | | **Constant Currency Sales Growth (Decline) [(1)]** |
| U.S. & Canada | $ | 109,906 | $ | 107,941 | $ | 1,965 | 1.8 % | $ | (31) | 1.8 % |
| Latin America | | 30,401 | | 34,333 | | (3,932) | (11.5)% | | (499) | (10.0)% |
| EMEA | | 28,042 | | 32,248 | | (4,206) | (13.0)% | | (2,254) | (6.1)% |
| Other | | 6,617 | | 7,391 | | (774) | (10.5)% | | (377) | (5.4)% |
| Consolidated | $ | 174,966 | $ | 181,913 | $ | (6,947) | (3.8)% | $ | (3,161) | (2.1)% |

*(1)* *We believe constant currency sales growth (decline), a non-GAAP measure, is a useful metric for evaluating our financial performance. See the "Non-GAAP Measures" section below for the reasons we believe this non-GAAP metric is useful and how it is derived.*

***Net Sales — U.S. & Canada***

Net sales in U.S. & Canada in the first quarter of 2019 were $109.9 million , compared to $107.9 million in the first quarter of 2018 , an increase of 1.8 percent, driven by favorable price and product mix, partially offset by unfavorable channel mix and lower volumes versus the prior-year period. Net sales in our retail and business-to-business channels increased $3.0 million and $1.8 million, respectively, in the first quarter of 2019 primarily due to increased volume. We continue to see declines in foodservice traffic, as reported by third-party research firms Knapp-Track and Blackbox. Net sales in our foodservice channel declined $2.9 million primarily due to lower volume which was partially offset by favorable price and mix of product sold compared to the prior year.

***Net Sales — Latin America***

Net sales in Latin America in the first quarter of 2019 were $30.4 million , compared to $34.3 million in the first quarter of 2018 , a decrease of 11.5 percent (a decrease of 10.0 percent excluding currency fluctuation). The decrease in net sales is primarily attributable to a decrease in volume, an unfavorable currency impact of $0.5 million, as well as unfavorable product mix within the retail and business-to-business channels. Net sales in the retail channel decreased $2.1 million, while net sales in the business-to-business channel decreased $1.1 million.

***Net Sales — EMEA***

Net sales in EMEA in the first quarter of 2019 were $28.0 million , compared to $32.2 million in the first quarter of 2018 , a decrease of 13.0 percent (a decrease of 6.1 percent excluding currency fluctuation). The net sales decrease is primarily attributable to lower volume and an unfavorable currency impact of $2.3 million, partially offset by favorable price and mix on product sold in all three channels.

***Gross Profit***

Gross profit increased to $34.0 million in the first quarter of 2019 , compared to $33.7 million in the prior-year quarter. Gross profit as a percentage of net sales increased to 19.4 percent in the first quarter of 2019, compared to 18.5 percent in the prior-year quarter. The primary drivers of the $0.3 million improvement, or 90 basis points, in gross profit were lower depreciation and amortization of $1.6 million, a non-repeating prior-year inventory reserve of $1.0 million and a favorable net sales impact of $1.0 million. This was partially offset by higher shipping and storage costs of $1.6 million [primarily related to additional 3PL (Third Party Logistics) service costs within our U.S. & Canada segment], higher utility expenses of $0.7 million and unfavorable manufacturing activity of $0.7 million (primarily related to increased production labor costs). Manufacturing activity includes the impact of fluctuating production activities from all facilities globally (including downtime, efficiency and utilization) and repairs and maintenance. Shipping and storage costs include freight, warehousing expenses and associated labor. The net sales impact equals net sales less the associated inventory at standard cost rates.

***Income From Operations***

Income from operations for the quarter ended March 31, 2019 , decreased $0.8 million to $1.4 million , compared to $2.1 million in the prior-year quarter. Income from operations as a percentage of net sales was 0.8 percent for the quarter ended March 31, 2019 , compared to 1.2 percent in the prior-year quarter. The decrease in income from operations was driven by increased selling, general and administrative expenses of $1.1 million, partially offset by the increase in gross profit of $0.3 million (discussed above). The unfavorable change in selling, general and administrative expenses was driven by increased healthcare costs of $0.7 million and higher equity compensation of $0.7 million, partially offset by a favorable currency impact of $0.4 million.

