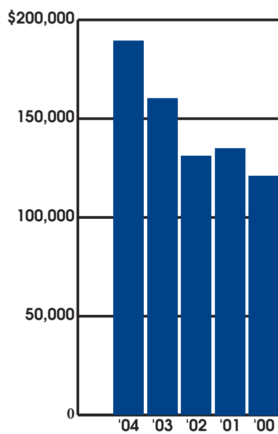
LIFETIME HOAN CORPORATION

ANNUAL REPORT 2004

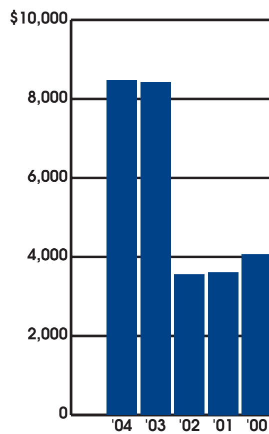
COMPANY PROFILE

Lifetime Hoan Corporation is a leading designer, developer and marketer of a broad range of branded consumer products used in the home, including Kitchenware, Cutlery and Cutting Boards, Bakeware and Cookware, Pantryware and Spices, Tabletop and Bath Accessories.

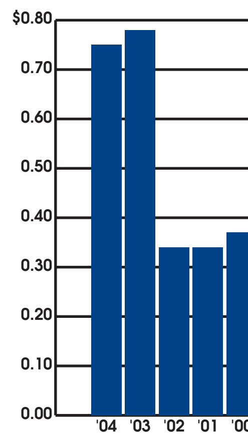
FINANCIAL HIGHLIGHTS



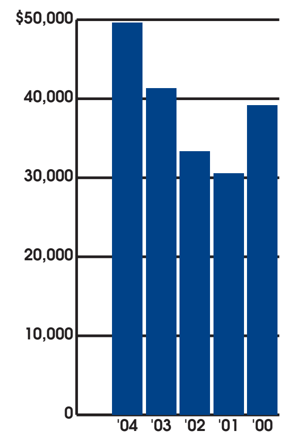
NET SALES
(in thousands)



INCOME FROM CONTINUING OPERATIONS
(in thousands)



DILUTED EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS



WORKING CAPITAL
(in thousands)

(in thousands, except per share data)
Year Ended December 31

	2004	2003	2002	2001	2000
Net sales	$189,458	$160,355	$131,219	$135,068	$121,124
Income from continuing operations	$8,472	$8,415	$3,551	$3,612	$4,064
Diluted earnings per common share from continuing operations	$0.75	$0.78	$0.34	$0.34	$0.37
Working capital	$49,630	$41,310	$33,380	$30,561	$39,206

The KitchenAid® Cutlery Carousel; taking the world's first silicone handle knives for a spin

slicer
bread
utility
KitchenAid

DEAR FELLOW SHAREHOLDERS:

During 2004, we took a number of steps to build on the strengths of our proven business model and to position our Company for future growth. Over the years, the three essential ingredients we have used to forge our leadership position in the housewares industry are:

- An expanding portfolio of powerful brands
- A proven track record of innovation and design excellence
- Superior sourcing capabilities

Our consistent focus on each of these areas has enabled Lifetime to grow and prosper, and, we believe, will continue to provide a solid foundation for our future success.

An Expanding Portfolio of Powerful Brands

Lifetime owns or licenses some of the most powerful brands in housewares, enabling us to differentiate our product lines in the eyes of both our retail customers and consumers. Our two top-selling brands are KitchenAid® and Farberware®, which also rank as the #1 and #2 brands in kitchen gadgets and cutlery, according to the HFN 2003 Brand survey.

In 2004, we acquired the business and certain assets of Excel Importing Corp. This acquisition expanded our brand portfolio and, as well, added an important new product category – Tabletop. Among the brands we acquired was Sabatier®, a highly respected, upper-end brand that we expect will be a key growth driver for Lifetime in the years to come.

Proven Track Record of Innovation and Design Excellence

At the heart of our Company is a strong culture of new product development and design excellence. Our unique in-house Product Development and Design Team, consisting of 35 professional designers and engineers, is responsible for creating new products and packaging and merchandising concepts. This Team utilizes state-of-the-art equipment that enables us to shorten product development time, expedite the production process and "value-engineer" our products.

Lifetime has an impressive record of developing exciting new products. In 2004, we introduced over 600 individual products. In addition, we applied for more than 30 utility and design patents over the past two years.

Superior Sourcing Capabilities

We have successfully sourced products overseas for more than 40 years. Moreover, we use our product design capabilities to help our suppliers to reduce their production costs and to take advantage of lower-cost raw materials. In 2004, we opened a second office in China and hired a Senior Vice President of Sourcing, based in Shanghai.

