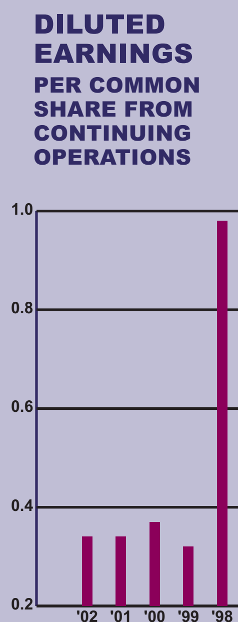
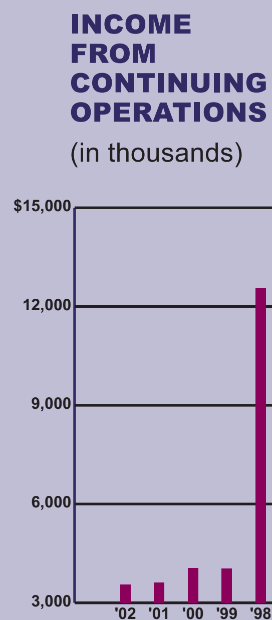
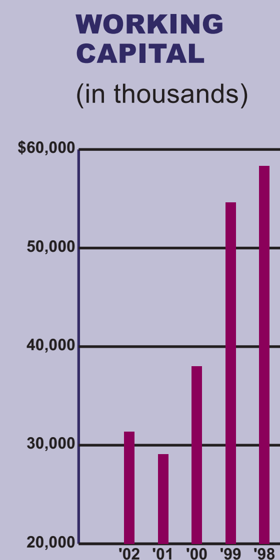
2002 ANNUAL REPORT
LIFETIME HOAN

FINANCIAL HIGHLIGHTS







(in thousands except per share data)

	Year Ended December 31				
	2002	2001	2000	1999	1998
Net sales	**$131,219**	$135,068	$121,124	$104,713	$116,746
Income from continuing operations	**$3,551**	$3,612	$4,064	$4,047	$12,558
Diluted earnings per common share from continuing operations	**$0.34**	$0.34	$0.37	$0.32	$0.98
Working capital	**31,384**	29,075	38,018	54,616	58,340

COMPANY PROFILE

Lifetime Hoan Corporation is a leading designer, marketer and distributor of household cutlery, kitchenware, cutting boards, pantryware and bakeware. The Company has built a consumer franchise by promoting and marketing products under a variety of trade names, including Hoffritz® and Farberware®*.

*Farberware is a registered trademark of Farberware Licensing Company, LLC.

DEAR FELLOW SHAREHOLDERS:

ºI am very pleased to report that 2002 was a year of significant achievement for Lifetime Hoan Corporation. After a disappointing start, due principally to problems in the startup of systems at our new distribution facility, the Company's progress accelerated rapidly during the following months, and we ended the year with the strongest fourth quarter in our history. I expect this acceleration to continue into 2003. Our success is driven by our continuing emphasis on introducing exciting and innovative new items across all of our product lines. Especially noteworthy in 2002 were the expansion of our line of KitchenAid® products, the launch of a new line of Cuisinart® cutlery and the formation of a new division that will introduce a line of wine, bar and hostess accessories in 2003, to be sold under the CasaModa™ brand.

To ensure that Lifetime Hoan can fulfill its commitment to be the industry leader in new product development, we have further expanded our product design and graphics staff. This will help us carry out our all-important strategy of bringing to market even more of the innovative designs and higher-end products for which our Company has become known.

KITCHENAID®

Our line of upscale KitchenAid® utensils, which we introduced in 2001, continues to grow in popularity. In 2002, we significantly increased placement of our KitchenAid® gadgets by expanding the number of new customers and new SKUs. Through an extension of our license with Whirlpool Corporation, we also introduced a new bakeware line under the KitchenAid® name.

Jeffrey Siegel

CUISINART®

We took another important step forward last year by securing an exclusive license agreement to produce and market high-end kitchen cutlery under the world-famous Cuisinart® brand. In 2003, we will continue the roll-out of these products, which include several innovative features that we are in the process of patenting. We anticipate strong placement in upper-end stores for our Cuisinart® products.

CASAMODA™ DIVISION

Our new CasaModa™ division will focus on the growing market for casual home entertainment, wine and bar accessories. We challenged our product development staff with the task of reinventing this category, and they responded quickly by developing a unique line of highly styled and well-priced products that have been very well received by the trade. We expect CasaModa™ rapidly to become an important part of our company.

This new line is also a natural extension for Lifetime Hoan Corporation, since we already distribute a broad selection of bar accessories under both the Hoffritz® and Farberware® brands.

NEW DISTRIBUTION CENTER

The completion of our move into our new Distribution Center, located in Robbinsville, New Jersey, was one of our most significant milestones in 2002. We began the complex process of designing, building and moving into the 550,000 square foot facility three years ago. Our goal was to consolidate operations from three separate warehouses into a single, more automated facility ideally suited to handle the types of products Lifetime Hoan Corporation distributes in the most efficient manner possible. The new distribution center allows us to meet our customers' demands for reduced order turnaround time by utilizing state-of-the-art conveyor and sortation systems and inventory tracking software.

Although the completion of the new distribution center and the de-bugging of the sophisticated computer systems that are integral to the optimal operation of the facility took longer than we had anticipated, they are now functioning smoothly. Today, virtually every movement of

product in our warehouse is directed by our new systems. During the fourth quarter of 2002 – our busiest season of the year – we were easily able to handle the higher shipping volume. In addition, during that quarter we began to realize some of the labor savings our investment was intended to produce. We expect these savings to be substantial in 2003.

SALE OF EUROPEAN OPERATIONS

In October, after carefully assessing the future potential of our European subsidiaries, Prestige Italiana, Spa. and Prestige Haushaltswaren GmbH, we decided to sell our 51% interest in these companies to a large European housewares distributor. The sale, for approximately $1.2 million in cash, generated a net loss of approximately $811,000. For financial reporting purposes, the results of operations for the Prestige companies and the loss on sale are reflected as discontinued operations in our income statement. The financial information for prior years, included in this report for comparative purposes, has also been adjusted accordingly.

STRATEGIC ALLIANCE

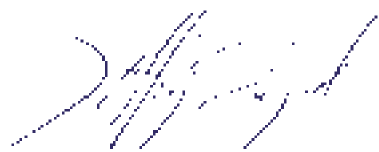
After divesting ourselves of the Prestige Companies, we entered into a strategic alliance with Fackelmann GmbH + Co. KG, the European-based manufacturer of household goods that had purchased Lifetime's interest. Our intentions were two-fold: to work with Fackelmann on marketing initiatives to global accounts and to share best marketing practices in order to maximize our businesses at the retail level. We expect the alliance with Fackelmann will open up many new areas of opportunity for Lifetime.

FINANCIAL RESULTS

For the twelve months ended December 31, 2002, Lifetime's net sales totaled $131.2 million, compared to $135.1 million in 2001. Income from continuing operations totaled $3.6 million, or $0.34 per diluted share, in both 2002 and 2001.
We ended 2002 with a strong balance sheet and over $78 million in stockholders equity. This is the equivalent of $7.41 per share in book value.

As we move into 2003, we are confident that Lifetime is moving in the right direction. We have many promising initiatives in place and a sizeable pipeline of innovative products that we believe will be exciting to both retailers and consumers.
In a difficult retail environment, such as the one that has prevailed over the past year, we have found that we can be most successful if we focus on higher value items and offer our customers exciting new products that are designed with great style. To that end, we have positioned ourselves to bring to market several entirely new product lines, including the CasaModa™ products I described earlier in this letter, and a new line of ceramic bakeware to be marketed under the Farberware® brand. We expect to begin shipping these products in the third quarter. Our Kamenstein® division, acquired in 2000, is also achieving improved placement and showing excellent potential.
I would like to thank our employees for their many contributions during the past year. I would also like to express my appreciation to those of you who have invested in Lifetime. With the transition to our new Distribution Center successfully completed and the sale of our European operations, we are significantly stronger and better positioned to take advantage of the many opportunities that lie ahead.

Sincerely,



Jeffrey Siegel

Chairman of the Board, President and Chief Executive Officer

GADGETS

Finding an elegant yet simple expression for a complex function is a hallmark of great design. The Company continues to redefine the world of gadgets with a stream of innovative and intuitive products that make life easier.

KitchenAid® Silicone Clean Sweep Spatula with unique triple edge action for total efficiency.

The mixer shape is a trademark of KitchenAid, U.S.A. ©2003.
All rights reserved. Used under license.

INNOVATIVE PRODUCT DESIGN AND BRAND MANAGEMENT

Lifetime Hoan Corporation continued to grow during 2002 by utilizing advanced design capabilities to emphasize innovation and quality within its portfolio of premium brands. The Company's in-house design and product development team, composed of 27 professionals, used advanced training in state-of-the-art design programs to incorporate new materials and technology into the Company's product assortments.

In 2002 the Company entered the deluxe end of the cutlery market with the introduction of three lines of Cuisinart® branded cutlery, all featuring a revolutionary handle design and the finest quality steel to ensure maximum cutting performance. The Company's line of KitchenAid® brand tools and gadgets continued to grow, and remains the finest line of kitchen tools and gadgets in the world. Two series of KitchenAid® metal bakeware were created using unique design and patentable features, as well as a full line of silicone bakeware in the full array of KitchenAid® colors. The Company unveiled new lines of Farberware® forged cutlery, providing great value in a premium grade product. The Roshco bakeware division expanded its ceramic offerings as well as adding new fondues, roasters, and specialty bakeware pieces. The addition of a new division, CasaModa, focused on the rapidly growing casual home entertainment, wine and bar accessories classification, will allow the Company to develop product lines that do not traditionally fall into the Company's other divisions.