***Net Loss and Diluted Net Loss Per Share***

We recorded a net loss of $(4.5) million , or $(0.20) per diluted share, in the first quarter of 2019 , compared to a net loss of $(3.0) million , or $(0.13) per diluted share, in the prior-year quarter. Net loss as a percentage of net sales was (2.6) percent in the first quarter of 2019 , compared to (1.6) percent in the prior-year quarter. The unfavorable change in net loss and diluted net loss per share is due to the factors discussed in Income From Operations above, a reduced benefit of $0.8 million in our benefit from income taxes and $0.5 million of additional interest expense. Partially offsetting the decrease was a $0.5 million favorable change in other income (expense) driven by foreign currency impacts. The Company's effective tax rate was 22.2 percent for the first quarter of 2019, compared to 41.3 percent in the prior-year quarter. The change in the effective tax rate was driven by differing levels of pretax income, nondeductible interest expense in the U.S., and the timing and mix of pretax income earned in tax jurisdictions with varying tax rates differing from that forecasted for the full year.

***Segment Earnings Before Interest and Income Taxes (Segment EBIT)***

The following table summarizes Segment EBIT [(1)] by operating segments:

| Three months ended March 31, (dollars in thousands) | 2019 | 2018 | $ Change | Segment EBIT Margin 2019 | Segment EBIT Margin 2018 |
|---|---|---|---|---|---|
| U.S. & Canada | $ 9,797 | $ 4,724 | $ 5,073 | 8.9 % | 4.4% |
| Latin America | $ 649 | $ 2,150 | $ (1,501) | 2.1 % | 6.3% |
| EMEA | $ (50) | $ 1,005 | $ (1,055) | (0.2)% | 3.1% |

*(1) Segment EBIT represents earnings before interest and taxes and excludes amounts related to certain items we consider not representative of ongoing operations as well as certain retained corporate costs and other allocations that are not considered by management when evaluating performance. Segment EBIT also includes an allocation of manufacturing costs for inventory produced at a Libbey facility that is located in a region other than the end market in which the inventory is sold. This allocation can fluctuate from year to year based on the relative demands for products produced in regions other than the end markets in which they are sold. See note 10 to the Condensed Consolidated Financial Statements for a reconciliation of Segment EBIT to net loss.*

***Segment EBIT — U.S. & Canada***

Segment EBIT was $9.8 million in the first quarter of 2019 , compared to $4.7 million in the first quarter of 2018 . Segment EBIT as a percentage of net sales increased to 8.9 percent for 2019, compared to 4.4 percent in 2018. The $5.1 million increase in Segment EBIT was driven by a favorable sales impact of $1.6 million, favorable manufacturing activity of $1.8 million (less downtime in the current year as prior-year had furnace rebuilds), lower benefit-related expenses of $0.9 million, a favorable non-repeating inventory reserve impact from 2018 of $0.7 million and reduced selling, general and administrative expenses of $0.9 million (resulting from less spend in marketing and legal and professional fees). Partially offsetting the favorable items was an increase in the shipping and storage costs of $1.1 million, primarily related to additional 3PL service costs on higher e-commerce sales.

***Segment EBIT — Latin America***

Segment EBIT decreased to $0.6 million in the first quarter of 2019 , from $2.2 million in the first quarter of 2018 . Segment EBIT as a percentage of net sales decreased to 2.1 percent for 2019, compared to 6.3 percent in 2018. The primary drivers of the $1.5 million decrease were unfavorable manufacturing activity of $1.3 million (including downtime of $1.2 million as a result of planned furnace rebuilds) and increased utility costs of $0.7 million, partially offset by lower depreciation and amortization expense of $0.9 million.

***Segment EBIT — EMEA***

Segment EBIT decreased to $(0.1) million in the first quarter of 2019 compared to $1.0 million in the first quarter of 2018 . Segment EBIT as a percentage of net sales decreased to (0.2) percent for 2019, from 3.1 percent in 2018. The majority of the $1.1 million decrease in Segment EBIT was driven by unfavorable manufacturing activity of $0.8 million.

