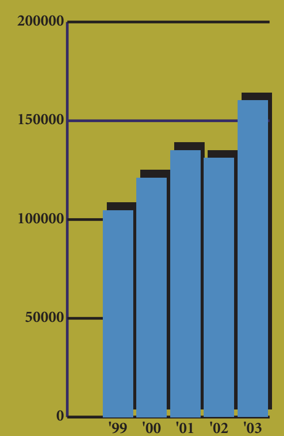
ANNUAL REPORT 2003

KITCHENAID®
FARBERWARE®
CUISINART®
HOFFRITZ®
KAMENSTEIN®
CASAMODA™
GEMCO®
:USE®

LIFETIME HOAN®

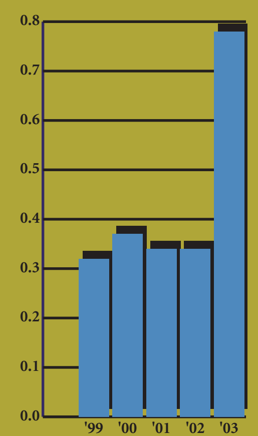
LIFETIME HOAN CORPORATION
One Merrick Avenue, Westbury, New York 11590

FINANCIAL HIGHLIGHTS

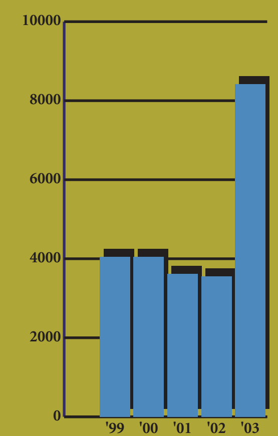


NET SALES

(in thousands)

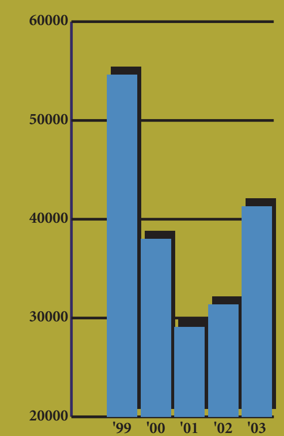


DILUTED EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS



INCOME FROM CONTINUING OPERATIONS

(in thousands)



WORKING CAPITAL

(in thousands)

(in thousands except per share data)

	Year Ended December 31				
	1999	2000	2001	2002	**2003**
Net sales	$104,713	$121,124	$135,068	$131,219	**$160,355**
Income from continuing operations	$4,047	$4,064	$3,612	$3,551	**$8,415**
Diluted earnings per common share from continuing operations	$0.32	$0.37	$0.34	$0.34	**$0.78**
Working capital	55,659	39,206	30,561	33,380	**41,310**

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®.

The "Santoku"...our Cuisinart Japanese Chef's Knife. "San" meaning "three" and "toku" meaning "good things", this all-purpose kitchen knife is the embodiment of Japanese tradition and modern cutlery design

Dear fellow shareholders:

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

2003 was a remarkable year for Lifetime Hoan Corporation. Despite a difficult retail market during the first half of the year, we grew net sales in 2003 by 22 percent and dramatically increased earnings. The strong improvement in sales and earnings was due to a powerful combination of exciting new products and significant additional placements. Our greatest growth came from our Kitchenware Division and our Bakeware and Serving Accessories Division, where our lines of KitchenAid® branded products were a particularly important sales driver.

The achievements of 2003 are a tribute to the powerful team we have assembled, as well as our reputation for innovation and design excellence – a reputation that sets Lifetime Hoan Corporation apart from our competitors. Our results also reflect the success of another very essential element of our strategy, the selective use of highly regarded brand names recognized by customers and consumers alike. These elements, combined with Lifetime's superior sourcing, another capability we have carefully cultivated over the past 35+ years, serve as the basis for a truly successful business model.

KitchenAid® Since we launched our line of KitchenAid® utensils and gadgets in 2001, it has gained strength every year, fulfilling our early prophecy that it would be the most successful product line introduction in Lifetime's history. The innovative designs, premium materials and superior craftsmanship were an instant hit with consumers and the line has continued to be a top performer. To capitalize on the exceptional demand, we have consistently expanded the assortment of products and we have been very successful in placing the new lines, even gaining placement in retailers where Lifetime was not previously a presence.

Reflecting this success, we were able to extend the term of our licensing agreement with Whirlpool Corporation, the parent of KitchenAid®, through 2007. In 2003, we also expanded the license for the second time, adding kitchen cutlery, knife storage blocks, knife sharpeners and wood cutting boards. We believe these new products will be a strong catalyst for growth in the coming years.

CasaModa™ Our newest division, CasaModa™, which we established in late 2002 to focus on the growing market for casual home entertainment, has quickly become an important part of the Company. CasaModa's strategy is to develop and offer product lines designed for all aspects of home entertaining – from bar accessories to a wide array of items for preparing and serving appetizers, the main course, and dessert. Among the most popular items in CasaModa's extensive product line-up in 2003 was the S'mores Maker™, a great new product for making the popular dessert.

When we introduced the S'mores Maker™ this past July, it immediately began to generate a tremendous amount of excitement among our retail customer base and consumers. We introduced several models with different shapes and materials and Lifetime received extensive consumer press on the S'mores Maker™, including being featured on several television shows. From its inception, the S'mores Maker™ was very popular as a gift item and sales were especially robust during the holiday season with excellent retail sell through.

Cuisinart® Our line of Cuisinart® branded cutlery built placement and gained strength throughout the year. We now have three lines of deluxe fine-edge cutlery, all of which feature revolutionary handle designs and the finest quality materials, reflecting Lifetime's longstanding tradition of excellence in this market. We have been using this very strong brand which is synonymous with quality to increase Lifetime's market share in higher priced cutlery. For 2004, we are expanding our use of this brand with the introduction of several new lines at slightly lower price points.

Kamenstein® The Kamenstein® division also showed excellent sales growth during 2003, validating the strategy we put in place in 2002 to gain additional placements through innovative products and packaging concepts. Among the products we have been developing is a unique new paper towel holder, known as the Perfect Tear®, which is engineered to prevent unwanted unraveling of paper towels. We have received a terrific response to this patent-pending item, which is available in several different models.

Another particular focus for our efforts has been the expansion of Kamenstein's spice racks and bottled spice business - an area we believe has tremendous potential for growth. Kamenstein®'s highly efficient, automated spice packing plant offers us a significant advantage over our competitors as we work to grow this business.

Acquisitions of :USE® and Gemco® During 2003, we completed two small but noteworthy acquisitions. The first occurred in October, when we acquired the business and certain assets of :USE® – Tools for Civilization®, a company focused on creating contemporary lifestyle products for the home, including decorative hardware, mirrors and lighting for the bath, and decorative window accessories. :USE® was founded in 1995 by the noted industrial designer Robert Sonneman, who has a long record of accomplishment in designing products for the home. The :USE® product line is currently available at selected upscale retailers such as The EXPO Design Center, independent specialty stores and through lighting and decorator showrooms.

Our acquisition of :USE® is especially exciting because it will enable Lifetime to expand our product line beyond the kitchen into other areas of the home. :USE®'s design-driven product strategy complements our own traditional strengths, while the technology needed to produce :USE®'s products is similar to that used for several of our lines,

Executive officers and directors:
(Left to right) Ronald Shiftan, Jeffrey Siegel
and Robert McNally

giving us the opportunity to leverage both companies' sourcing strength. We believe :USE® will open a whole new world for Lifetime as we gradually introduce extensions of these upscale products to Lifetime's traditional levels of trade.