KITCHENAID®

From the original lineup of 470 items that were introduced in 2001, over 80 new items were added this past year to Lifetime's premier brand of kitchen tools, kitchen gadgets and cutting boards. The initial roll out of KitchenAid® centered on creating a powerful assortment of tools and gadgets packaged to be displayed on wall space at retail. The focus for expanding the line in 2002 was in adding boxed, stand-alone items, expanding the gift set assortments at attractive price points, and by offering alternate merchandising techniques and fixtures away from the traditional gadget wall. The new KitchenAid® timer is a masterpiece of visual design and simplicity that combines the ease of use of a manual timer with the accuracy of a digital timer. The world's first line of silicone tools was expanded to include two new patent-pending spatulas; the "Clean-Sweep Spatula with Triple-Edge Action", which completely scrapes clean any surface with the use of three perfectly engineered silicone edges, and the "Cooking Turner Spatula", which performs the function of both a spatula and a turner. The Multi-Slicer (which has a convenient storage box that includes three interchangeable blades that julienne vegetables, slice apples and create french fries), combines great style along with ease and safety of use; the item is designed so that the consumer never need touch a sharp blade surface. The new Multi-Chopper allows the consumer to handle mincing and chopping tasks with the greatest ease, and like the Multi-Slicer, is designed to limit any exposure to sharp surfaces. Another introduction in the boxed gadget category is the Rotary Grater, complete with three interchangeable stainless steel cutting drums that allow the consumer to grate cheese, chocolate, and spices, and is elegant enough to bring to the dinner table. All three of these new boxed items are attractively priced and packaged and are available in the KitchenAid® color assortment. One of the most exciting new items, the silicone "Grabber", essentially replaces the need for a potholder. The consumer can stand it on the counter or the stovetop, where its unique design allows you to conveniently "grab" any hot

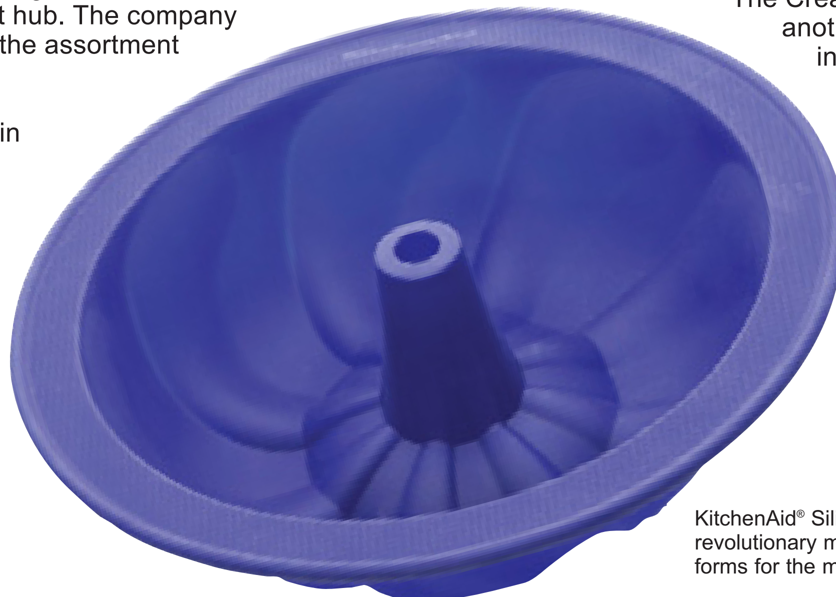
The KitchenAid® timer: an instant classic combining the ease of use of a manual timer with the accuracy of a digital timer.

cookware handle from the stovetop, or bakeware from the oven, or food containers out of the microwave. It is available in both regular and large sizes and in a variety of KitchenAid® colors.

The Company proudly introduced KitchenAid® Premium Barbecue Equipment in 2002, undoubtedly the finest line of barbecue tools in the market. The design is perfectly matched to the high end premium stainless steel barbecues that have become a staple of backyard entertaining. The design features rugged handles made of one inch steel tube and coated in a specially formulated heat and flame resistant epoxy colored in the famous KitchenAid® Imperial Grey. Some of the special items in the line include: a double turner that can hold fish, oversized steaks, or a few burgers at a time; a grill brush that features solid brass bristles designed at an angle to provide maximum performance; and stainless steel double-prong skewers that have twice the usual capacity and have moveable tabs that allow you to push the food off the skewer with ease. Every piece of the barbecue equipment uses the finest grade of stainless steel and features triple chrome plated zinc alloy castings for both beauty and strength. The line debuted with 9 open stock items and a 3-piece gift set and the Company is planning additional items for 2003.

The line of KitchenAid® cutting boards was expanded to include five sizes and shapes all available in 5 colors. The boards are highlighted with non-slip Santoprene sides that keep the board firmly in place even on the wettest countertop, and feature the famous signature KitchenAid® chrome plated cast hub. The company broadly expanded the assortment of sets and special combinations of KitchenAid® items in order to offer more variety for gift giving, holiday business, catalogues, and the ever-growing bridal registry business.

Another substantial expansion in the KitchenAid® brand in 2002 was in the bakeware division, with over 60 new items. The Company introduced two full lines of metal bakeware, as well as a revolutionary line of professional all-silicone bakeware, and a new "Create 'N Present" item that combines silicone and ceramic and effectively improves upon and replaces the traditional springform pan. One line of KitchenAid® metal bakeware features high quality .6mm gauge carbon steel, and the other line uses heavy duty 1.0mm gauge carbon steel (the heaviest gauge on the market). Both lines are designed with oversized rims for easy handling. Each line utilizes a durable non-stick coating, with the 1.0 gauge series covered by an exclusive mica-reinforced coating that is broiler-safe and over 25 times more scratch resistant than any other non-stick bakeware coating. Both lines feature the patent-pending "Slider" cookie sheet, available in three sizes, that allows the consumer to simply slide baked goods off the edge of the pan. The new KitchenAid® roaster with the patent-pending "floating rack" sets a new standard in roaster design. The heavy gauge roaster features the same durable coating as the premium line of bakeware, with cast aluminum handles, the KitchenAid® signature etched in a special cast plate on the side of the roaster, and the revolutionary "floating rack" that keeps the food above any cooking oils or grease that normally accumulate at the base of a roaster. The Create 'N Present, another patent-pending invention, eliminates the need for the traditional springform pan. It



KitchenAid® Silicone bakeware: revolutionary materials in traditional forms for the modern home enthusiast.

BAKEWARE

Whether you are a traditionalist, or a modernist, or both, Lifetime offers a full array of baking items in a variety of materials sure to satisfy the needs of anyone striving to make the "perfect" cake or dessert.

Two great innovations: the patent-pending KitchenAid® Slider™ Cookie Sheet being held by the high-heat resistant KitchenAid® Silicone Grabbers.

CUTLERY

Lifetime Hoan's commitment to using premium materials in offering the finest cutlery available is exemplified by state-of-the-art designs combined with ingenious storage solutions. Cutlery that works extraordinarily well and looks great in your home too.

A new standard of unparalleled quality and design in cutlery: the Cuisinart® Continental Steel Chef Knife.

combines a silicone ring that attaches to a ceramic platter that not only allows you to bake a cake, but you can ice, decorate, slice, and serve the cake without ever removing it from the ceramic platter. The silicone ring simply slides off and the cake is ready. The Company also introduced a great collection of all-silicone bakeware which has been a mainstay of professionals in commercial baking for many years. The KitchenAid® brand and color story, combined with the unique designs and the revolutionary carrying "sleds" (that aid in the handling of the largest silicone pieces), will allow the consumer to enjoy the quality baking results, ease of handling, and simple cleanup unique to this line of bakeware.

CUISINART®

The Company unveiled three spectacular lines of deluxe fine edge cutlery under the Cuisinart® brand in 2002. Two lines of the Continental Collection, one featuring a combination brushed stainless steel handle, and the other featuring nonslip DuPont Delrin handles were introduced. Both lines boast razor sharp, durable high carbon molybdenum steel blades with a remarkable Rockwell hardness of 56, a chromium content of 18% for the highest level of resistance to rust, stain, and corrosion, and ergonomically designed handles that are perfectly weighted for optimum balance, control, and performance. The soft oval-shaped handles feature the unique curved triple rivet design and fully exposed polished tang that is the visual signature of the line. The Ultra Edge Collection has the same design and style of the Continental Collection, but unlike its heftier European-influenced counterpart, the Ultra Edge Collection is engineered to be exceptionally light with precision taper ground ultra thin blades to offer the consumer the advantage of the best of Asian-inspired cutlery. Ultra Edge steel has the same quality and characteristics as the Continental line, and because the two lines visually complement each other, discriminating consumers can choose to mix the two lines to achieve the optimum collection of cutlery.