***Adjusted EBITDA (non-GAAP)***

Adjusted EBITDA decreased by $2.2 million to $9.7 million in the first quarter of 2019 , compared to $11.9 million in the first quarter of 2018 . As a percentage of net sales, our Adjusted EBITDA margin was 5.6 percent for the first quarter of 2019 , compared to 6.6 percent in the year-ago quarter. The key contributors to the decrease in Adjusted EBITDA were higher shipping and storage costs of $1.6 million, increased benefit-related expenses of $1.0 million, unfavorable manufacturing activity of $0.7 million and higher utility costs of $0.7 million. This was partially offset by a $1.0 million favorable sales impact as well as a $1.0 million non-repeating inventory reserve that occurred in 2018. Adjusted EBITDA excludes special items that Libbey believes are not reflective of our core operating performance as noted below in the "Reconciliation of Net Loss to Adjusted EBITDA."

***Reconciliation of Net Loss to Adjusted EBITDA***

| | Three months ended March 31, | |
|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** |
| Net loss (U.S. GAAP) | $ (4,542) | $ (2,961) |
| Add: | | |
| Interest expense | 5,632 | 5,084 |
| Benefit from income taxes | (1,296) | (2,083) |
| Depreciation and amortization | 9,931 | 11,879 |
| Adjusted EBITDA (non-GAAP) | $ 9,725 | $ 11,919 |
| | | |
| Net sales | $ 174,966 | $ 181,913 |
| Net loss margin (U.S. GAAP) | (2.6)% | (1.6)% |
| Adjusted EBITDA margin (non-GAAP) | 5.6 % | 6.6 % |

***Non-GAAP Measures***

We sometimes refer to amounts, associated margins and other data derived from condensed consolidated financial information but not required by GAAP to be presented in financial statements. Certain of these data are considered "non-GAAP financial measures" under Securities and Exchange Commission (SEC) Regulation G. Our non-GAAP measures are used by analysts, investors and other interested parties to compare our performance with the performance of other companies that report similar non-GAAP measures. Libbey believes these non-GAAP measures provide meaningful supplemental information regarding financial performance by excluding certain expenses and benefits that may not be indicative of core business operating results. We believe the non-GAAP measures, when viewed in conjunction with U.S. GAAP results and the accompanying reconciliations, enhance the comparability of results against prior periods and allow for greater transparency of financial results and business outlook. In addition, we use non-GAAP data internally to assess performance and facilitate management's internal comparison of our financial performance to that of prior periods, as well as trend analysis for budgeting and planning purposes. The presentation of our non-GAAP measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. Furthermore, our non-GAAP measures may not be comparable to similarly titled measures reported by other companies and may have limitations as an analytical tool.

We define Adjusted EBITDA as net income (loss) plus interest expense, provision for income taxes, depreciation and amortization, and special items that Libbey believes are not reflective of our core operating performance. The most directly comparable U.S. GAAP financial measure is net income (loss).

We present Adjusted EBITDA because we believe it is used by analysts, investors and other interested parties in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core business operating results. Adjusted EBITDA also allows for a measure of comparability to other companies with different capital and legal structures, which accordingly may be subject to different interest rates and effective tax rates, and to companies that may incur different depreciation and amortization expenses or impairment charges. In addition, we use Adjusted EBITDA internally to measure profitability.

Adjusted EBITDA has limitations as an analytical tool. Some of these limitations are:

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements of capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP.