In November 2003, we acquired the assets of Gemco Ware, a 55-year-old supplier of functional glassware products located in Hauppauge, New York. The Gemco name has long been associated with classic-style products for storing and dispensing food and condiments, including oil and vinegar cruets, sugar dispensers, pourers, and salt and pepper shakers. The acquisition opens up another new classification for our Company. Gemco has a well-established customer base and a great product line that we believe will help us expand Lifetime's business with our largest customers. By applying Lifetime's proven design capabilities, we also expect to greatly enhance Gemco's range of products. Our goal will be to quickly establish Gemco as the leading resource for innovative, functional glassware products.

Financial Results For the year ended December 31, 2003, Lifetime's net sales increased 22 percent, rising to $160.4 million from $131.2 million in 2002. Equally important, our operating profit margin improved to 9.1% of sales in 2003, up from 5.3% in the prior year. The majority of this improvement came from the expected benefit of labor savings generated by our state-of-the-art distribution center in Robbinsville, New Jersey. Income from continuing operations increased approximately137%, rising to $8.4 million, or $0.78 per diluted share, from $3.6 million, or $0.34 per diluted share, the previous year. As of December 31, 2003, stockholders' equity was $86 million, the equivalent of $7.94 in book value per share.

Growth in 2004 During 2004, we will again focus on all three essential components of our business model – branding, innovative products and sourcing. We expect 2004 to be another strong year due to the many extremely promising initiatives we have underway. First and most important, we have more exciting, innovative products coming to market this year than in any year in Lifetime's history. We believe these new products will excite both retailers and consumers, and in the process, generate even higher levels of sales for our company.

Our growing line of KitchenAid® products, now entering its third full year of sales, will again be an important sales driver, particularly as the KitchenAid® branded cutlery, knife storage blocks and sharpeners, and wood cutting boards come to market. The expansion of our CasaModa line will be another strong contributor this year. In addition to introducing several new models of the S'mores Maker™, including some lower priced models, we plan to bring to market an entirely new tabletop grill that will capitalize on consumers' growing interest in "low-carb" cooking. We have also developed several refreshing new concepts in ceramic bakeware, a market we believe has tremendous potential, and we will roll out exciting new lines of Farberware® branded kitchenware and cutlery sets. We will also add three new lines of Cuisinart® cutlery that, together with our new KitchenAid® cutlery, will give us a stronger presence in the upper-end markets. Our Kamenstein® division recently received organic certification from the FDA at our spice packing plant, which will enable us to begin selling organic spices in order to capitalize on consumers' interest in healthy eating.

In closing, I note that we are again expanding our product development staff in 2004. Lifetime increased the number of graphic and product designers to 33 professionals last year and we are now in the process of bringing on four additional professionals. This expansion will help us carry out our all-important brand strategy and bring to market even more of the innovative designs and high quality products for which Lifetime has become known. In addition, we recently added a Senior Vice President of Global Sourcing who will be based in Shanghai to help ensure that we achieve the most effective sourcing possible.

Finally, I want to thank all of the people who have supported the growth and success of our business in 2003. This includes our customers, our shareholders, and, above all, our employees, whose many contributions enabled Lifetime to achieve our outstanding results.

Sincerely,

Jeffrey Siegel

Chairman of the Board, President and Chief Executive Officer

Innovative product design and brand management

Lifetime Hoan Corporation's substantial growth during 2003 was fueled by the creation of over 600 innovative designs coupled with strong, respected, and well-known national brands. While the in-house Design and Product Development team grew to a staff of 33 professionals, the Company continued to invest in state-of-the art technology, both in hardware and software, assuring the opportunity to develop the finest quality and most innovative products in the marketplace. In addition to continually seeking out talented and dedicated designers, the Company has also invested in continuous Design staff training, ensuring the design team is knowledgeable about all updates and changes to current design programs. The Design group has also taken the level of concept presentation to potential customers to world-class levels by becoming expert in the most advanced 3-D programs available. In 2003, the Company had a remarkable success with the patented S'mores Maker™, taking a traditional family treat and creating an entirely new category of home entertainment for the housewares industry. There were a variety of S'mores Makers™ developed and offered under three of the Company's brands (CasaModa, Hoffritz®, and Roshco®), and all were huge successes with retailers. Further capitalizing on the home entertaining trend, the Company developed a line of "candlelight" serveware; ceramic serving dishes on attractive stands that have candlewarmers that keep food hot for buffet serving and parties. The Company also created an extensive line of other buffet items using a mix of ceramic and decorative wire. The CasaModa division introduced a full line of beautiful barware in a wide array of colors, and expanded at the end of the year with matching home entertaining and serving pieces. The revolutionary and patented KitchenAid® Roaster with Floating Rack spearheaded an expansion of the KitchenAid® lines of metal bakeware, while the KitchenAid® series of silicone bakeware was a huge success as well. The Kamenstein® division unveiled a spectacular new collection of spice racks, as well as the patented "Perfect-Tear" paper towel holder, a truly unique invention that has taken the market by storm. The Cutlery division expanded its three lines of Cuisinart® knives to include gift sets and specialty cutlery items, along with Farberware® lines of forged cutlery, bamboo cutting boards and color-tinted glass boards. Farberware® Commercial Tools & Gadgets were

The patented S'mores Maker™...getting family and friends to "gather round" at home to enjoy the revival of an American campfire treat.

The world's best kitchen equipment...quality, style, and superior performance all merge in this line of premium KitchenAid® cast metal alloy gadgets.

introduced, reaching a new level of quality and design for the legendary Farberware® brand. And the Company's signature, the KitchenAid® line of tools and gadgets, was expanded to three complete lines. The KitchenAid® groupings continued to be a remarkable success story with retailers and consumers, and were sales leaders at every account.

KITCHENAID® With the introduction of over 150 new items the remarkable success story of the KitchenAid® brand continued during 2003, helping the Company reach unparalleled sales and distribution across all channels of trade. The major areas of emphasis were: three completely new full lines of tools and gadgets in the KitchenAid® Cook's Series for alternate levels of retail trade; expanding the boxed food preparation category in the Professional Series of culinary tools and gadgets; the extension of the Company's line of patented silicone cooking items; a new line of high temperature resistant nylon tools; an extended assortment of gift and bridal sets; a broadened offering of cutting boards; and innovative bakeware items, such as the patented KitchenAid® Roaster with Floating Rack, and silicone bakeware with unique "sled" holders. The Company also extended it's KitchenAid® license to include cutlery, wood cutting boards, and knife sharpeners, with product launches due in the second quarter of 2004.

The KitchenAid® Cook's Series allowed the Company to market this premium brand of kitchenware into avenues of retail where the Professional Series is not distributed. The Company not only met the challenge of designing three new lines of KitchenAid® tools and gadgets while maintaining the high quality standards that are required, but actually exceeded the challenge. The Cook's Series carries the core visual design elements of the original Professional Series, and easily surpasses any similarly-priced competitive brands for quality of materials, aesthetics, breadth of assortment, performance, and most importantly value. The sales of the Cook's Series have been remarkable, not only in the basic assortment of traditional key items, but also in many of the specialty items such as the rotary grater, heavy duty winged corkscrew, digital timer, and food chopper. For 2004, the lines will be doubled in size, and will include new items such as: an egg and mushroom slicer; adjustable cheese slicer; citrus juicer; pasta scoop colander; full-sized 5-quart colander; pancake turner; omelet turner; all-purpose kitchen shears; bag clips; silicone basting brush; and an entire series of stainless steel kitchen tools.