There are over 45 open stock items combined in all three lines, with each item offered in a unique, industry-first reusable storage case. The clear locking case is designed for safety and protection, and provides a beautiful way for retailers to display the knives at point-of-sale while simultaneously providing a way for the consumer to keep the knives safely stored at home in a kitchen drawer. All three lines also boast gift sets, as well as steak sets and carving sets, in exquisite wood presentation cases. There are also knife block sets in 6-piece, 8-piece, and 14-piece configurations in multiple price points, all featuring a specially-designed block with steel inserts that repeat the visual language of the handles. The blocks are all available in a unique gift box that has a cut-away corner to reveal the chef knife, is tamper-resistant to ensure security at store level, and mirrors the graphic design found in the packaging of Cuisinart® electrics and cookware for easy consumer identification and compatible in-store merchandising. The Company expects that the Cuisinart® block sets will be a staple of bridal registry, as well as being significant items for retailer's catalogues and during seasonal shopping periods. The Cuisinart® lines

Cuisinart® Knife Vault: a cutting edge storage solution combining ultimate safety with spectacular design.

represent real design innovations coupled with premium materials to produce what is truly world class cutlery.

The Company also began work on an industry first, the Cuisinart® Knife Vault, with U.S. and Global patents pending. The revolutionary locking design securely stores knives in an innovative storage vault that is visually compatible with the existing line of Cuisinart® kitchen electrics. The knife vault is designed to provide safety and peace of mind for the family by ensuring that it cannot be tampered with by a child. There is a safety device with a child-proof mechanism that releases to unlock the knives when you want to use them and locks them securely in place when not in use. The first offering of this amazing new item is an ultimate 18-piece set that includes the most indispensable knives from both the Continental and Ultra Edge Collections and will be available for the critical fourth quarter sales period. The Company is also working on both 10- and 14-piece versions of the Cuisinart® Knife Vault.

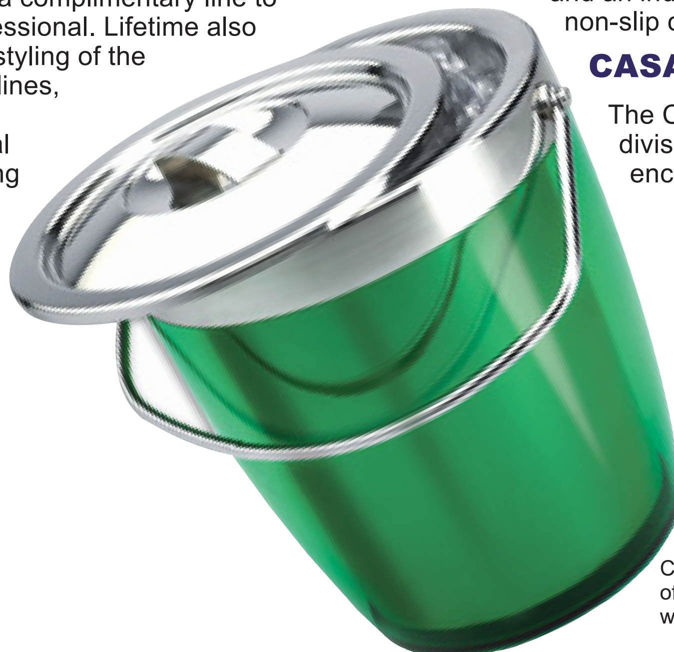
FARBERWARE®

The Company completed the largest redesign project in its history with the revision of the long established Farberware® Classic and Farberware® Professional series of tools and gadgets. The dramatic changes to the look of the handles, particularly in the Farberware® Professional series, created an upscale look while maintaining an affordable price point. The Company also completed work on a new collection of Farberware® Soft handle tools and gadgets that are both a stand-alone series and a complimentary line to Classic and Professional. Lifetime also completed the restyling of the packaging for all lines, creating a totally coordinated visual and merchandising presentation for retailers. In addition to the redesign, the Company added over 45 new items to the Farberware® tool and gadget lines.

Farberware® cutlery saw dramatic introductions and sales increases during 2002. The 200CX line of all-stainless steel knives took the market by storm and dominated the mid-to-upper priced cutlery market. The 200CX Stainless handle series features high carbon, 18/8 stainless steel blades that are precision taper ground for maximum cutting performance. The 200CX Contour line features non-slip handles with high-carbon, drop forged, heat tempered blades that provide an extremely sharp edge. Both series are available in a dramatic natural or black wood block with chrome wire stand and also feature beautiful gift sets in wood presentation boxes. The Company offered oversized 23-piece block sets in both Farberware® Pro Forged (with full tang, drop-forged, heat-tempered, superior high-carbon stainless steel blades) and Farberware® Pro Stainless (with 18/8 stainless steel satin-finish handles perfectly weighted for optimum balance, control, and professional performance). Other new items included the Eurostar series, available in both open stock and cutlery carousels, 6-piece cutlery/cutting board combos and cutlery sets in Farberware® Professional and Farberware® Pro Stainless, 15-piece and 21-piece block sets in Tristar, and steak and carving sets in pine storage cases in Farberware® Pro Forged. Also, the Company enjoyed a great response to its expanded line of polypropylene cutting boards with non-slip corners and an industry-first line of glass boards with non-slip corners.

CASAMODA™

The Company created a completely new division, CasaModa™, which will encompass barware, serveware, and



CasaModa™ barware: splashes of color to brighten entertaining with your family and friends.

BARWARE

New lines of spectacular and colorful barware add a level of fun to sophisticated entertaining. Contemporary designs that are perfect for enlivening indoor or outdoor get-togethers with family and friends.

Function, beauty, color and fun come together in the lively line of CasaModa™ barware accessories.

entertaining. CasaModa™ will allow the Company to enter many categories in casual home entertaining that do not easily fit into the existing divisions. The items are all designed to have unique characteristics, such as a one-touch opening ice bucket with lid, and a wine rack that has a one-touch opening side panel that houses everything you need to open and serve a bottle of wine. The first offerings will be a line of barware in six bright colors that will include an ice bucket, cocktail shaker and wine cooler. In the pipeline is a full array of hostess and serving items such as cheese boards, chip and dip sets, coasters, serving trays and drinkware, all using an interesting mix of wood, ceramic, marble, glass, and steel. This new division is certain to give the Company an entrance to many new classifications of trade, both for indoor and outdoor home entertaining.

KAMENSTEIN®

The Company introduced, and added to, a myriad of new pantryware products in the Kamenstein® division during 2002. Two new full collections of hardwood pantryware in both natural and black finishes ; a "Soho"-inspired collection combining light natural wood with sleek steel accents on a spice rack, napkin holder, paper towel holder, coaster set and trivet; the introduction of Scribe, a decorative assortment of wire items that includes spice and flatware caddies, as well as a revolving gadget and tool holder; an extensive assortment of wall-mounting and countertop spice racks using spice tubes and metal spice cans; an expansion of the successful Chromeworks group; the new Warren Kimble® "American As Apple Pie" series; two new Novelteas® tea kettles; two full collections (Fruit and Savannah) under the Cheri Blum® license; a new Debbie Mumm licensed pattern called Lavender Tea Garden; and three complete collections of Pfaltzgraff® branded pantryware; French Quarter™; Naturewood™, and Orleans. In all, over 100 new products were introduced in the Kamenstein® division during 2002.

The Company also introduced the "Love One Another" collection under the Precious Moments® license. There are 19 items in the opening assortment including book ends, storage chests, decorative shelves, calendar, letter holder, storage boxes, desk organizer, and message center. The line is geared toward children and young adults, as well as the Precious Moments® collector. This new grouping will allow the Company to enter into new retail channels of distribution, such as independent card and gift shops that carry the famous Precious Moments® figurines and collectibles, as well as offering the more traditional channels of trade a new collection to broaden their existing assortment.

ROSHCO®

The Roshco® division expanded its ceramic bakeware offerings, including large piece-count sets aimed at the gift and bridal markets. The fondue and roaster assortments were increased and these two volume-driver categories remained extremely strong during 2002. The division also introduced other exciting new products such as a glass-bottom springform pan, new shaped fluted cake pans, and copper cookie cutter sets.

Kamenstein® Soho Spice Rack: sleek, cool, contemporary design, in a perfect blend of form and function.

MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded under the symbol "LCUT" on The Nasdaq National Market ("Nasdaq") and has been since its initial public offering in June 1991. The Board of Directors of the Company has authorized a repurchase of up to 3,000,000 of its outstanding shares of common stock in the open market. Through December 31, 2002, a total of 2,128,000 shares of common stock had been repurchased and retired at a cost of approximately $15,235,000.

The following table sets forth the high and low sales prices for the Common Stock of the Company for the fiscal periods indicated as reported by Nasdaq.

	2002		2001	
	High	**Low**	High	Low
First Quarter	**$7.20**	**$5.70**	$7.50	$4.50
Second Quarter	**$7.21**	**$6.29**	$7.35	$4.03
Third Quarter	**$7.19**	**$4.26**	$7.70	$5.76
Fourth Quarter	**$5.55**	**$4.65**	$6.41	$5.01

At December 31, 2002, the Company estimates that there were approximately 700 beneficial holders of the Common Stock of the Company.

The Company is authorized to issue 2,000,000 shares of Series B Preferred Stock, none of which is outstanding.

The Company paid quarterly cash dividends of $0.0625 per share, or a total annual cash dividend of $0.25 per share, on its Common Stock in each of 2002 and 2001. The Board of Directors currently intends to continue to pay quarterly cash dividends of $0.0625 per share of Common Stock for the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividends at any time.