*Constant Currency*

We translate revenue and expense accounts in our non-U.S. operations at current average exchange rates during the year. References to "constant currency," "excluding currency impact" and "adjusted for currency" are considered non-GAAP measures. Constant currency references regarding net sales reflect a simple mathematical translation of local currency results using the comparable prior period's currency conversion rate. Constant currency references regarding Segment EBIT and Adjusted EBITDA comprise a simple mathematical translation of local currency results using the comparable prior period's currency conversion rate plus the transactional impact of changes in exchange rates from revenues, expenses and assets and liabilities that are denominated in a currency other than the functional currency. We believe this non-GAAP constant currency information provides valuable supplemental information regarding our core operating results, better identifies operating trends that may otherwise be masked or distorted by exchange rate changes and provides a higher degree of transparency of information used by management in its evaluation of our ongoing operations. These non-GAAP measures should be viewed in addition to, and not as an alternative to, the reported results prepared in accordance with GAAP. Our currency market risks include currency fluctuations relative to the U.S. dollar, Canadian dollar, Mexican peso, euro and RMB.

**Capital Resources and Liquidity**

Historically, cash flows generated from operations, cash on hand and our borrowing capacity under our ABL Facility have enabled us to meet our cash requirements, including capital expenditures and working capital requirements. Under the ABL Facility at March 31, 2019 , we had $45.0 million of outstanding borrowings and $8.6 million outstanding in letters of credit and other reserves, resulting in $46.4 million of unused availability. In addition, we had $15.0 million of cash on hand at March 31, 2019 , compared to $25.1 million of cash on hand at December 31, 2018 . Of our total cash on hand at March 31, 2019 , and December 31, 2018 , $12.5 million and $21.7 million, respectively, were held in foreign subsidiaries. We plan to indefinitely reinvest the excess of the amount for financial reporting over the tax basis of investments in our European and Mexican operations to support ongoing operations, capital expenditures, debt service, and continued growth plans outside the United States. All other earnings can be distributed as allowable under local laws. Our Chinese subsidiaries' cash balance was $6.5 million as of March 31, 2019 . We anticipate this cash balance to increase as we settle intercompany payables from affiliates. Local PRC law currently limits distribution of this cash as a dividend; however, additional amounts may become distributable based on future income. For further information regarding potential dividends from our non-U.S. subsidiaries, see note 7, Income Taxes, in our 2018 Annual Report on Form 10-K for the year ended December 31, 2018 .

Our sales and operating income tend to be stronger in the last three quarters of each year and weaker in the first quarter of each year, primarily due to the impact of consumer buying patterns and production activity. This seasonal pattern causes cash provided by operating activities to be higher in the second half of the year and lower during the first half of the year. Based on our operating plans and current forecast expectations, we anticipate that our level of cash on hand, cash flows from operations and borrowing capacity under our ABL Facility will provide sufficient cash availability to meet our ongoing liquidity needs.

***Balance Sheet and Cash Flows***

***Cash and Equivalents***

See the cash flow section below for a discussion of our cash balance.

***Trade Working Capital***

The following table presents our Trade Working Capital components:

| (dollars in thousands, except percentages and DSO, DIO, DPO and DWC) | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|---|---|---|
| Accounts receivable — net | $ 81,917 | $ 83,977 | $ 85,593 |
| *DSO* [(1)] | *37.8* | *38.4* | *39.5* |
| Inventories — net | $ 209,868 | $ 192,103 | $ 203,644 |
| *DIO* [(2)] | *96.9* | *87.9* | *94.0* |
| Accounts payable | $ 75,366 | $ 74,836 | $ 73,305 |
| *DPO* [(3)] | *34.8* | *34.2* | *33.8* |
| Trade Working Capital [(4)] (non-GAAP) | $ 216,419 | $ 201,244 | $ 215,932 |
| *DWC* [(5)] | *99.9* | *92.1* | *99.7* |
| *Percentage of net sales* | *27.4%* | *25.2%* | *27.3%* |

(1) *Days sales outstanding (DSO) measures the number of days it takes to turn receivables into cash.*

(2) *Days inventory outstanding (DIO) measures the number of days it takes to turn inventory into net sales.*

(3) *Days payable outstanding (DPO) measures the number of days it takes to pay the balances of our accounts payable.*

(4) *Trade Working Capital is defined as net accounts receivable plus net inventories less accounts payable. See below for further discussion as to the reasons we believe this non-GAAP financial measure is useful.*

(5) *Days working capital (DWC) measures the number of days it takes to turn our Trade Working Capital into cash.*

*DSO, DIO, DPO and DWC are calculated using the last twelve months' net sales as the denominator and are based on a 365-day year.*