The original signature KitchenAid® Professional Series continued its great sales performance that began in 2001. The line has become a modern classic of design and the standard of quality in the industry by virtue of its unique look, use of only the most premium materials and the highest manufacturing standards. In 2003, the Company expanded the assortment of the world's first silicone tools, developed a new series of high temperature nylon tools using the instantly recognizable KitchenAid® "hub" handle, introduced over 30 new gift and bridal sets, new items such as a heavy-duty juicer and meat tenderizer in the assortment of triple-chrome-plated zinc alloy gadgets, and a silicone trivet in the complete array of KitchenAid® colors. Also debuting in 2003 was the group of retail counter display units that featured many of the top selling KitchenAid® gadgets. These "CDU's" were extremely effective at getting items such as the patented Silicone Grabber and the patented Triple-Edge Silicone Spatula at register bases in stores, thus increasing business from heightened visibility and "impulse" sales.

As the Professional Series experienced great success and the retailers expanded their assortments to fully include many of the items that had been developed at the end of 2002, the Company took that opportunity this year to invest a great amount of time developing new items for early 2004. The intense design work and planning in 2003 will yield a bumper crop of additional great new items for 2004 to include: a salad spinner, mandoline slicer, 2 complete series of sinkware accessories, kitchen brushes, and accessories; a Santoprene handle, heavy-duty, all-purpose kitchen shear; cheese and food mill; specialty vegetable peelers; gravy separator; rolling pin with silicone handles; 2 sizes of wall racks; silicone health steamer; mixing bowls; kitchen prep bowls; full-sized colander with soft-grip handles; stainless steel bag clip; cookie press; cake decorating set, and a new, industry first, exciting line of silicone handle tools and gadgets.

KitchenAid® bakeware continued to set the industry standard for quality and design. Now encompassing over 80 items, 2 lines of metal bakeware and a full series of silicone bakeware, KitchenAid® has quickly become a complete source of bakeware for retailers and consumers. The Professional Series features 1.0mm thick carbon steel covered in a unique ceramic-reinforced non-stick coating that makes the bakeware impervious to scratching. The edges are all rolled and extra large to allow for a sure grip and easy handling. The Cook's Series, with a lighter .6mm thick carbon steel substrate (equivalent to the "best" of other brands), also features a heavy-duty, non-stick, dishwasher safe coating. Of particular note are a couple of patented items that have become signature pieces in the metal lines. The KitchenAid® Roaster with Floating Rack, available in both lines, was a finalist in the prestigious, inaugural Housewares Design Awards Competition, held at the legendary Gotham Hall in Manhattan. The ingenious design affords healthier cooking by having the food "float" above the grease and oils that accumulate at the base of a roasting pan. The "Slider" cookie sheet, available in 3 sizes in each of the 2 lines, makes it simple to slide the cookies off the front edge of the sheet without the use of a spatula or turner. The Company will be debuting insulated aluminum versions of the Sliders, a springform pan with a silicone latching mechanism, a patented lasagna pan with a removable silicone liner, a cookie press with 16 attachments and storage container, a cake decorating set, cookie

The KitchenAid® heat-resistant silicone muffin pan. Cleanup is a breeze, and transporting the pan to and from the oven is effortless with the unique "carrying sled".

Bamboo cutting and serving boards...using an ecologically friendly and renewable resource to produce boards stronger than maple, yet exquisite in texture, pattern, and color.

cutter sets in collectible storage tins, and stackable cooling racks, all as extensions to both series of KitchenAid® metal bakeware.

The KitchenAid® line of silicone bakeware was a runaway success in 2003. Available in both the famous KitchenAid® red and blue, the line features all of the traditional bakeware shapes in silicone as well as some exclusive specialty pans. The high heat resistance, ease of release, simplicity of cleanup and storage, light weight, burst of color, and most of all the KitchenAid® brand as the "stamp of approval", all contributed to the acceptance of this radical material by retailers and consumers. The unique carrying "sleds" on the oversized pieces, such as the 24-cup muffin pan and the 6-in-one loaf pan, were the best selling items. Line extensions will include 3 sizes of silicone pastry mats that also double as liners for the base of the oven and for metal bake pans, plus a huge assortment of traditional, specialty, novelty, and holiday baking molds. The Company also had success introducing individual silicone items within metal bakeware sets. This "try-me" approach led to the subsequent purchase of additional silicone items by consumers.

The Company introduced the extra-thick, 15-inch KitchenAid® baking stone, perfect for rolls, bread, and pizza. The stone comes with a beautiful 8mm thick polished wire serving rack, solid wood pizza paddle, and the Professional Series KitchenAid® Large Pizza Wheel. The Company has also completed the designs for the debut of an entire line of over 20 items of KitchenAid® ceramic bakeware and serveware.

KitchenAid® cutting boards continued to be the standard bearer for quality and design, featuring extra-thick polyethylene with double-injected non-skid Santoprene ends that keep the board from slipping on a wet countertop. The boards are now available in any of the classic KitchenAid® colors, in 6 sizes and 3 designs, in open stock and sets.

"Candlelight" serveware...classic ceramic designs on chromed wire stands with warming candles. Perfect for buffet style serving, as well as those romantic dinners at home.

The Company is proud to announce that KitchenAid® cutlery, wood cutting boards, and knife sharpeners have been added to its KitchenAid® licensing agreement. Design work has been completed, the industry reaction has been overwhelming, and the Company expects to have another major success with this additional business opportunity under the KitchenAid® brand.

CUISINART® The Company expanded its three lines of Cuisinart® Continental and Ultra Edge cutlery to include over 60 open stock items, featuring a reusable, hinged, see-through storage case that both protects the knife from damage and provides safety to the consumer. In addition to the core assortment of key items, the lines feature specialty items such as a cheese knife with unique serrations, small vegetable cleaver, specialty vegetable utility knife, and the incredibly popular Santoku, the Asian-inspired Chef's knife. Each of the lines now feature 6-piece, 8-piece, and 14-piece block sets (in both natural color and black color hardwood), all at popular price points between $99.99 and $199.99 that are dramatically lower than the competition's. There are now 16 gift sets available, including steak knife sets and carving sets in stunning wood presentation boxes. The Company also unveiled a radical new design for a molded block that combines a sculptured stainless steel panel wrapped around a curved polypropylene body. The molded block is available in a multitude of colors that all match the current assortment of Cuisinart® kitchen electrics, providing a coordinated look to the kitchen countertop.

Cuisinart® cutlery is produced to the highest standard of any cutlery in the world today. All of the lines feature high carbon molybdenum steel blades with a Rockwell hardness of 56, which is well above the industry standard for cutlery. This level of hardness protects the blades from chipping and also requires less frequent sharpening on the part of the consumer. The chromium content of the steel is 18%, which is the highest percentage of any kitchen knife in the world and protects the steel from rust, stain, and corrosion. The ergonomic handles are made from the finest stainless steel and are perfectly weighted for optimum balance and control. There is also a version of the handle offered in non-slip DuPont Delrin. The blades are precision taper ground to a remarkable .4mm edge, offering an incredibly sharp knife that will also hold up to the most strenuous conditions.

Based on the strong design and success of the initial offerings of Cuisinart® cutlery, the Company was awarded the license for Cuisinart® cutting boards. The Company began work on unique concepts in bamboo, hardwood, and polypropylene with non-slip Santoprene, all using high polished chromed wire handles and accents, and the lines will debut in 2004. The highly engineered and patented Knife Vault will debut in 2004 as well, featuring the world's first child-proof countertop safety knife block. Housed inside a steel body that reflects the countertop design of Cuisinart® electrics, the vault contains a full set of Cuisinart® cutlery (virtually every knife that is needed in a kitchen), and will take the worry out of leaving cutlery on a kitchen counter for anyone with children in the home. The Company also completed designs for two new series of Cuisinart® cutlery at lower price points, which will help broaden the presence of the brand at more retail accounts. These new designs will begin to ship in the second quarter of 2004.