SELECTED FINANCIAL DATA

(in thousands except per share data)

	Year Ended December 31				
	2002	2001	2000	1999	1998
INCOME STATEMENT DATA:					
Net sales	**$131,219**	$135,068	$121,124	$104,713	$116,746
Cost of sales	**73,145**	75,626	70,189	56,905	60,507
Distribution expenses	**21,363**	21,186	15,752	14,775	12,050
Selling, general and administrative expenses	**29,815**	31,278	27,685	26,282	23,256
Income from operations	**6,896**	6,978	7,498	6,751	20,933
Interest expense	**1,004**	1,015	730	255	203
Other income, net	**(66)**	(98)	(82)	(294)	(200)
Income before income taxes	**5,958**	6,061	6,850	6,790	20,930
Income taxes	**2,407**	2,449	2,786	2,743	8,372
Income from continuing operations	**$3,551**	$3,612	$4,064	$4,047	$12,558
Basic earnings per common share from continuing operations	**$0.34**	$0.34	$0.37	$0.32	$1.00
Weighted average shares – basic	**10,516**	10,492	10,995	12,572	12,570
Diluted earnings per common share from continuing operations	**$0.34**	$0.34	$0.37	$0.32	$0.98
Weighted average shares – diluted	**10,541**	10,537	11,079	12,671	12,843
Cash dividends paid per common share	**$0.25**	$0.25	$0.25	$0.25	$0.25

	December 31,				
	2002	2001	2000	1999	1998
BALANCE SHEET DATA:					
Current assets	**$64,661**	$74,000	$72,092	$82,304	$72,265
Current liabilities	**33,277**	44,925	34,074	27,688	13,925
Working capital	**31,384**	29,075	38,018	54,616	58,340
Total assets	**111,586**	123,370	112,119	116,384	105,072
Borrowings	**14,200**	22,847	10,746	8,073	—
Stockholders' equity	**78,309**	78,061	77,517	87,808	91,147

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

GENERAL

The following discussion should be read in conjunction with the consolidated financial statements for the Company and notes thereto included elsewhere herein.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgements, including those related to inventories. Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Merchandise inventories, principally finished goods, are priced by the lower of cost (first-in, first-out basis) or market method. Reserves for excess or obsolete inventory reflected in the Company's consolidated balance sheets at December 31, 2002 and 2001 are determined to be adequate by the Company's management; however, there can be no assurance that these reserves will prove to be adequate over time to provide for ultimate losses in connection with the Company's inventory. The Company's management periodically reviews and analyzes inventory reserves based on a number of factors including, but not limited to, future product demand of items and estimated profitability of merchandise.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. In 2002, the Company completed its initial assessment, as of January 1, 2002, of the assets impacted by the adoption of SFAS No. 142, and its annual assessment as of December 31, 2002. Based upon such reviews, no impairment to the carrying value of goodwill was identified, and the Company ceased amortizing goodwill effective January 1, 2002.

The following table sets forth income statement data of the Company as a percentage of net sales for the periods indicated below.

	Year Ended December 31,		
	2002	2001	2000
Net sales	**100.0 %**	100.0 %	100.0 %
Cost of sales	**55.7**	56.0	57.9
Distribution expenses	**16.3**	15.7	13.0
Selling, general and administrative expenses	**22.7**	23.1	22.9
Income from operations	**5.3**	5.2	6.2
Interest expense	**0.8**	0.8	0.6
Other income, net	**-**	(0.1)	(0.1)
Income before income taxes	**4.5**	4.5	5.7
Income taxes	**1.8**	1.8	2.3
Income from continuing operations	**2.7 %**	2.7 %	3.4 %

2002 COMPARED TO 2001

Net Sales

Net sales in 2002 were $131.2 million, a decrease of approximately $3.8 million, or 2.8% lower than 2001. The lower sales volume was primarily the result of decreased sales in the Kamenstein® business due to lost sales to customers that were no longer in business in 2002 as compared to 2001 and a major fall promotion that did not perform as projected. Sales were also lower in the Company's traditional or core business as first quarter 2002 shipments were negatively impacted by issues related to the January 2002 startup of the Company's new automated warehouse in Robbinsville, New Jersey, offset by increased sales in the Company's Farberware® Outlet stores.

Cost of Sales

Cost of sales for 2002 was $73.1 million, a decrease of approximately $2.5 million, or 3.3% lower than 2001. Cost of sales as a percentage of net sales decreased to 55.7% in 2002 from 56.0% in 2001, due primarily to higher gross margins generated by the Company's Kamenstein® business, the result of better sourcing of products from suppliers and changes in product mix.

Distribution Expenses

Distribution expenses were $21.4 million for 2002 as compared to $21.2 million for 2001. These expenses included relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey warehouse amounting to $2.2 million in 2002 and $2.9 million in 2001. Excluding these moving related costs, distribution expenses were 4.9% higher in 2002 as compared to 2001 due to higher depreciation expense related to capital expenditures for the new automated warehouse system and related equipment and higher freight out costs, partially offset by lower payroll costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2002 were $29.8 million, a decrease of $1.5 million, or 4.7%, from 2001. The decrease in selling, general and administrative expenses is primarily attributable to less bad debt expense and decreased selling costs on lower sales volume.

2001 COMPARED TO 2000

Net Sales

Net sales in 2001 were $135.1 million, an increase of approximately $13.9 million, or 11.5% higher than 2000. The sales increase was primarily attributable to the M. Kamenstein, Inc. business, acquired in September 2000, which contributed $21.6 million to net sales during the full year in 2001 as compared to $7.6 million for the last four months in 2000.

Cost of Sales

Cost of sales for 2001 was $75.6 million, an increase of approximately $5.4 million, or 7.7% higher than 2000. Cost of sales as a percentage of net sales decreased to 56.0% from 57.9%. The increase in cost of sales was primarily the result of adding a full year of sales in 2001 for the M. Kamenstein, Inc. business acquired in September 2000 as compared to the last four months of 2000. The improvement in the cost of sales-to-sales relationship was attributed to higher cost of sales in 2000, which included the impact of a $4.0 million charge due to an inventory shortfall revealed during the 2000 year-end physical inventory.

Distribution Expenses

Distribution expenses were $21.2 million for 2001, or 34.5% higher than 2000. Distribution expenses in 2001 included $2.9 million of relocation charges and duplicate rent and other expenses associated with the Company's move into its new New Jersey warehouse. Excluding these moving related costs, distribution expenses in 2001 increased by $2.5 million, or 15.8% over 2000. The increased costs were primarily attributable to the added distribution expenses of the M. Kamenstein, Inc. business for an entire year in 2001 as compared to only four months in 2000 and higher fourth quarter warehouse operating expenses in the Company's traditional or core business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2001 were $31.3 million, an increase of $3.6 million, or 13.0% over 2000. The increase in selling, general and administrative expenses was primarily attributable to the added selling, general and administrative expenses of the M. Kamenstein, Inc. business for an entire year in 2001 as compared to only four months in 2000 and higher operational payroll and payroll related expenses for the year 2001 as compared to 2000.

Interest Expense

Interest expense for 2001 was $1.0 million, an increase of $285,000 from 2000. This increase was attributable to a higher level of borrowings throughout 2001 under the Company's lines of credit, offset in part by lower rates of interest in 2001.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2002, the Company had cash and cash equivalents of $62,000, a decrease of $5.0 million from the prior year, borrowings decreased from the prior year by $8.6 million to $14.2 million at December 31, 2002, working capital was $31.4 million, an increase of $2.3 million from December 31, 2001, and the current ratio was 1.94 to 1. The increase in working capital primarily resulted from an increase in merchandise inventories and a decrease in accounts payable and trade acceptances.

Cash provided by operating activities was approximately $6.8 million, primarily resulting from net income before depreciation, amortization, provisions for losses on accounts receivable and other non-cash charges, offset partially by net changes in other working capital items. Cash used in investing activities was approximately $822,000, which was primarily the result of the purchase of fixed assets offset by cash received from the disposal of the Prestige Companies. Cash used in financing activities was approximately $11.0 million, primarily resulting from the payment of short term borrowings and cash dividends paid.

Capital expenditures were $1.8 million in 2002 and $13.3 million in 2001. Approximately $11.4 million of the 2001 capital expenditures were for equipment and leasehold improvements for the Company's new warehouse facility in New Jersey. Total planned capital expenditures for 2003 are estimated at $2.0 million. These expenditures are expected to be funded from current operations, cash and cash equivalents and, if necessary, borrowings under the revolving credit agreement.

As of December 31, 2002, the Company's contractual obligations were as follows (in thousands of dollars):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating Leases	$41,740	$5,464	$6,883	$5,578	$23,815
Royalty License Agreements	5,779	1,547	3,557	675	—
Employment Agreements	3,025	950	2,075	—	—
Totals	$50,544	$7,961	$12,515	$6,253	$23,815

The Company has a $40 million three-year, secured, reducing revolving credit facility under an agreement (the "Agreement") with a group of banks. The Agreement is secured by all of the assets of the Company and reduces to $35 million at December 31, 2003 and through the maturity date. Under the terms of the Agreement, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based on either an alternate base rate, LIBOR rate, or a lender's cost of funds rate. As of December 31, 2002, the Company had $2.5 million of letters of credit and trade acceptances outstanding and $6,70014.2 million of borrowings under the Agreement and, as a result, the availability under the Agreement was $23.3 million. Interest rates on borrowings at December 31, 2002 ranged from 4.125% to 4.75%.

Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms. As of December 31, 2002, the Company had an aggregate of $2.1 million of accounts receivable outstanding in excess of 60 days or approximately 7.7% of gross receivables, and had inventory of $41.3 million.

The Company believes that its cash and cash equivalents plus internally generated funds and its credit arrangements will be sufficient to finance its operations for the next twelve months.

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuations. The Company negotiates all of its purchase orders with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuations in foreign currencies, the Company's cost for a purchase order is generally not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to compensate for any such price increase.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact the consolidated financial position, results of operations or cash flows of the Company. The Company is exposed to market risk associated with changes in interest rates. The Company's revolving credit facility bears interest at variable rates and, therefore, the Company is subject to increases and decreases in interest expense on its variable rate debt resulting from fluctuations in interest rates. There have been no changes in interest rates that would have a material impact on the consolidated financial position, results of operations or cash flows of the Company for the year ended December 31, 2002.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2002 and 2001.

(in thousands, except per share data)

	Three Months Ended			
	3/31	6/30	9/30	12/31
2002				
Net sales	**$24,188**	**$27,281**	**$32,235**	**$47,515**
Cost of sales	**13,126**	**14,462**	**17,612**	**27,945**
(Loss) income from continuing operations	**(1,080)**	**616**	**1,227**	**2,788**
Loss from discontinued operations, net of tax	**(117)**	**(227)**	**(151)**	**-**
Loss on disposal, net of tax benefit	**-**	**-**	**(534)**	**(277)**
Net (loss) income	**(1,197)**	**389**	**542**	**2,511**
Basic and diluted (loss) earnings per common share from continuing operations	**($0.10)**	**$0.06**	**$0.12**	**$0.26**
Basic and diluted loss per common share from discontinued operations	**($0.01)**	**($0.02)**	**($0.07)**	**($0.02)**
Basic and diluted (loss) earnings per common share	**($0.11)**	**$0.04**	**$0.05**	**$0.24**
2001				
Net sales	$28,623	$25,682	$34,381	$46,382
Cost of sales	15,723	14,131	19,101	26,671
Income from continuing operations	711	327	1,236	1,338
Loss from discontinued operations	(72)	(123)	(210)	(289)
Net income	639	204	1,026	1,049
Basic and diluted earnings per common share from continuing operations	$0.07	$0.03	$0.12	$0.13
Basic and diluted loss per common share from discontinued operations	($0.01)	($0.01)	($0.02)	($0.03)
Basic and diluted earnings per common share	$0.06	$0.02	$0.10	$0.10

The unaudited quarterly results of operations shown above have been adjusted to present the results of operations of the Prestige Companies (sold in September 2002) as discontinued operations.

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS
LIFETIME HOAN CORPORATION

We have audited the accompanying consolidated balance sheets of Lifetime Hoan Corporation as of December 31, 2002 and 2001 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lifetime Hoan Corporation at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note A to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill.

Ernst & Young LLP

Melville, New York
February 26, 2003

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31,	
ASSETS	**2002**	2001
CURRENT ASSETS		
Cash and cash equivalents	**$62**	$5,021
Accounts receivable, less allowances of $3,888 in 2002 and $3,649 in 2001	**19,143**	18,696
Merchandise inventories	**41,333**	39,681
Prepaid expenses	**1,603**	2,084
Deferred income taxes	**15**	148
Other current assets	**2,505**	2,411
Current assets of discontinued operations	**-**	5,959
TOTAL CURRENT ASSETS	**64,661**	74,000
PROPERTY AND EQUIPMENT, net	**20,850**	22,111
GOODWILL	**14,952**	14,952
OTHER INTANGIBLES, net	**9,000**	9,390
OTHER ASSETS	**2,123**	2,106
OTHER ASSETS OF DISCONTINUED OPERATIONS	-	811
TOTAL ASSETS	**$111,586**	$123,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	**$14,200**	$22,847
Accounts payable and trade acceptances	**2,720**	3,946
Accrued expenses	**13,894**	15,233
Income taxes payable	**2,463**	-
Current liabilities of discontinued operations	**-**	2,899
TOTAL CURRENT LIABILITIES	**33,277**	44,925
MINORITY INTEREST DISCONTINUED OPERATIONS	**-**	384
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 10,560,704 in 2002 and 10,491,101 in 2001	**106**	105
Paid-in capital	**61,405**	61,087
Retained earnings	**17,277**	17,660
Notes receivable for shares issued to stockholders	**(479)**	(486)
Accumulated other comprehensive loss	**-**	(305)
TOTAL STOCKHOLDERS' EQUITY	**78,309**	78,061
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$111,586**	$123,370

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands – except per share data)

	Year Ended December 31,		
	2002	2001	2000
Net Sales	**$131,219**	$135,068	$121,124
Cost of Sales	**73,145**	75,626	70,189
Distribution Expenses	**21,363**	21,186	15,752
Selling, General and Administrative Expenses	**29,815**	31,278	27,685
Income from Operations	**6,896**	6,978	7,498
Interest Expense	**1,004**	1,015	730
Other Income, net	**(66)**	(98)	(82)
Income Before Income Taxes	**5,958**	6,061	6,850
Income Taxes	**2,407**	2,449	2,786
Income from Continuing Operations	**3,551**	3,612	4,064
Discontinued Operations:			
Loss from Operations, net of tax	**(495)**	(694)	(630)
Loss on Disposal, net of income tax benefit of $225	**(811)**	-	-
Total Loss from Discontinued Operations	**(1,306)**	(694)	(630)
NET INCOME	**$2,245**	$2,918	$3,434
BASIC AND DILUTED INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	**$0.34**	$0.34	$0.37
LOSS PER COMMON SHARE FROM DISCONTINUED OPERATIONS	**($0.13)**	($0.06)	($0.06)
BASIC AND DILUTED EARNINGS PER COMMON SHARE	**$0.21**	$0.28	$0.31

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Notes Receivable From Stockholders	Deferred Compensation	Accumulated Other Comprehensive Loss	Total	Comprehensive Income
Balance at December 31, 1999	11,818	$118	$71,957	$16,671	($908)	($30)		$87,808	
Net income for 2000				3,434				3,434	$3,434
Exercise of stock options	15		74					74	
Repurchase and retirement of common stock	(1,331)	(13)	(10,876)					(10,889)	
Amortization of deferred compensation						16		16	
Foreign currency translation adjustment							($180)	(180)	(180)
Comprehensive income									$3,254
Cash dividends				(2,746)				(2,746)	
Balance at December 31, 2000	10,502	105	61,155	17,359	(908)	(14)	(180)	77,517	
Net income for 2001				2,918				2,918	$2,918
Exercise of stock options	4		20					20	
Repurchase and retirement of common stock	(15)		(88)					(88)	
Amortization of deferred compensation						14		14	
Reclass of notes receivable					422			422	
Foreign currency translation adjustment							(125)	(125)	(125)
Comprehensive income									$2,793
Cash dividends				(2,617)				(2,617)	
Balance at December 31, 2001	10,491	105	61,087	17,660	(486)	-	(305)	78,061	
Net income for 2002				**2,245**				**2,245**	**$2,245**
Exercise of stock options	**70**	**1**	**318**					**319**	
Repayment of notes receivable					**7**			**7**	
Foreign currency translation adjustment							**305**	**305**	**305**
Comprehensive income									**$2,550**
Cash dividends				**(2,628)**				**(2,628)**	
Balance at December 31, 2002	**10,561**	**$106**	**$61,405**	**$17,277**	**($479)**	**-**	**-**	**$78,309**	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2002	2001	2000
OPERATING ACTIVITIES			
Net income	**$2,245**	$2,918	$3,434
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on sale of discontinued operations	**811**	-	-
Depreciation and amortization	**3,457**	3,709	3,461
Deferred income taxes	**133**	722	387
Provision for losses on accounts receivable	**386**	1,396	1,077
Reserve for sales returns and allowances	**7,453**	6,513	5,859
Minority interest	**(476)**	(144)	(360)
Loss on sale of property and equipment	**-**	1,243	-
Changes in operating assets and liabilities, excluding the effects of the sale of the Prestige companies:			
Accounts receivable	**(6,880)**	(10,493)	500
Merchandise inventories	**1,022**	3,292	11,753
Prepaid expenses, other current assets and other assets	**1,853**	(70)	(2,797)
Accounts payable, trade acceptances and accrued expenses	**(5,654)**	(1,250)	(483)
Income taxes	**2,463**	-	(392)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**6,813**	7,836	22,439
INVESTING ACTIVITIES			
Purchases of property and equipment, net	**(1,807)**	(13,267)	(2,025)
Proceeds from sale of marketable securities	**-**	-	15
Proceeds from disposition of Prestige Companies	**985**	-	-
Acquisition of Roshco, Inc.	**-**	-	(1,043)
Acquisition of M. Kamenstein, Inc.	**-**	(164)	(125)
NET CASH USED IN INVESTING ACTIVITIES	**(822)**	(13,431)	(3,178)
FINANCING ACTIVITIES			
Repurchase of common stock	**-**	(88)	(10,889)
(Payments) proceeds of short term borrowings, net	**(8,647)**	12,101	(5,758)
Proceeds from the exercise of stock options	**318**	20	74
Repayment of Note Receivable	**7**	-	-
Cash dividends paid	**(2,628)**	(2,617)	(2,746)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(10,950)**	9,416	(19,319)
Effect of exchange rate on cash and cash equivalents	**-**	(125)	(180)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(4,959)**	3,696	(238)
Cash and cash equivalents at beginning of year	**5,021**	1,325	1,563
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$62**	$5,021	$1,325

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

Organization and Business: The accompanying consolidated financial statements include the accounts of Lifetime Hoan Corporation ("Lifetime") and its wholly-owned subsidiaries, Outlet Retail Stores, Inc. ("Outlets"), Roshco, Inc. ("Roshco") and M. Kamenstein® Corp. ("Kamenstein"), collectively, the "Company". Effective September 27, 2002, the Company sold its 51% owned and controlled subsidiaries, Prestige Italiana, Spa. ("Prestige Italy") and Prestige Haushaltswaren GmbH ("Prestige Germany" and together with Prestige Italy, the "Prestige Companies"). Accordingly, the Company has classified the Prestige Companies business as discontinued operations. Significant intercompany accounts and transactions have been eliminated in consolidation.