*We believe that Trade Working Capital is important supplemental information for investors in evaluating liquidity in that it provides insight into the availability of net current resources to fund our ongoing operations. Trade Working Capital is a measure used by management in internal evaluations of cash availability and operational performance.*

*Trade Working Capital is used in conjunction with and in addition to results presented in accordance with U.S. GAAP. Trade Working Capital is neither intended to represent nor be an alternative to any measure of liquidity and operational performance recorded under U.S. GAAP. Trade Working Capital may not be comparable to similarly titled measures reported by other companies.*

Trade Working Capital (as defined above) was $216.4 million at March 31, 2019 , an increase of $15.2 million from December 31, 2018 . Our Trade Working Capital normally increases during the first quarter of the year due to the seasonality of our business. In particular, inventory normally increases to prepare for seasonally higher orders that typically exceed production levels in the later part of the year. Our increase in Trade Working Capital is primarily due to additional inventories resulting from seasonality, higher inventory levels to fulfill customer orders and new product introductions. Partially offsetting the higher inventories was a slight reduction in accounts receivable as well as an increase in accounts payable. As a result, Trade Working Capital as a percentage of the last twelve-month net sales was 27.4 percent at March 31, 2019 , 25.2 percent at December 31, 2018 , and 27.3 percent at March 31, 2018 .

***Borrowings***

The following table presents our total borrowings:

| (dollars in thousands) | Interest Rate | Maturity Date | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Borrowings under ABL Facility | floating [2] | December 7, 2022 [1] | $ 45,045 | $ 19,868 |
| Term Loan B | floating [3] | April 9, 2021 | 379,100 | 380,200 |
| Total borrowings | | | 424,145 | 400,068 |
| Less — unamortized discount and finance fees | | | 2,120 | 2,368 |
| Total borrowings — net [4] | | | $ 422,025 | $ 397,700 |

*(1) Maturity date will be January 9, 2021, if Term Loan B is not refinanced by this date.*
*(2) The interest rate for the ABL Facility is comprised of several different borrowings at various rates. The weighted average rate of all ABL Facility borrowings was 3.11 percent at March 31, 2019 .*
*(3) See "Derivatives" below and note 8 to the Condensed Consolidated Financial Statements.*
*(4) Total borrowings — net includes long-term debt due within one year and long-term debt as stated in our Condensed Consolidated Balance Sheets.*

We had total borrowings of $424.1 million and $400.1 million at March 31, 2019 , and December 31, 2018 , respectively. Contributing to the $24.1 million increase in borrowings was a $25.2 million increase in ABL borrowings, partially offset by a $1.1 million quarterly amortization payment under our Term Loan B.

Of our total borrowings, $204.1 million, or approximately 48.1 percent, were subject to variable interest rates at March 31, 2019 , as a result of converting $220.0 million of Term Loan B debt to a fixed rate using an interest rate swap. The swap is effective January 2016 through January 2020 and maintains a 4.85 percent fixed interest rate. We have executed additional swaps that convert $200.0 million of our debt from variable to fixed from January 2020 to January 2025. For further discussion on our interest rate swaps, see note 8 to the Condensed Consolidated Financial Statements. A change of one percentage point in such rates would result in a change in interest expense of approximately $2.0 million on an annual basis.

Included in interest expense are the amortization of discounts and other financing fees. These items amounted to $0.3 million for each of the three months ended March 31, 2019 and 2018 , respectively.

***Cash Flow***

| (dollars in thousands) | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Net cash used in operating activities | $ (23,905) | $ (13,144) |
| Net cash used in investing activities | $ (10,361) | $ (11,271) |
| Net cash provided by financing activities | $ 24,083 | $ 24,896 |

Our net cash used in operating activities was $23.9 million in the first three months of 2019 , compared to $13.1 million in the first three months of 2018 , an unfavorable cash flow impact of $10.8 million. Contributing to the decrease in cash flow from operations were higher incentive compensation payments, increased payments on previously accrued liabilities, higher pension/nonpension payments of $1.7 million and an unfavorable change in operating earnings. The impact of Trade Working Capital (accounts receivable, inventories and accounts payable) was insignificant.