FARBERWARE® During 2003, the Farberware® brand continued to go upscale while broadening assortments and classifications in many divisions of the Company. The introduction of Farberware® Commercial kitchenware was a great success, featuring double-injection molded silicone-over-steel kitchen tools, triple-chrome-plated zinc alloy castings, and innovative new point-of-purchase merchandising concepts. There was also a

Kamenstein® "Jar Tower" Spice Rack...a bold stainless steel countertop statement, synergizing functional pantryware design with modern kitchen design.

new line of barbecue tools, as well as boxed food preparation items. The Company entered a new category under the Farberware® brand with a collection of ceramic "Candlelight" serveware. The grouping features beautiful and functional ceramic bakeware (in both solid white and two-tone blue and white), on high polished chrome wire presentation stands, all with candle warmers that keep food hot for buffet serving and parties. The elegant assortment of 14 items comes in full color gift boxes, and is perfect not only for holiday purchases but for year-round as well.

Forged cutlery was the major growth driver in Farberware® cutlery and a fantastic success in 2003. Farberware® Forged Classic (fine edge cutlery with never-needs-sharpening blades), triple-riveted Pro Forged ll with identifier markings on each handle, Pro Forged and Pro Stainless (with both lines featuring bonus cleavers in gift boxed sets), were all dramatic sales leaders at retail. The Santoku knife was a "must-have" and was added to all of the Farberware® forged lines of cutlery. Farberware® Elite was a line that was developed specifically with women in mind, featuring smaller handles, never-needs-sharpening blades, and a full 100% dishwasher safe guarantee. Another strong seller was the "Ultimate Shear", a soft-touch handle all-purpose kitchen shear, available in multiple colors, featuring a built-in screwdriver, bottle opener, and jar opener. The Company also offered gift-packed sets of stamped cutlery in colors, along with matching colored cutting boards. Also introduced in 2003 was an assortment of glass cutting boards with colored non-slip corners, both individually and in sets, curved wood cutting boards, and a patented design called the "Chop & Slide", which is uniquely sloped to use next to the sink. The Company also began the development and introduction of beautiful, durable, plantation grown and environmentally friendly bamboo cutting boards.

ROSHCO® The Roshco® bakeware division maintained its strong showing in metal bakeware and also began work on a full line of colorful silicone bakeware in a wide variety of basic shapes and specialty pieces. The fondue success story continued with 4 new offerings, including a cleverly designed stainless steel fondue on a revolving lazy susan, which also included a ceramic insert, thus allowing the buyer to have both a regular fondue and a dessert fondue all in the same item. Also in Roshco® were versions of the remarkably successful S'mores Maker™, which oftentimes was cited as the best-selling item at numerous major retail and internet accounts, and which reintroduced this traditional dessert treat to the American family.

:USE®-Tools for Civilization...contemporary, lifestyle products that expand the Company's horizons past the kitchen....

CASAMODA™ Perhaps the most significant trends to come along in many years are home entertaining, hostess serving, and buffet serving. The CasaModa® division was created as a way to design and market home entertainment items that did not easily fit into the category or brand strategy of the Company's other divisions. The Company debuted a series of high quality ceramic buffetware pieces to make having guests over a more elegant, yet still casual event. The introduction of Splash, a line of specially constructed double-wall barware with a non-skid base, included ice buckets, a martini shaker, and a wine cooler, all using sparkling colors trimmed in stainless steel, and was extremely well received. This led to expanding the concept to include serveware in Splash, with items such as a chip and dip, pitcher, and coasters. The new division also introduced the Good Housekeeping Design Award-winning EZ-Out Champagne Opener, the first item of its kind to eliminate the difficulty and danger of opening a champagne bottle. In one simple and effortless motion you can get the celebratory "pop" of the opening of a champagne bottle without having to be concerned about flying corks. In keeping with the CasaModa™ marketing concept, the Company also offered many other concepts centered around home entertaining, including 16 new wood bar and hostess items, a full line of etched glass coasters in wire and steel holders, fondues, and a S'mores Maker™.

For 2004, the Company is planning on taking a bold step by extending the CasaModa™ product assortment to an entirely new category of electrics with items such as an electric fondue, buffet casserole warmer, wine cooler, and water cooler, as well as non-electric items such as a tabletop griller, and a fuller assortment of the patented S'mores Maker™.

KAMENSTEIN® The most significant addition to the Kamenstein® collection of pantryware items was the patented "Perfect-Tear" Paper Towel Holder. The "Perfect-Tear" utilizes a special gearing mechanism that allows the user to easily pull the exact amount of paper towels desired without any waste. In 2003, the Company offered 5 designs in 4 material combinations (stainless steel, wood, chrome, and satin nickel). Based on the overwhelming reaction to the "Perfect-Tear", the Company has already developed over 35 additional designs in a multitude of materials and finishes so that it can offer a version of this revolutionary item to every class of trade and consumer in 2004. The Kamenstein® division also introduced an extraordinary group of deluxe spice racks under the heading of "Commercial Stainless Steel" in 3 sizes, a grouping of stainless steel "Jar Tower" spice racks, and the new, simple to use, "Sift and Pour" spice jar cap (which allows the user the option of dosing small or large quantities from the same cap). Kamenstein® also showed a new collection of organic spices, which just like all of the division's current spices, are bottled in a Company-owned and run facility in Massachusetts, ensuring that only the finest spices are used and prepared under strict government supervision.

GEMCO® In November of 2003 the Company acquired Gemco, a half-century old supplier of classic, functional glassware items for the kitchen. The Company will utilize its extensive product development team to greatly broaden the Gemco® assortment with innovative items while adding a new standard of design previously unavailable in everyday kitchen glassware. The Company strongly believes it will create a successful new division by filling the current void that exists in the marketplace for value priced kitchen glassware that is functional, yet well-styled and creatively designed.

:USE®-TOOLS FOR CIVILIZATION® Founded in 1995 by the renowned industrial designer Robert Sonneman, :USE® has been a successful design-driven brand that has focused on upscale, contemporary lifestyle products, most notably in lighting and bath accessories. The purchase of :USE® in October of 2003 will help expand the Company's business outside the boundaries of the kitchen and into other areas of the home. Many of the materials, technology, and manufacturing methods are similar to those the Company already employs, so there are many existing synergies that will be utilized. The design team has already completed work with Mr. Sonneman on 3 new lines of competitively priced bath accessories, and is proud to be associated with someone of Mr. Sonneman's stature. We look forward to many years of cooperative design ventures leading to new and profitable avenues of business.

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, 2003, a cumulative total of 2,128,000 shares of common stock had been repurchased and retired at a cost of approximately $15,235,000. There were no repurchases in 2003 or 2002.

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.

	2003		2002	
	High	**Low**	High	Low
First Quarter	**$7.10**	**$4.68**	$7.20	$5.70
Second Quarter	**$7.93**	**$6.30**	$7.21	$6.29
Third Quarter	**$10.50**	**$6.43**	$7.19	$4.26
Fourth Quarter	**$17.12**	**$9.84**	$5.55	$4.65

At December 31, 2003, the Company estimates that there were approximately 1,700 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 issued or 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 during 2003 and 2002. 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.