The Company is engaged in the design, marketing and distribution of household cutlery, kitchenware, cutting boards, pantryware and bakeware, marketing its products under a number of trade names, some of which are licensed. The Company sells its products primarily to retailers throughout the United States.

The Company also operates approximately 58 retail outlet stores in 24 states under the Farberware® name. Under an agreement with the Meyer Corporation, Meyer Corporation receives all revenue from sales of Farberware, cookware, occupies 50% of the space in each store and reimburses the Company for 50% of the operating expenses of the stores.

The significant accounting policies used in the preparation of the consolidated financial statements of the Company are as follows:

Revenue Recognition: Revenue is recognized upon the shipment of merchandise. Related freight-out costs are included in distribution expenses and amounted to $2.7 million, $2.3 million, and $2.2 million for 2002, 2001 and 2000, respectively.

Distribution Expenses: Distribution expenses primarily consist of warehousing expenses and handling costs of products sold. These expenses include relocation charges, duplicate rent and other costs associated with the Company's move into it's Robbinsville, New Jersey warehouse, amounting to $2.2 million in 2002 and $2.9 million in 2001.

Inventories: Merchandise inventories, principally finished goods, are priced by the lower of cost (first-in, first-out basis) or market method. Reserves for excess or obsolete inventory reflected in the Company's consolidated balance sheets at December 31, 2002 and 2001 are considered adequate by the Company's management; however, there can be no assurance that these reserves will prove to be adequate over time to provide for ultimate losses in connection with the Company's inventory.

Accounts Receivable: The Company is required to estimate the collectibility of its accounts receivable. A considerable amount of judgment is required in assessing the ultimate realization of these receivables including the current credit-worthiness of each customer. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial conditions of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Property and Equipment: Property and equipment is stated at cost. Property and equipment other than leasehold improvements is being depreciated by the straight-line method over the estimated useful lives of the assets. Building and improvements are being depreciated over 30 years and machinery, furniture, and equipment over 5 to 10 years. Leasehold improvements are depreciated over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

Cash Equivalents: The Company considers highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

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

Fair Value of Financial Instruments: The carrying amounts of the Company's financial instruments approximate their fair values because of the short-term nature of these items.

Goodwill and Other Intangible Assets: Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 141, "Business Combinations" and

SFAS No. 142, “Goodwill and Other Intangible Assets”. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. In 2002, the Company completed its initial assessment, as of January 1, 2002, of the assets impacted by the adoption of SFAS No. 142, and its annual assessment as of December 31, 2002. Based upon such reviews, no impairment to the carrying value of goodwill was identified, and the Company ceased amortizing goodwill effective January 1, 2002. Had this standard been applied for the year ended December 31, 2001, net income would have been increased by $343,000 and basic and diluted earnings per share would have been $0.31 and for the year ended December 31, 2000, net income would have been increased by $287,000 and basic and diluted earnings per share would have been $0.34.

Other intangibles consist of a royalty-free license, trademarks and brand names acquired pursuant to two acquisitions and are being amortized by the straight-line method over 30 years. Accumulated amortization at December 31, 2002 and 2001 was $2.7 million and $2.3 million, respectively. Amortization expense with respect to these intangible assets for each of five succeeding fiscal years is estimated to be $390,000.

Amortization expense for the years ended December 31, 2002, December 31, 2001 and December 31, 2000 was $390,000, $961,000 and $868,000, respectively.

Long-Lived Assets: Effective January 1, 2002, the Company adopted SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets (“SFAS No. 144”), which supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of.” The primary objectives of SFAS No. 144 are to develop one accounting model based on the framework established in SFAS No. 121 for long-lived assets to be disposed of by sale, and to address significant implementation issues. The adoption of this statement did not have an impact on the Company’s consolidated results of operations or financial position. The Company accounted for the disposal of the Prestige Companies in accordance with SFAS No. 144.

Income Taxes: Income taxes have been provided using the liability method.

Earnings Per Share: Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding of 10,516,000 in 2002, 10,492,000 in 2001 and 10,995,000 in 2000. Diluted earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding, including the dilutive effects of stock options, of 10,541,000 in 2002, 10,537,000 in 2001 and 11,079,000 in 2000.

New Accounting Pronouncements: In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations”, which addresses the financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated retirement costs. The Company has adopted SFAS No. 143 as of January 1, 2002. The adoption of SFAS No. 143 did not have a material impact on the Company’s consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities”. This pronouncement is effective for exit or disposal activities that are initiated after December 31, 2002, and requires these costs to be recognized when the liability is incurred and not at project initiation. The Company does not expect this statement to have a material impact on its consolidated financial statements.

Reclassifications: Certain 2001 and 2000 balances have been reclassified to conform with the 2002 presentation.

Accounting for Stock Option Plan: At December 31, 2002, the Company has a stock option plan, which is more fully described in Note D. The Company accounts for the plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market values of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" to stock-based employee compensation.

(in thousands, except per share data)

	Year ended December 31,		
	2002	2001	2000
Net income, as reported	**$2,245**	$2,918	$3,434
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(156)**	(188)	(210)
Proforma net income	**$2,089**	$2,730	$3,224
Earnings per share:			
Basic – as reported	**$0.21**	$0.28	$0.31
Basic – proforma	**$0.20**	$0.26	$0.29
Diluted – as reported	**$0.21**	$0.28	$0.31
Diluted – proforma	**$0.20**	$0.26	$0.29

NOTE B- ACQUISITIONS, DISPOSALS AND LICENSES

Kamenstein® Acquisition: In September 2000, the Company acquired certain assets and certain liabilities of M. Kamenstein, Inc. ("Kamenstein"), a privately-held 107-year old housewares company whose products include pantryware, teakettles, and home organization accessories. Kamenstein's revenues were approximately $21.0 million for the twelve month period ended August 31, 2000. In acquiring Kamenstein, the Company assumed bank debt and other indebtedness of approximately $10.0 million. The Company is obligated to make contingent payments in the future based on the annual gross profit achieved by the Kamenstein® business for a 3-year period. This acquisition was accounted for using the purchase method and accordingly the Company recorded goodwill of $6.1 million. Operations of the acquired entity have been included since the date of acquisition.

The table below reflects unaudited pro forma combined results of the Company as if the acquisition had taken place at the beginning of fiscal 2000. The pro forma financial information is not necessarily indicative of the operating results that may occur in the future or that would have occurred had the acquisition of Kamenstein® been affected on the dates indicated.

	2000
Net sales (in thousands)	$142,296
Net income (in thousands)	1,130
Basic earnings per common share	$0.10
Diluted earnings per common share	$0.10

Prestige Acquisition and Disposition: In September 1999, the Company acquired 51% of the capital stock and controlling interest in each of Prestige Italy and Prestige Germany. The Company paid approximately $1.3 million for its majority interests in the Prestige Companies. This acquisition was accounted for using the purchase method and the Company recorded goodwill of $586,000. Effective September 27, 2002, the Company sold its 51% controlling interest in Prestige Italiana, Spa and, together with its minority interest shareholder, caused Prestige Haushaltswaren GmbH (combined, "the Prestige Companies") to sell all of its receivables and inventory to a European housewares distributor. As a result the Company received approximately $1.0 million in cash on October 21, 2002. The sale resulted in a net loss of approximately $811,000 that includes the write-off of goodwill of approximately $540,000. Accordingly, the Company has classified the Prestige Companies business as discontinued operations. For 2000 and 2001, the Company has reclassified its financial statements to reflect the discontinued operations of the Prestige Companies. Net sales of the Prestige Companies included in loss from discontinued operations were $6.4 million, $8.5 million and $8.3 million for 2002, 2001 and 2000, respectively.

Cuisinart® License Agreement: On March 19, 2002, the Company entered into a licensing agreement with Conair Corporation. This agreement allows the Company to design, manufacture and market a wide variety of cutlery products under the Cuisinart® brand name. Shipments of products under the Cuisinart® name began in the fourth quarter of 2002.

KitchenAid® License Agreement: In October 2000, the Company entered into a licensing agreement with KitchenAid, a division of the Whirlpool Corporation. This agreement allows the Company to design, manufacture and market an extensive range of kitchen utensils, barbecue items and pantryware products under the KitchenAid® brand name. On January 1, 2002, the licensing agreement between the Company and KitchenAid, was amended, expanding the covered products to include bakeware and baking related products. Shipments of products under the agreement began in the second quarter of 2001.