Our net cash used in investing activities was $10.4 million and $11.3 million in the first three months of 2019 and 2018 , respectively, in each case representing capital expenditures.

Net cash provided by financing activities was $24.1 million in the first three months of 2019 , compared to $24.9 million in the year-ago period. The primary drivers of the $0.8 million change were a reduction in the net proceeds drawn on the ABL Facility of $4.7 million in the first three months of 2019, partially offset by 2018 payments that did not repeat in 2019 (dividends of $2.6 million and other debt repayments of $1.4 million).

***Free Cash Flow***

The following table presents key drivers to our non-GAAP Free Cash Flow for the periods presented:

| | Three months ended March 31, | |
|---|---|---|
| **(dollars in thousands)** | **2019** | **2018** |
| Net cash used in operating activities | $ (23,905) | $ (13,144) |
| Net cash used in investing activities | (10,361) | (11,271) |
| Free Cash Flow [(1)] (non-GAAP) | $ (34,266) | $ (24,415) |

*(1) We define Free Cash Flow as the sum of net cash used in operating activities and net cash used in investing activities. The most directly comparable U.S. GAAP financial measure is net cash provided by (used in) operating activities.*

*We believe that Free Cash Flow is important supplemental information for investors in evaluating cash flow performance in that it provides insight into the cash flow available to fund such things as debt service, acquisitions and other strategic investment opportunities. It is a measure we use to internally evaluate the overall liquidity of the business. Free Cash Flow does not represent residual cash flows available for discretionary expenditures due to our mandatory debt service requirements.*

*Free Cash Flow is used in conjunction with and in addition to results presented in accordance with U.S. GAAP. Free Cash Flow is neither intended to represent nor be an alternative to the measure of net cash provided by (used in) operating activities recorded under U.S. GAAP. Free Cash Flow may not be comparable to similarly titled measures reported by other companies.*

Our Free Cash Flow was $(34.3) million during the first three months of 2019 , compared to $(24.4) million in the the first three months of 2018 , an unfavorable change of $9.9 million. The primary contributors to this change are the same 1:1 relationship as the $10.8 million unfavorable cash flow impact from operating activities and the favorable change of $0.9 million in investing activities, as discussed above.

***Derivatives***

We use natural gas swap contracts related to forecasted future North American natural gas requirements. The objective of these commodity contracts is to limit the fluctuations in prices paid due to price movements in the underlying commodity. We consider our forecasted natural gas requirements in determining the quantity of natural gas to hedge. We combine the forecasts with historical observations to establish the percentage of forecast eligible to be hedged, typically ranging from 40 percent to 70 percent of our anticipated requirements, 18 months in the future, or more, depending on market conditions. The fair values of these instruments are determined from market quotes. At March 31, 2019 , we had commodity contracts for 3,130,000 MMBTUs of natural gas with a fair market value of a $0.1 million asset. We have hedged a portion of our forecasted transactions through December 2020. At December 31, 2018 , we had commodity forward contracts for 3,150,000 MMBTUs of natural gas with a fair market value of a $0.3 million asset. The counterparties for these derivatives are well established financial institutions rated BBB+ or better as of March 31, 2019 , by Standard & Poor's.

We have interest rate swap agreements in place to fix certain interest payments of our current and future floating rate Term Loan B debt. The first interest rate swap maintains a fixed interest rate of 4.85 percent , including the credit spread, on $220.0 million of our current Term Loan B debt and matures on January 9, 2020. Two additional interest rate swaps, with a combined notional amount of $200.0 million , become effective in January 2020, when the first swap matures. These two future swaps in essence extend the first swap, have a term of January 2020 to January 2025, and carry a fixed interest rate of 6.19%, including credit spread. Upon refinancing our Term Loan B, the fixed interest rate will be 3.19 percent plus the new refinanced credit spread. At March 31, 2019 , the Term Loan B debt held a floating interest rate of 5.49 percent. If the counterparties to the interest rate swap agreements were to fail to perform, the interest rate swaps would no longer provide the desired results. However, we do not anticipate nonperformance by the counterparties. The counterparties held a Standard & Poor's rating of BBB+ or better as of March 31, 2019 .