The following table summarizes the Company's equity compensation plans as of December 31, 2003:

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	966,610	$7.27	998,500
Equity compensation plans not approved by security holders	—	—	—
Total	966,610	$7.27	998,500

SELECTED FINANCIAL DATA

(in thousands except per share data)

	Year Ended December 31,				
	2003	2002	2001	2000	1999
INCOME STATEMENT DATA:					
Net sales	**$160,355**	$131,219	$135,068	$121,124	$104,713
Cost of sales	**92,918**	73,145	75,626	70,189	56,905
Distribution expenses	**20,115**	21,363	21,186	15,752	14,775
Selling, general and administrative expenses	**32,677**	29,815	31,278	27,685	26,282
Income from operations	**14,645**	6,896	6,978	7,498	6,751
Interest expense	**724**	1,004	1,015	730	255
Other income, net	**(68)**	(66)	(98)	(82)	(294)
Income before income taxes	**13,989**	5,958	6,061	6,850	6,790
Income taxes	**5,574**	2,407	2,449	2,786	2,743
Income from continuing operations	**$8,415**	$3,551	$3,612	$4,064	$4,047
Basic earnings per common share from continuing operations	**$0.79**	$0.34	$0.34	$0.37	$0.32
Weighted average shares – basic	**10,628**	10,516	10,492	10,995	12,572
Diluted earnings per common share from continuing operations	**$0.78**	$0.34	$0.34	$0.37	$0.32
Weighted average shares and common share equivalents – diluted	**10,754**	10,541	10,537	11,079	12,671
Cash dividends paid per common share	**$0.25**	$0.25	$0.25	$0.25	$0.25

	December 31,				
	2003	2002	2001	2000	1999
BALANCE SHEET DATA:					
Current assets	**$88,284**	$66,189	$75,486	$73,280	$83,347
Current liabilities	**46,974**	32,809	44,925	34,074	27,688
Working capital	**41,310**	33,380	30,561	39,206	55,659
Total assets	**136,736**	113,369	124,856	113,307	117,427
Short-term borrowings	**16,800**	14,200	22,847	10,746	8,073
Stockholders' equity	**86,081**	78,309	78,061	77,517	87,808

Effective September 2002, the Company sold its 51% controlling interest in Prestige Italia, Spa and, together with its minority interest shareholder, caused Prestige Haushaltwaren GmbH (combined, the "Prestige Companies") to sell all of its receivables and inventory to a European housewares distributor. The results of operations of the Prestige Companies through the date of disposal are reflected as discontinued operations and are therefore excluded from the selected consolidated income statement data presented above.

Certain balances included within the prior years' balance sheet data above have been reclassified to conform with the current year presentation. These items include the reclassification of deferred tax liabilities to non-current liabilities to conform with the classification guidelines of Statement of Financial Accounting Standards No 109, "Accounting for Income Taxes", the reclassification of deferred financing fees relating to the Company's reducing revolving credit facility to non-current assets, the reclassification to non-current assets of the long-term portion of notes receivable and the reclassification to non-current liabilities of the liability recorded for the effect of recording rent expense on a straight-line basis.

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. The Company's accounting policies are more fully described in Note A of the consolidated financial statements. The Company believes that the following discussion addresses the Company's most critical accounting policies, which are those that are most important to the portrayal of the Company's consolidated financial condition and results of operations and require management's most difficult, subjective and complex judgments.

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, 2003 and 2002 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. For each of the years ended December 31, 2003 and December 31, 2002, the Company completed its assessment. 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,		
	2003	2002	2001
Net sales	**100.0 %**	100.0 %	100.0 %
Cost of sales	**57.9**	55.7	56.0
Distribution expenses	**12.5**	16.3	15.7
Selling, general and administrative expenses	**20.4**	22.7	23.1
Income from operations	**9.2**	5.3	5.2
Interest expense	**0.5**	0.8	0.8
Other income, net	**-**	-	(0.1)
Income before income taxes	**8.7**	4.5	4.5
Income taxes	**3.5**	1.8	1.8
Income from continuing operations	**5.2 %**	2.7 %	2.7 %

2003 COMPARED TO 2002

Net Sales

Net sales in 2003 were $160.4 million, an increase of approximately $29.1 million, or 22.2% higher than 2002. The increase in sales volume was attributable primarily to increased shipments of KitchenAid® branded kitchen tools and gadgets and bakeware, the Company's newly designed S'mores Makers™ and Kamenstein® pantryware products.

Cost of Sales

Cost of sales for 2003 was $92.9 million, an increase of approximately $19.8 million, or 27.0% higher than 2002. Cost of sales as a percentage of net sales increased to 57.9% in 2003 from 55.7% in 2002, due primarily to higher sales of licensed branded products which generate lower margins due to the added costs of royalties and a higher cost of sales-to-net sales relationship for Kamenstein® products in 2003. The amount of direct import sales increased in 2003. These sales relate to products shipped directly from contract manufacturers to the Company's retail customers and therefore carry lower gross profit margins as the pricing of such sales recognize that the Company does not incur any warehousing or distribution costs.

Distribution Expenses

Distribution expenses which primarily consist of warehousing expenses, handling costs of products sold and freight-out expenses, were $20.1 million for 2003 as compared to $21.3 million for 2002. These expenses included relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey warehouse amounting to $0.7 million in 2003 and $2.2 million in 2002. Excluding these moving related costs, distribution expenses were 1.1% higher in 2003 as compared to 2002 due to higher depreciation expense related to capital expenditures for the new automated warehouse system and related equipment, offset by lower payroll costs. As a percentage to net sales, distribution expenses, excluding the aforementioned relocation charges, were 12.1% in 2003 as compared to 14.6% in 2002. This improved relationship reflects the benefits of labor savings generated by the new systems in our Robbinsville, New Jersey warehouse.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2003 were $32.7 million, an increase of $2.9 million, or 9.6%, from 2002. The increase in selling, general and administrative expenses is primarily attributable to increased personnel costs, including the planned personnel additions in the sales and product design departments, increased commission expense related to the higher sales volume and higher consulting fees.

Interest Expense

Interest expense for 2003 was $0.7 million, a decrease of $0.3 million or 27.9%, from 2002. The decrease is attributable to a decrease in the average level of borrowings outstanding during 2003 under the Company's secured, revolving credit facility.

Income Taxes

Income taxes for 2003 were $5.6 million, an increase of $3.2 million or 131.6%, from 2002. The increase in income taxes is directly related to the increase in income before taxes from 2003 to 2002. Income taxes as a percentage of income before taxes remained consistent from year-to-year at approximately 40%.

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 was primarily attributable to less bad debt expense and decreased selling costs on lower sales volume.

Interest Expense

Interest expense for 2002 and 2001 remained consistent at $1.0 million as the average level of borrowings outstanding under the

Company's secured, revolving credit facility was consistent during both periods.

Income Taxes

Income taxes and income taxes as a percentage of income before income taxes for 2002 and 2001 remained consistent at $2.4 million and approximately 40%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, the Company had cash and cash equivalents of $1.2 million, an increase of $1.1 million from the prior year, working capital was $41.3 million, an increase of $7.9 million from December 31, 2002, the current ratio was 1.88 to 1 and borrowings increased from the prior year by $2.6 million to $16.8 million at December 31, 2003. The increase in working capital primarily resulted from an increase in accounts receivable and merchandise inventories offset in part by an increase in accounts payable and trade acceptances, accrued expenses and income taxes payable.

Cash provided by operating activities was approximately $5.7 million, primarily resulting from net income before depreciation, amortization, provisions for losses on accounts receivable and other non-cash charges, increased accounts payable and trade acceptances, accrued expenses and income taxes payable offset by increased accounts receivable and merchandise inventories. Cash used in investing activities was approximately $6.2 million, which consisted of purchases of fixed assets and the cash paid in connection with the acquisitions of the :USE® and Gemco® businesses. Cash provided by financing activities was approximately $1.6 million, primarily as a result of an increase in short-term borrowings and proceeds from the exercise of stock options, offset by cash dividends paid.

Capital expenditures were $2.2 million in 2003 and $1.8 million in 2002. Total planned capital expenditures for 2004 are estimated at $3.0 million. These expenditures are expected to be funded from current operations, cash and cash equivalents and, if necessary, borrowings under the Company's revolving credit agreement.