NOTE C- CREDIT FACILITIES

On November 9, 2001, the Company entered into a $45 million three-year, secured, reducing revolving credit agreement (the "Agreement") with a group of banks and, in conjunction therewith, canceled its $40 million short-term line of credit. The Credit Facility reduced to $40 million at December 31, 2002 in accordance with the terms of the agreement and will further reduce to $35 million at December 31, 2003, and through the maturity date. The Credit Facility is secured by all of the assets of the Company and the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; and net worth maintenance. Borrowings under the Agreement have different interest rate options that are based upon either an alternate base rate, LIBOR, or a lender's cost of funds rate. As of December 31, 2002 and 2001, the Company had $2.5 million of letters of credit and trade acceptances outstanding and $6,70014.2 million and $20.0 million of borrowings under the Agreement, respectively, and, as a result, the availability under the Agreement at December 31, 2002 and 2001 was $23.3 million and $22.5 million, respectively. Interest rates on borrowings at December 31, 2002 ranged from 4.125% to 4.75%, while interest rates on borrowings at December 31, 2001 ranged from 3.875% to 3.9375%.

At September 30, 2002, the Company was in violation of the leverage ratio covenant. The Company obtained a waiver for the covenant

violation and, as of December 31, 2002, the Company was in compliance with all financial covenants.

In addition to the Agreement, the Prestige Companies had three lines of credit with three separate banks for a total available credit facility of $3.4 million. As of December 31, 2001, the Prestige Companies had borrowings of approximately $2.8 million against these three lines. Interest rates on these lines of credit at December 31, 2001 ranged from 5.85% to 8.25%.

The Company paid interest of approximately $1.0 million, $1.3 million and $913,000 during the years ended December 31, 2002, 2001 and 2000, respectively.

NOTE D- CAPITAL STOCK

Cash Dividends: The Company paid regular quarterly cash dividends of $0.0625 per share on its Common Stock, or a total annual cash dividend of $0.25 per share, in 2002, 2001 and 2000. The Board of Directors currently intends to maintain a quarterly cash dividend of $0.0625 per share of Common Stock for the foreseeable future, although the Board may in its discretion determine to modify or eliminate such dividend at any time.

Common Stock Repurchase and Retirement: In December 1999, the Board of Directors of the Company authorized the repurchase of up to 1,000,000 of the outstanding shares of Common Stock in the open market. In 2000, the Board of Directors increased the authorized amount of Common Stock that could be bought back from 1,000,000 shares to 3,000,000 shares. Through December 31, 2002, 2,128,000 shares were repurchased for approximately $15.2 million (none in 2002).

Preferred Stock: The Company is authorized to issue 2,000,000 shares of Series B Preferred Stock, none of which is outstanding.

Stock Option Plans: In June 2000, the stockholders of the Company approved the Long-Term Incentive Plan (the "Plan"), which replaced all other Company stock option plans, whereby options to purchase up to 1,750,000 shares of common stock may be granted to key employees of the Company, including directors and officers. The Plan authorizes the Board of Directors of the Company to issue incentive stock options as defined in Section 422A (b) of the Internal Revenue Code and stock options that do not conform to the requirements of that Section of the Code. Options expire over a range of ten years from the date of the grant and vest over a range of up to five years, from the date of grant.

As of December 31, 2002, approximately 725,000 shares were available for grant under the Company's stock option plans and all options granted through December 31, 2002 under the plan have exercise prices equal to the market value of the Company's stock on the date of grant.

The weighted average fair values of options granted during the years ended December 31, 2002, 2001 and 2000 were $0.16, $0.27 and $0.64, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 3.47%, 4.55% and 6.01% for 2002, 2001 and 2000, respectively; 4.33% dividend yield in 2002, 4.25% dividend yield in 2001 and 3.67% dividend yield in 2000; volatility factor of the expected market price of the Company's common stock of 0.06 in 2002, 0.07 in 2001 and 0.45 in 2000; and a weighted-average expected life of the options of 6.0, 4.7 and 5.0 years in 2002, 2001 and 2000, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2002		2001		2000	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance – Jan 1,	**1,031,830**	**$6.94**	1,245,335	$7.39	1,209,165	$7.49
Grants	**175,000**	**$6.30**	140,000	$5.68	109,500	$ 7.17
Exercised	**(94,153)**	**$5.00**	(3,971)	$5.00	(14,984)	$4.91
Canceled	**(193,386)**	**$7.09**	(349,534)	$8.16	(58,346)	$9.16
Balance–Dec 31,	**919,291**	**$6.98**	1,031,830	$6.94	1,245,335	$7.39

The following table summarizes information about employees' stock options outstanding at December 31, 2002:

Exercise Price	Options Outstanding	Options Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price – Options Outstanding	Weighted-Average Exercise Price– Options Exercisable
$4.14 - $5.51	260,770	170,020	7.7 years	$5.52	$5.51
$6.00 - $8.41	497,111	463,487	5.4 years	$6.62	$6.61
$8.64 - $10.87	161,410	156,410	2.2 years	$10.44	$10.47
	919,291	789,917	5.5 years	$6.98	$7.14

At December 31, 2001 and 2000, there were 680,858 and 865,239 options exercisable, respectively, at weighted-average exercise prices per share of $7.20 and $7.39, respectively.

In connection with the grant of certain options in prior years, the Company recorded, and amortized, deferred compensation. As of December 31, 2001, such deferred compensation had been fully amortized.

In connection with the exercise of options under a stock option plan which has since expired, the Company received cash of $255,968 and notes in the amount of $908,000 in 1985. The notes bear interest at 9% and are due no later than December 31, 2005. During 2001, a note from Milton L. Cohen, a director of the Company in the amount of $422,000 was canceled. During 2001, a new note was received from Milton L. Cohen in the amount of $855,000, which consolidated all amounts due to the Company.

NOTE E- INCOME TAXES

Pre-tax income from continuing operations for the years ended December 31, 2002, 2001 and 2000 was $6.0 million, $6.1 million and $6.9 million, respectively.

The provision for income taxes consists of (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Current:			
Federal	**$2,035**	$1,431	$1,918
State and local	**239**	296	481
Deferred	**133**	722	387
Income tax provision	**$2,407**	$2,449	$2,786

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets are as follows (in thousands):

	December 31,	
	2002	2001
Merchandise inventories	**$1,058**	$1,138
Accounts receivable allowances	**740**	496
Depreciation and amortization	**(1,783)**	(1,486)
Net deferred tax assets	**$15**	$148

While management believes that the Company's deferred tax asset will be realized based on its generation of taxable income in recent years and its future projected taxable income, the substantial restrictions on and time periods required to realize certain of the Company's NOL's made it appropriate to record a valuation allowance against a portion of those NOL's. A valuation allowance had been provided against all of the Company's foreign net operating loss carryforwards. Accordingly, the Company had provided a total valuation allowance $226,000 as of December 31, 2001.

The provision for income taxes differs from the amounts computed by applying the applicable federal statutory rates as follows (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Provision for Federal income taxes at the statutory rate	**$2,026**	$2,061	$2,329
Increases (decreases):			
State and local income taxes, net of Federal income tax benefit	**158**	195	318
Other	**223**	193	139
Provision for income taxes	**$2,407**	$2,449	$2,786

The Company received income tax refunds (net of payments) of approximately $328,000 and $218,000 during the years ended December 2002 and 2001, respectively. The Company paid income taxes of approximately $5.0 million during the year ended 2000.

NOTE F- COMMITMENTS

Operating Leases: The Company has lease agreements for its warehouses, showroom facilities, sales offices and outlet stores which expire through 2016. These leases provide for, among other matters, annual base rent escalations and additional rent for real estate taxes and other costs.

Future minimum payments under non cancelable operating leases are as follows (in thousands):

Year ended December 31:	
2003	$5,464
2004	3,742
2005	3,141
2006	2,752
2007	2,826
Thereafter	23,815
	$41,740

Under an agreement with Meyer Corporation regarding the operation of the Company's Farberware® retail outlet stores, the Company is reimbursed for use of floor space in its outlet stores. Meyer Corporation receives all revenue from sales of Farberware, cookware, currently occupies 50% of the space in each store and reimburses the Company for 50% of the operating expenses of the stores. In fiscal years 2001 and 2000, the Company and Meyer Corporation each occupied 40% of the space in the outlet stores, as Salton, Inc. was responsible for the other 20% of the space. In 2002, 2001 and 2000, Meyer Corporation reimbursed the Company approximately $1.7 million, $1.3 million and $1.5 million, respectively, for operating lease expense. Salton Inc. reimbursed in 2001 and 2000 approximately $668,000 and $731,000, respectively, for operating lease expense to the Company. Salton, Inc. terminated its agreement effective December 31, 2001.

Rental and related expenses under the operating leases were approximately $7.1 million, $7.6 million and $5.9 million for the years ended December 31, 2002, 2001 and 2000, respectively. Amounts for 2002, 2001 and 2000 are prior to the Meyer Corporation and Salton Inc. reimbursements described above.

Royalties: The Company has royalty licensing agreements that require payments of royalties on sales of licensed products which expire through December 31, 2007. Future minimum royalties payable under these agreements are as follows (in thousands):

Year ended December 31:	
2003	$1,547
2004	1,824
2005	1,733
2006	336
2007	339
Thereafter	-
	$5,779

Legal Proceedings: The Company is, from time to time, a party to litigation arising in the normal course of its business. The Company believes that there are currently no material legal proceedings the outcome of which would have a material adverse effect on the Company's consolidated financial position or results of operations.