The fair market value of our interest rate swaps is based on the market standard methodology of netting the discounted expected future variable cash receipts and the discounted future fixed cash payments. The variable cash receipts are based on an expectation of future interest rates derived from observed market interest rate forward curves. The fair market value of the interest rate swap agreements was a $8.1 million liability at March 31, 2019 , and a $4.3 million liability at December 31, 2018 .

***Fixed Assets***

On February 18, 2019, the Board of Directors of Libbey approved a plan to pursue strategic alternatives with respect to our business in the PRC, including the sale or closure of our manufacturing and distribution facility located in Langfang, PRC. The Board’s decision supports our ongoing efforts to optimize our manufacturing and supply network to deliver customer value and achieve our strategic objectives, including deployment of our capital to better drive shareholder value.

As this decision by the Board of Directors may result in changes in our business plans or management's intentions regarding future utilization of the related assets, a calculation was performed in accordance with FASB ASC Topic 360, "Property Plant and Equipment" to determine if there was an indicator of impairment. The calculation considered all strategic alternatives that were being considered by management as of March 31, 2019 and the likelihood of each of the alternatives. The resulting calculation did not indicate an impairment as of March 31, 2019, as the combined probability weighted average of the cash flows associated with each alternative exceeded the carrying value of the assets. However, we will continue to monitor the alternatives being considered by management as changes in strategy or alternatives available may result in future impairment charges.

***Goodwill***

The results of our October 1, 2018 annual impairment test indicated the estimated fair values of all reporting units that have goodwill were in excess of their carrying values, with the Mexico reporting unit's excess fair value exceeding carrying value by approximately 15 percent. The reporting unit within the U.S. and Canada reporting segment, which consists of two aggregated components, had an estimated fair value over carrying value of greater than 50 percent.

As part of our on-going assessment of goodwill, at September 30, 2017, we determined a triggering event had occurred within our Mexico reporting unit (within the Latin America reporting segment). Accordingly, an interim impairment test was performed, indicating that the carrying value exceeded its fair value, and in accordance with ASU 2017-04, we recorded a non-cash impairment charge of $79.7 million during the third quarter of 2017.

As the non-cash impairment charge recorded at September 30, 2017 resulted in the fair value of the Mexico reporting unit equaling its carrying value, there was no further impairment as of October 1, 2017. The results of our review performed as of October 1, 2017 also did not indicate an impairment for our other reporting unit with goodwill.

With the estimated fair value of the Mexico reporting unit equaling its carrying value as of September 30, 2017, there continues to be the potential for future impairment for the remaining goodwill balance of $46.0 million should the discount rate increase or the challenging environment last longer or be deeper than expected and require us to further reduce our expected future operating results. Management considers several factors to be significant when estimating fair value including expected financial outlook of the business, changes in the Company's stock price, the impact of changing market conditions on financial performance and expected future cash flows, foreign currency impacts, the geopolitical environment and other factors. Deterioration in any of these factors may result in a lower fair value assessment, which could lead to impairment charges in the future. Specifically, actual results may vary from the Company's forecasts and such variations may be material and unfavorable, thereby triggering the need for future impairment tests where the conclusions could result in additional non-cash impairment charges. Due to the heightened level of risk, management performed a sensitivity analysis on the Mexico reporting unit's combined income and market approach fair value estimates that were calculated as of the October 1, 2018 testing date. Assuming all other factors remain constant, the estimated excess fair value over carrying value would be reduced to zero if internal or external factors were to result in an increase in the discount rate of approximately 200 basis points or a reduction of approximately 200 basis points in the long-term growth-rate assumption.

***Income Taxes***

The Company and its subsidiaries are subject to examination by various countries' tax authorities. These examinations may lead to proposed or assessed adjustments to our taxes. See note 5 , Income Taxes, to the Condensed Consolidated Financial Statements for a detailed discussion on tax contingencies.