The Company has a $35 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 matures in November 2004. 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, 2003, the Company had $1.1 million of letters of credit and trade acceptances outstanding and $16.8 million of borrowings under the Agreement and, as a result, the availability under the Agreement was $17.1 million. Interest rates on borrowings at December 31, 2003 ranged from 2.9375% to 4.59%. Management is currently evaluating alternative borrowing arrangements and other available sources of financing to replace the Agreement upon its maturity which include, but are not limited to, entering into a new credit facility or term loan arrangement. The Company has had preliminary meetings with its banks and believes that it will be able to enter into a definitive multi-year credit facility on terms no less favorable than its current agreement; however, there can be no assurance that financing will be available in amounts or on terms acceptable to the Company, if at all. Should the Company not be able to obtain financing it could have a material adverse impact on the Company's financial condition.

Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms. As of December 31, 2003, the Company had an aggregate of $2.1 million of accounts receivable outstanding in excess of 60 days or approximately 5.4% of gross receivables, and had inventory of $49.3 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.

As of December 31, 2003, the Company's contractual obligations were as follows:

(in thousands)

Payments Due by Period

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual Obligations					
Operating Leases	$40,068	$5,056	$7,701	$6,066	$21,245
Capitalized Leases	824	172	344	308	-
Royalty License Agreements	10,205	2,055	5,150	3,000	-
Employment Agreements	7,074	2,976	4,098	-	-
Totals	$58,171	$10,259	$17,293	$9,374	$21,245

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, 2003.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2003 and 2002.

(in thousands, except per share data)

	Three Months Ended			
	3/31	6/30	9/30	12/31
2003				
Net sales	**$24,284**	**$29,950**	**$44,068**	**$62,053**
Cost of sales	**13,426**	**17,003**	**25,552**	**36,936**
Net (loss) income	**(602)**	**724**	**2,887**	**5,408**
Basic earnings per common share	**($0.06)**	**$0.07**	**$0.27**	**$0.50**
Diluted earnings per common share	**($0.06)**	**$0.07**	**$0.27**	**$0.49**
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

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 THE 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, 2003 and 2002 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. 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, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, 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 18, 2004

CONSOLIDATED BALANCE SHEETS

	(in thousands, except share data) December 31, 2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$1,175**	$62
Accounts receivable, less allowances of $3,349 in 2003 and $3,888 in 2002	**31,977**	19,143
Merchandise inventories	**49,294**	41,333
Prepaid expenses	**2,129**	1,603
Other current assets	**3,709**	4,048
TOTAL CURRENT ASSETS	**88,284**	66,189
PROPERTY AND EQUIPMENT, net	**20,563**	20,850
GOODWILL	**16,145**	14,952
OTHER INTANGIBLES, net	**9,530**	9,000
OTHER ASSETS	**2,214**	2,378
TOTAL ASSETS	**$136,736**	$113,369
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	**$16,800**	$14,200
Accounts payable and trade acceptances	**8,405**	2,720
Accrued expenses	**17,156**	13,426
Income taxes payable	**4,613**	2,463
TOTAL CURRENT LIABILITIES	**46,974**	32,809
DEFERRED RENT & OTHER LONG-TERM LIABILITIES	**1,593**	468
DEFERRED INCOME TAX LIABILITIES	**2,088**	1,783
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 10,842,540 in 2003 and 10,560,704 in 2002	**109**	106
Paid-in capital	**63,409**	61,405
Retained earnings	**23,042**	17,277
Notes receivable for shares issued to stockholders	**(479)**	(479)
TOTAL STOCKHOLDERS' EQUITY	**86,081**	78,309
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$136,736**	$113,369

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	(in thousands – except per share data) Year Ended December 31, 2003	2002	2001
Net Sales	**$160,355**	$131,219	$135,068
Cost of Sales	**92,918**	73,145	75,626
Distribution Expenses	**20,115**	21,363	21,186
Selling, General and Administrative Expenses	**32,677**	29,815	31,278
Income from Operations	**14,645**	6,896	6,978
Interest Expense	**724**	1,004	1,015
Other Income, net	**(68)**	(66)	(98)
Income Before Income Taxes	**13,989**	5,958	6,061
Income Taxes	**5,574**	2,407	2,449
Income from Continuing Operations	**8,415**	3,551	3,612
Discontinued Operations:			
Loss from Operations, net of tax	**-**	(495)	(694)
Loss on Disposal, net of income tax benefit of $225	**-**	(811)	-
Total Loss from Discontinued Operations	**-**	(1,306)	(694)
NET INCOME	**$8,415**	$2,245	$2,918
BASIC INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	**$0.79**	$0.34	$0.34
DILUTED INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	**$0.78**	$0.34	$0.34
LOSS PER COMMON SHARE FROM DISCONTINUED OPERATIONS	**-**	($0.13)	($0.06)
BASIC INCOME PER COMMON SHARE	**$0.79**	$0.21	$0.28
DILUTED INCOME PER COMMON SHARE	**$0.78**	$0.21	$0.28

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Notes Receivable From Stockholders	Deferred Compensation	Accumulated Other Comprehensive Loss	Total	Comprehensive Income
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	
Net income for 2003				**8,415**				**8,415**	
Tax Benefit on Exercise of Stock Options			**302**					**302**	
Exercise of stock options	**282**	**3**	**1,702**					**1,705**	
Cash dividends				**(2,650)**				**(2,650)**	
Balance at December 31, 2003	**10,843**	**$109**	**$63,409**	**$23,042**	**($479)**	**-**	**-**	**$86,081**	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(in thousands) Year Ended December 31,		
	2003	2002	2001
OPERATING ACTIVITIES			
Net income	**$8,415**	$2,245	$2,918
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on sale of discontinued operations	**-**	811	-
Depreciation and amortization	**3,673**	3,457	3,709
Deferred income taxes	**105**	133	722
Deferred rent and other long-term liabilities	**539**	468	-
Provision for losses on accounts receivable	**8**	386	1,396
Reserve for sales returns and allowances	**9,297**	7,453	6,513
Minority interest	**-**	(476)	(144)
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 and the acquisitions of :USE® and Gemco®:			
Accounts receivable	**(21,008)**	(6,880)	(10,493)
Merchandise inventories	**(6,960)**	1,022	3,292
Prepaid expenses, other current assets and other assets	**177**	1,853	(70)
Accounts payable, trade acceptances and accrued expenses	**8,987**	(6,122)	(1,250)
Income taxes	**2,452**	2,463	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**5,685**	6,813	7,836
INVESTING ACTIVITIES			
Purchases of property and equipment, net	**(2,213)**	(1,807)	(13,267)
Proceeds from disposition of Prestige Companies	**-**	985	-
Acquisitions of :USE® and Gemco®	**(3,964)**	-	-
Acquisition of M. Kamenstein®, Inc.	**-**	-	(164)
NET CASH USED IN INVESTING ACTIVITIES	**(6,177)**	(822)	(13,431)
FINANCING ACTIVITIES			
Repurchase of common stock	**-**	-	(88)
Proceeds from (payments of) short term borrowings, net	**2,600**	(8,647)	12,101
Proceeds from the exercise of stock options	**1,705**	318	20
Repayment of Note Receivable	**-**	7	-
Payment of capital lease obligations	**(50)**	-	-
Cash dividends paid	**(2,650)**	(2,628)	(2,617)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**1,605**	(10,950)	9,416
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**-**	-	(125)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,113**	(4,959)	3,696
Cash and cash equivalents at beginning of year	**62**	5,021	1,325
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$1,175**	$62	$5,021

See notes to consolidated financial statements.

DECEMBER 31, 2003

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, bakeware and decorative bath accessories, 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 62 retail outlet stores in 30 states under the Farberware® name. Under an agreement with the Meyer Corporation, Meyer Corporation receives all revenue from sales of Farberware® cookware, occupies 30% of the space in each store and reimburses the Company for 30% 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, $2.7 million and $2.3 million for 2003, 2002 and 2001, respectively.