Employment Agreements: Effective as of April 6, 2001, Mr. Jeffrey Siegel entered into a new employment agreement with the Company that provides that the Company will employ him as its President, Chief Executive Officer and Chairman of the Board for a term commencing on April 6, 2001, and continuing until April 6, 2006 and thereafter for additional consecutive one year periods unless terminated by either the Company or Mr. Siegel as provided in the agreement. The agreement provides for an annual salary of $700,000 with annual increments based on changes in the Consumer Price Index and for the payment to him of bonuses pursuant to the Company's Incentive Bonus Compensation Plan. The agreement also provides for, among other things, certain standard fringe benefit arrangements, such as disability benefits, insurance and an accountable expense allowance. The agreement further provides that if the Company is merged or otherwise consolidated with any other organization or substantially all of the assets of the Company are sold or control of the Company has changed (the transfer of 50% or more of the outstanding stock of the Company) which is followed by: (i) the termination of his employment agreement, other than for cause; (ii) the diminution of his duties or change in executive position; (iii) the diminution of his compensation (other than a general reduction to all employees); or (iv) the relocation of his principal place of employment to other than the New York Metropolitan Area, the Company would be obligated to pay to Mr. Siegel or

his estate the base salary required pursuant to the employment agreement for the balance of the term. The employment agreement also contains restrictive covenants preventing Mr. Siegel from competing with the Company for a period of five years from the earlier of the termination of Mr. Siegel's employment (other than a termination by the Company without cause) or the expiration of his employment agreement.

Incentive Bonus Compensation Plan: In April 1996, the Board of Directors adopted and in June 1996, the stockholders approved an incentive bonus compensation plan ("1996 Bonus Plan"). The 1996 Bonus Plan provided for the award of a bonus, with respect to each of the ten fiscal years of the Company beginning with the 1996 fiscal year, to each of the then President and the Executive Vice President of the Company. The bonus payable to each executive was an amount equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's stock option plans and extraordinary items. In June 2000, the stockholders of the Company approved the adoption of an incentive bonus compensation plan ("2000 Bonus Plan"), which provides for the award of a bonus, to designated Senior Executive Officers based on a predetermined financial performance measurement. For 2002 and 2001, the Chief Executive Officer was the only designated officer and for 2000, the then Chief Executive Officer and then President were both designated officers. In each year the amount of the bonus payment was equal to 3.5% of pretax income, before any provision for executive compensation, stock options exercised during the year under the Company's stock option plans, extraordinary items and non-recurring charges. During the years ended December 31, 2002, 2001 and 2000, the Company recorded annual compensation expense of approximately $323,000, $346,000, and $600,000, respectively, pursuant to the bonus plans.

In February 2001, the Board of Directors declared special bonuses for Milton L. Cohen and Jeffrey Siegel aggregating approximately $850,000 which were charged to operations for the year ended December 31, 2000.

In April 2001, the Company paid Mr. Milton L. Cohen a bonus of $178,500 for the period January 1, 2001 through April 6, 2001.

In March 2002, the Company awarded Mr. Jeffrey Siegel a special bonus of $129,600.

NOTE G- RELATED PARTY TRANSACTIONS

Effective April 6, 2001, Milton L. Cohen, then a director of the Company, and the Company entered into a 5-year consulting agreement with an annual fee of $440,800.

As of December 31, 2002 and December 31, 2001, Milton L. Cohen owed the Company approximately $579,000 and $739,000, respectively. Milton L. Cohen remits $48,404 quarterly, inclusive of interest and principal, and the loan matures on March 31, 2006. The loan due from Milton L. Cohen is included within other assets in the accompanying balance sheets.

As of December 31, 2002 and December 31, 2001, Jeffrey Siegel owed the Company approximately $439,000 and $659,000, respectively, which, for each year, included $344,000 of an outstanding loan related to the exercise of stock options under a stock option plan which has since expired. Approximately $95,000 and $315,000 of the amounts due from Jeffrey Siegel are included in other current assets in the accompanying balance sheets at December 31, 2002 and 2001, respectively.

As of December 31, 2002 and December 31, 2001, Craig Phillips, a vice president of the Company, owed the Company approximately $135,000 for an outstanding loan related to the exercise of stock options under a stock option plan which has since expired.

Notes receivable totaling $479,000 and $486,000 related to the exercise of stock options under a stock option plan which has since expired are included within total stockholders' equity in the accompanying balance sheets at December 31, 2002 and 2001, respectively.

On October 1, 2002 the Company entered into a consulting agreement with Ronald Shiftan, a director of the Company. The term of the consulting agreement is a period of one year commencing October 1, 2002, which automatically renews for additional one year periods unless either party terminates the agreement by providing written notice of such termination to the other party thereto at least thirty days prior to the expiration of the initial or additional term then in effect. The compensation to be paid to Mr. Shiftan under the consulting agreement is at a rate of $30,000 per month.

NOTE H- RETIREMENT PLAN

The Company maintains a defined contribution retirement plan ("the Plan") for eligible employees under Section 401(k) of the Internal Revenue Code. Participants can make voluntary contributions up to a maximum of 15% of their respective salaries. The Company made matching contributions to the Plan of approximately $220,000, $178,000 and $50,000 in 2002, 2001 and 2000, respectively.

NOTE I- CONCENTRATION OF CREDIT RISK

The Company maintains cash and cash equivalents with various financial institutions.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of entities comprising the Company's customer base and their dispersion across the United States. The Company's accounts receivable are not collateralized. The Company periodically reviews the status of its accounts receivable and, where considered necessary, establishes an allowance for doubtful accounts.

During the years ended December 31, 2002, 2001 and 2000, Wal-Mart Stores, Inc. accounted for approximately 20%, 18% and 12% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2002, 2001 and 2000.

NOTE J- OTHER

Property and Equipment:

Property and equipment consist of (in thousands):

	December 31,	
	2002	2001
Land	**$932**	$932
Building and improvements	**7,075**	6,963
Machinery, furniture and equipment	**23,823**	22,800
Leasehold improvements	**1,594**	1,687
	33,424	32,382
Less: accumulated depreciation	**12,574**	10,271
	$20,850	$22,111

Depreciation expense for the years ended December 31, 2002, 2001 and 2000 was $3.1 million, $2.7 million and $2.6 million, respectively.

Accrued Expenses:

Accrued expenses consist of (in thousands):

	December 31,	
	2002	2001
Commissions	**$683**	$715
Accrued customer allowances and rebates	**3,290**	4,029
Obligation to Meyer Corporation	**1,983**	2,681
Due to M. Kamenstein, Inc.	**-**	333
Officer and employee bonuses	**1,439**	1,340
Accrued health insurance	**756**	443
Accrued salaries, vacation and temporary labor billings	**1,562**	1,745
Other	**4,181**	3,947
	$13,894	$15,233

Sources of Supply: The Company sources its products from approximately 48 manufacturers located primarily in People's Republic of China, and to a smaller extent in the United States, Thailand, Malaysia, Indonesia, Taiwan, and Italy. A majority of its cutlery was purchased from three suppliers in 2002 who accounted for 58%, 20%, and 10% of the total purchases, respectively, and from five suppliers in 2001 who accounted for 28%, 21%, 14%, 11% and 10% of the total purchases, respectively. A majority of its pantryware was purchased from three suppliers in 2002 who accounted for 37%, 19% and 13%, respectively, of the total purchases and from four suppliers in 2001 who accounted for 23%, 19%, 17% and 16%, respectively. An interruption of supply from any of these manufacturers could have an adverse impact on the Company's ability to fill orders on a timely basis. However, the Company believes other manufacturers with whom the Company does business would be able to increase production to fulfill the Company's requirements.

Inventory: During the three-month period ended December 31, 2000, the Company recorded a charge relating to an inventory shortfall of approximately $4.0 million (which reduced earnings by $0.23 and $0.22 per basic and per diluted common share for the fourth quarter and for the year ended December 31, 2000, respectively) which is included in cost of goods sold.

BURGUNDY: PMS 8822

OFFICERS AND DIRECTORS

Jeffrey Siegel
Chairman of the Board,
President and Chief Executive Officer

Bruce Cohen
Executive Vice President
and a Director

Craig Phillips
Vice President, Secretary
and a Director

Robert McNally
Vice President, Treasurer and
Chief Financial Officer

Evan Miller
Executive Vice President

Robert Reichenbach
Executive Vice President

Ronald Shiftan
Director

Howard Bernstein
Director

Leonard Florence
Director

OFFICES

Corporate Headquarters

One Merrick Avenue
Westbury, NY 11590
(516) 683-6000

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12 Applegate Drive
Robbinsville, NJ 08691
(609) 208-1500

363 River Street
Winchendon, MA 01475
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CORPORATE INFORMATION

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New York, NY

Independent Auditors

Ernst & Young LLP
Melville, NY

Transfer Agent & Registrar

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New York, NY 10286

Form 10-K

Stockholders may obtain, without charge, a copy of the Company's annual report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission.
Request should be sent to:

Investor Relations
Lifetime Hoan Corporation
One Merrick Avenue
Westbury, NY 11590

Annual Meeting

The Annual Meeting of Shareholders will be held at 10:30AM Thursday, June 12, 2003 at the Corporate Headquarters.

LIFETIME HOAN CORPORATION
One Merrick Avenue, Westbury, New York 11590