***New Accounting Standards***

See note 2 of the Condensed Consolidated Financial Statements for a summary of the new accounting standards.

**Item 3. Qualitative and Quantitative Disclosures about Market Risk**

Not applicable.

**Item 4. Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (the "Exchange Act") reports are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

We implemented technology, processes and controls related to the global recording of ROU assets and lease liabilities in connection with the adoption of ASC 842, "Leases," as described in Notes 2 and 13 of the financial statements. Otherwise, there have been no changes in our controls over financial reporting during our most recent fiscal quarter that have materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

**PART II — OTHER INFORMATION**

This document and supporting schedules contain statements that are not historical facts and constitute projections, forecasts or forward-looking statements. These forward-looking statements reflect only our best assessment at this time, and may be identified by the use of words or phrases such as "anticipate," "target," "believe," "expect," "intend," "may," "planned," "potential," "should," "will," "would" or similar phrases. Such forward-looking statements involve risks and uncertainty; actual results may differ materially from such statements, and undue reliance should not be placed on such statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

**Item 1. Legal Proceedings**

The Company and its subsidiaries are subject to examination by various countries' tax authorities. These examinations may lead to proposed or assessed adjustments to our taxes. For a detailed discussion on tax contingencies, see note 5 , Income Taxes, to the Condensed Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report, which is incorporated herein by reference.

**Item 1A. Risk Factors**

Our risk factors are set forth in Part I, Item 1A. "Risk Factors" in our 2018 Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Issuer's Purchases of Equity Securities**

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1 to January 31, 2019 | — | $ — | — | 941,250 |
| February 1 to February 28, 2019 | — | $ — | — | 941,250 |
| March 1 to March 31, 2019 | — | $ — | — | 941,250 |
| Total | — | $ — | — | 941,250 |

**Item 6. Exhibits**

Exhibits: The exhibits listed in the below "Exhibit Index" are filed as part of this report.

**EXHIBIT INDEX**

| S-K Item 601 No. | Document |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Libbey Inc. (filed as Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993 and incorporated herein by reference). |
| 3.2 | Amended and Restated By-Laws of Libbey Inc. (filed as Exhibit 3.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference). |
| 3.3 | Certificate of Incorporation of Libbey Glass Inc. (filed as Exhibit 3.3 to Libbey Glass Inc.'s Form S-4 (Reg No. 333-139358) filed December 14, 2006, and incorporated herein by reference). |
| 3.4 | Amended and Restated By-Laws of Libbey Glass Inc. (filed as Exhibit 3.4 to Libbey Glass Inc.'s Form S-4 (Reg No. 333-139358) filed December 14, 2006, and incorporated herein by reference). |
| 10.1 | Executive Severance Compensation Policy dated as of March 1, 2019 (filed as Exhibit 10.1 to Libbey Inc.'s Current Report on Form 8-K filed on March 12, 2019 and incorporated herein by reference). |
| 10.2 | Form of Change in Control Agreement dated as of March 25, 2019 (filed as Exhibit 10.2 to Libbey Inc.'s Current Report on Form 8-K filed on March 12, 2019 and incorporated herein by reference) (as to Michael P. Bauer). |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein). |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) (filed herein). |
| 32.1 | Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (filed herein). |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

**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: May 1, 2019

by: /s/ James C. Burmeister

James C. Burmeister

Senior Vice President, Chief Financial Officer

**EXHIBIT 31.1**

**Certification of Chief Executive Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael P. Bauer, certify that:

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

Date: May 1, 2019

By: /s/ Michael P. Bauer

Michael P. Bauer
Chief Executive Officer

**EXHIBIT 31.2**

**Certification of Chief Financial Officer**

**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, James C. Burmeister, certify that:

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

Date: May 1, 2019

By: /s/ James C. Burmeister

James C. Burmeister

Senior Vice President, Chief Financial Officer

**EXHIBIT 32.1**

**Certification Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Libbey Inc. (the “Company”) hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: May 1, 2019

By: /s/ Michael P. Bauer
Michael P. Bauer
Chief Executive Officer

/s/ James C. Burmeister
James C. Burmeister
Senior Vice President, Chief Financial Officer