Distribution Expenses: Distribution expenses primarily consist of warehousing expenses, handling costs of products sold and freight-out. 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 $0.7 million, $2.2 million and $2.9 million in 2003, 2002 and 2001, respectively.

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, 2003 and 2002 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 3 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, including cash and cash equivalents, accounts receivable, accounts payable and trade acceptances approximate their fair values because of the short-term nature of these items. The carrying value of short-term borrowings outstanding under the Company's revolving credit facility approximate fair value as such borrowings bear interest at variable market rates.

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. The Company completed its annual assessment of goodwill impairment in the fourth quarters of 2003 and 2002. Based upon such reviews, no impairment to the carrying value of goodwill was identified in either periods. 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.

Other intangibles consist of a royalty-free license, trademarks / tradenames, customer relationships and product designs acquired pursuant to three acquisitions and are being amortized by the straight-line method over periods ranging from 4 to 30 years. Accumulated amortization at December 31, 2003 and 2002 was $3.1 million and $2.7 million, respectively. Amortization expense with respect to these intangible assets for each of five succeeding fiscal years is estimated to be as follows: 2004 - $527,000; 2005 - $527,000; 2006 - $527,000; 2007 - $525,000; 2008 - $507,000.

Amortization expense for the years ended December 31, 2003, December 31, 2002 and December 31, 2001 was $410,000, $390,000 and $961,000, respectively.

Long-Lived Assets: The Company periodically reviews the carrying value of intangibles and other long-lived assets for recoverability or whenever events or changes in circumstances indicate that such amounts have been impaired. Impairment indicators include among other conditions, cash flow deficits, an historic or anticipated decline in revenue or operating profit and a material decrease in the fair value of some or all of the Company's long-lived assets. When indicators are present, the Company compares the carrying value of the asset to the estimated undiscounted future cash flows expected to be generated from the use of the asset. If these estimated future cash flows are less than the carrying value of the asset, the Company recognizes impairment to the extent the carrying value of the asset exceeds its fair value. Such a review has been performed by management and does not indicate an impairment of such assets.

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 10,628,000 in 2003, 10,516,000 in 2002 and 10,492,000 in 2001. 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 10,754,000 in 2003, 10,541,000 in 2002 and 10,537,000 in 2001.

Accounting for Stock Option Plan: At December 31, 2003, 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:

	Year ended December 31, (in thousands, except per share data)		
	2003	2002	2001
Net income, as reported	**$8,415**	$2,245	$2,918
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(196)**	(156)	(188)
Proforma net income	**$8,219**	$2,089	$2,730
Earnings per share:			
Basic – as reported	**$0.79**	$0.21	$0.28
Basic – proforma	**$0.77**	$0.20	$0.26
Diluted – as reported	**$0.78**	$0.21	$0.28
Diluted – proforma	**$0.76**	$0.20	$0.26

New Accounting Pronouncements: 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 adoption of this statement did not have a material impact on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

FIN 46 was effective immediately for VIEs created after January 31, 2003. The provisions of FIN 46, as revised, were adopted by the Company as of December 31, 2003. The adoption of FIN 46 had no impact on the Company's consolidated financial position or results of operations.

Reclassifications: Certain 2002 and 2001 balances have been reclassified to conform with the current presentation. These items include the reclassification of deferred tax liabilities to non-current liabilities to conform with the classification guidelines of SFAS No 109, "Accounting for Income Taxes", the reclassification of deferred financing fees relating to the Company's reducing revolving credit facility to non-current assets, the reclassification to non-current assets of the long-term portion of notes receivable and the reclassification to non-current liabilities of the liability recorded for the effect of recording rent expense on a straight-line basis.

NOTE B — ACQUISITIONS, DISPOSALS AND LICENSES

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.

Gemco® Ware, Inc. Acquisition: In November 2003, the Company acquired the assets of Gemco® Ware, Inc. ("Gemco®"), a distributor of functional glassware products for storing and dispensing food and condiments. The results of operations of Gemco® are included in the Company's consolidated statements of income from the date of acquisition.

:USE® Acquisition: In October 2003, the Company acquired the business and certain assets of the :USE® – Tools for Civilization® Division of DX Design Express, Inc., which was a company focused on creating contemporary lifestyle products for the home, including decorative hardware, mirrors and lighting for the bath, as well as decorative window accessories. The results of operations of :USE® are included in the Company's consolidated statements of income from the date of acquisition.

In connection with the Gemco® and :USE® acquisitions, the aggregate purchase price paid in cash, including associated expenses, amounted to $4.0 million. The Company is also required to pay minimum contingent consideration of $300,000 ($100,000 in each of the years 2004 – 2006) based upon a percentage of net sales of the :USE® product line up to a maximum of $1,500,000 ($500,000 in each of the years 2004 – 2006). The acquisitions were accounted for under the purchase method and, accordingly, acquired assets and liabilities are recorded at their fair values. The preliminary purchase price allocation of the acquired businesses resulted in the following condensed balance of assets acquired (in thousands):

	Preliminary Purchase Price Allocation
Accounts receivable	$1,131
Merchandise Inventories	1,000
Other intangibles	940
Goodwill	1,192
Total assets acquired	$4,263

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. A second amendment to the licensing agreement was signed effective August 1, 2003, between the Company and KitchenAid®. The second amendment extended the term of the agreement through December 31, 2007 and further expanded the covered products to include kitchen cutlery. Shipments of products under the agreement began in the second quarter of 2001.

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.

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 $35 million at December 31, 2003 in accordance with the terms of the agreement through the maturity date in November 2004. 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, 2003 and 2002, the Company had $1.1 million and $2.5 million of letters of credit and trade acceptances outstanding, respectively, and $16.8 million and $14.2 million of borrowings under the Agreement, respectively, and, as a result, the availability under the Agreement at December 31, 2003 and 2002 was $17.1 million and $23.3 million, respectively. Interest rates on borrowings at December 31, 2003 ranged from 2.9375% to 4.59%, while interest rates on borrowings at December 31, 2002 ranged from 4.125% to 4.75%.

The Company paid interest of approximately $0.7 million, $1.0 million and $1.0 million during the years ended December 31, 2003, 2002 and 2001, 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 2003, 2002 and 2001. 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, 2003, 2,128,000 shares were repurchased for approximately $15.2 million (none in 2003 and 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, 2003, approximately 999,000 shares were available for grant under the Company's stock option plans and all options granted through December 31, 2003 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, 2003, 2002 and 2001 were $2.57, $0.16 and $0.27, 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 3.37%, 3.47% and 4.55% for 2003, 2002 and 2001, respectively; 2.53% dividend yield in 2003, 4.33% dividend yield in 2002 and 4.25% dividend yield in 2001; volatility factor of the expected market price of the Company's common stock of 0.41 in 2003, 0.06 in 2002 and 0.07 in 2001; and a weighted-average expected life of the options of 6.0, 6.0 and 4.7 years in 2003, 2002 and 2001, 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:

	2003		2002		2001	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance – Jan 1,	**919,291**	**$6.98**	1,031,830	$6.94	1,245,335	$7.39
Grants	**370,000**	**$7.37**	175,000	$6.30	140,000	$5.68
Exercised	**(298,232)**	**$6.50**	(94,153)	$5.00	(3,971)	$5.00
Canceled	**(24,449)**	**$7.44**	(193,386)	$7.09	(349,534)	$8.16
Balance–Dec 31,	**966,610**	**$7.27**	919,291	$6.98	1,031,830	$6.94

The following table summarizes information about employees' stock options outstanding at December 31, 2003:

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	270,375	270,375	4.5 years	$5.33	$5.33
$6.00 - $8.55	532,292	290,292	7.7 years	$7.16	$6.74
$8.64 - $12.81	163,943	138,943	2.2 years	$10.82	$10.46
	966,610	699,610	5.9 years	$7.27	$6.94

At December 31, 2002 and 2001, there were 789,917 and 680,858 options exercisable, respectively, at weighted-average exercise prices per share of $7.14 and $7.20, 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 by Milton L. Cohen to the Company.

NOTE E — INCOME TAXES

Pre-tax income from continuing operations for the years ended December 31, 2003, 2002 and 2001 was $14.0 million, $6.0 million and $6.1 million, respectively.

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

	Year Ended December 31,		
	2003	2002	2001
Current:			
Federal	**$4,451**	$2,035	$1,431
State and local	**1,018**	239	296
Deferred	**105**	133	722
Income tax provision	**$5,574**	$2,407	$2,449

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 (liabilities) are as follows (in thousands):

	December 31,	
	2003	2002
Merchandise inventories	**$1,122**	$1,058
Accounts receivable allowances	**876**	740
Depreciation and amortization	**(2,088)**	(1,783)
Net deferred tax (liabilities) assets	**($90)**	$15

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,		
	2003	2002	2001
Provision for Federal income taxes at the statutory rate	**$4,896**	$2,026	$2,061
Increases (decreases):			
State and local income taxes, net of Federal income tax benefit	**662**	158	195
Other	**16**	223	193
Provision for income taxes	**$5,574**	$2,407	$2,449

The Company paid income taxes of approximately $3.1 million during the year ended 2003. 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.

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. Leases for certain retail outlet stores provide for rent based upon a percentage of monthly gross sales.

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

Year ended December 31:	
2004	$5,056
2005	4,194
2006	3,507
2007	3,159
2008	2,907
Thereafter	21,245
	$40,068

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 30% of the space in each store and reimburses the Company for 30% of the operating expenses of the stores. For the first nine months of 2003 and all of fiscal year 2002, Meyer Corporation occupied 50% of the space in each store and reimbursed the Company for 50% of the operating expenses of the stores. In fiscal year 2001, 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 2003, 2002 and 2001, Meyer Corporation reimbursed the Company approximately $1.5 million, $1.7 million and $1.3 million, respectively, for operating lease expense. Salton Inc. reimbursed the Company approximately $668,000 in 2001 for operating lease expense. Salton, Inc. terminated its agreement effective December 31, 2001.

Rental and related expenses under operating leases were approximately $6.9 million, $7.1 million and $7.6 million for the years ended December 31, 2003, 2002 and 2001, respectively. Amounts for 2003, 2002 and 2001 are prior to the Meyer Corporation and Salton Inc. reimbursements described above.

Capital Leases: In November 2003 the Company entered into various capital lease arrangements for the leasing of equipment to be utilized in its Robbinsville, New Jersey warehouse. These leases expire in 2008 and the future minimum lease payments due under the leases as of December 31, 2003 are as follows (in thousands):

Year ended December 31:	
2004	$172
2005	172
2006	172
2007	172
2008	136
Total Minimum Lease Payments	824
Less: amounts representing interest	100
Present value of minimum lease payments	$724

The current and non-current portions of the Company's capital lease obligations at December 31, 2003 of approximately $128,000 and $586,000, respectively, are included in the accompanying consolidated balance sheet within accrued expenses and deferred rent and other long-term liabilities, respectively.

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:	
2004	$2,055
2005	2,400
2006	2,750
2007	3,000
	$10,205

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, medical insurance, life 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 in the compensation of 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.

During 2003, several members of senior management entered into employment agreements with the Company. The employment agreements termination dates range from June 30, 2004 through December 31, 2006. The agreements provide for annual salaries and bonuses, certain standard fringe benefit arrangements, such as disability benefits, medical insurance, life insurance and auto allowances.

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 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 2003, 2002 and 2001, the Chief Executive Officer was the only designated officer. 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, 2003, 2002 and 2001, the Company recorded annual compensation expense of approximately $576,000, $323,000, and $346,000, 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, 2003 and December 31, 2002, Milton L. Cohen owed the Company approximately $453,000 and $579,000, 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 current and non-current assets in the accompanying consolidated balance sheets.

As of December 31, 2003 and December 31, 2002, Jeffrey Siegel owed the Company approximately $344,000 and $439,000, 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 of the amount due from Jeffrey Siegel at December 31, 2002 was included in other current assets in the accompanying balance sheet.

As of December 31, 2003 and December 31, 2002, 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 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, 2003 and 2002, 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. Mr. Shiftan is paid compensation under the consulting agreement 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 $206,000, $220,000 and $178,000 in 2003, 2002 and 2001, 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 periodically reviews the status of its accounts receivable and, where considered necessary, establishes an allowance for doubtful accounts.

During the years ended December 31, 2003, 2002 and 2001, Wal-Mart Stores, Inc. (including Sam's Clubs) accounted for approximately 29%, 20% and 18% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2003, 2002 or 2001.

NOTE J — OTHER

Property and Equipment:

Property and equipment consist of (in thousands):

	December 31,	
	2003	2002
Land	**$932**	$932
Building and improvements	**7,135**	7,075
Machinery, furniture and equipment	**26,451**	23,823
Leasehold improvements	**1,637**	1,594
	36,155	33,424
Less: accumulated depreciation	**15,592**	12,574
	$20,563	$20,850

Depreciation expense for the years ended December 31, 2003, 2002 and 2001 was $3.3 million, $3.1 million and $2.7 million, respectively. Included in machinery, furniture and equipment and related accumulated depreciation above as of December 31, 2003 are $763,000 and $76,000, respectively, related to assets recorded under capital leases. Amortization expense relating to these assets for 2003 is included within depreciation expense.

Accrued Expenses:

Accrued expenses consist of (in thousands):

	December 31,	
	2003	2002
Commissions	**$732**	$683
Accrued customer allowances and rebates	**5,410**	3,290
Obligation to Meyer Corporation	**2,534**	1,983
Officer and employee bonuses	**1,504**	1,439
Accrued health insurance	**642**	756
Accrued salaries, vacation and temporary labor billings	**1,855**	1,562
Other	**4,479**	3,713
	$17,156	$13,426

Sources of Supply: The Company sources its products from approximately 55 manufacturers located primarily in the People's Republic of China, and to a smaller extent in the United States, Malaysia, Thailand, Taiwan, Indonesia, Italy and India. A majority of the Company's cutlery was purchased from three suppliers in 2003 who accounted for 48%, 20%, and 14% of the total purchases, respectively, and from three suppliers in 2002 who accounted for 58%, 20% and 10% of the total purchases, respectively. A majority of the Company's pantryware was purchased from four suppliers in 2003 that accounted for 20%, 16%, 13% and 11% of the total purchases, respectively, and from three suppliers in 2002 that accounted for 37%, 19% and 13% of the total purchases, 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.

LIFETIME HOAN®

OFFICERS AND DIRECTORS

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

Bruce Cohen
Executive Vice President ,
President Farberware Outlet Stores
and a Director

Craig Phillips
Vice President Distribution,
Secretary and a Director

Robert McNally
Vice President, Treasurer and
Chief Financial Officer

Evan Miller
Executive Vice President and
President Sales Division

Robert Reichenbach
Executive Vice President and
President Cutlery, Bakeware and
Home Entertaining Division

Larry Sklute
President Kitchen Division

Ronald Shiftan
Director

Howard Bernstein
Director

Leonard Florence
Director

Cherrie Nanninga
Director

OFFICES

Corporate Headquarters

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

Distribution Centers

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

363 River Street
Winchendon, MA 01475
(978)297-4010

CORPORATE INFORMATION

Corporate Counsel

Samuel B. Fortenbaugh III
New York, NY

Independent Auditors

Ernst & Young LLP
Melville, NY

Transfer Agent & Registrar

The Bank of New York
101 Barclay Street
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, 2003 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 Tuesday, June 8, 2004 at the Corporate Headquarters.