2004 Financial Results

In 2004, Lifetime's net sales totaled a record $189.5 million, an increase of $29.1 million or 18% over 2003. For the year, we reported net income of $8.5 million, compared to $8.4 million for 2003. Earnings per diluted share for 2004 came to $0.75, compared to $0.78 for 2003.

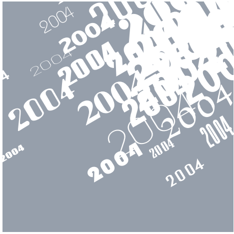
Net sales in 2004 for the three businesses we acquired over the past 18 months, :USE®, Gemco® and Excel, amounted to $14.3 million. The Company's organic growth was driven primarily by strong sales across all classifications of products sold under the KitchenAid® brand.

In 2004, we implemented plans to strengthen our infrastructure. In particular, we bolstered our product

LIFETIME HOAN CORPORATION

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

Jeffrey Siegel (Chairman, President and CEO) and
Ronald Shiftan (Vice Chairman)



development and design, overseas sourcing and sales and marketing teams. We also added key executives in each of our growing business classifications. Although the increased cost of this infrastructure did affect the Company's year-over-year earnings comparison, we believe these additional resources will have a very positive impact on Lifetime's long-term growth. In addition, it should be noted that we incurred over $900,000 in expenses related to Sarbanes-Oxley compliance work in 2004, the equivalent of $0.05 in earnings.

As of December 31, 2004, stockholders' equity was $92.9 million, the equivalent of $8.41 in book value per share.

In summary, 2004 was a successful year for Lifetime during which we implemented many initiatives to expand our presence in the housewares industry and accelerate our future growth. We broadened our portfolio of licensed and owned brands, added several new classifications, developed exciting new products and pioneered new ways to use materials in our products.

2005

In 2005, we expect our results to reflect the benefits of the initiatives we put into place in 2004.

The goal of broadening our portfolio of powerful brands, continuing to invest in enhancing our Product Development and Design capabilities, strengthening our overseas sourcing organization and building our infrastructure is to be able to create, source and distribute unique products targeted to consumers at different price points in every major level of trade.

For example, in our cutlery and cutting board businesses, the ability to offer products under the KitchenAid®, Cuisinart®, Sabatier®, Farberware®, Hoffritz®, DBK™-Daniel Boulud Kitchen and Laguiole™ brands enables us to offer new, innovative higher-value products to which consumers can trade up, as well as to provide better value and greater selection to consumers at more moderate price points.

We expect that a substantial portion of our growth in 2005 will come from the expansion of our shelf space in a number of major retailers. At the beginning of the year, for example, we more than doubled our space with one of our leading customers for KitchenAid® products. We estimate that the increased space at this one customer alone should produce over $10 million in additional sales for Lifetime in 2005.

Our results for 2005 should also benefit from the new categories we added in 2004. For example, the Tabletop and Cookware categories that we acquired from Excel should contribute significantly in 2005. We have redesigned many Excel's Tabletop lines to bring them in line with our high standards for product and packaging quality and style.

In closing, we are proposing to change the name of our Company from Lifetime Hoan Corporation to Lifetime Brands, Inc., reflecting the crucial role that well-known and well-respected brands play in our business model. We believe this new name more accurately expresses one of Lifetime's most important attributes and key competitive strengths. We look forward to communicating with our shareholders, customers and employees in the future using this new name to reinforce our most fundamental business strategy.

Thank you for your continued support.

Sincerely,

Jeffrey Siegel

Chairman of the Board, President and Chief Executive Officer

INNOVATIVE PRODUCT DESIGN AND BRAND MANAGEMENT

Lifetime Hoan Corporation's growth in 2004 was made possible, in large part, by the introduction of over 600 new products. The goal for 2005 is to introduce no fewer than 700 new items. This remarkable achievement reflects our strong in-house product design and development capabilities. Our Product Design and Development Team, consisting of 35 professional designers and engineers, enables us to extend our record of innovation and new product introductions. This Team utilizes sophisticated computer aided design technology that is also capable of creating product prototypes in-house.

Our designers collaborate closely with our customers to create new, innovative and unique products. We monitor design trends and innovations in the overall consumer products industry and attempt to apply new design concepts to the categories in which we compete.

We also utilize our design capabilities to help our suppliers achieve manufacturing efficiencies and we work with our suppliers to introduce new manufacturing technologies. We have created new ways to shorten development time and speed up the production process. For example, we use state-of-the-art rapid prototyping machinery to bring ideas to reality in a fraction of the time it would take using traditional modeling methods. We also employ conceptual 3-D presentation, which renders concepts quickly and with such photorealism that customers can immediately comprehend the design and offer feedback.

We continue to invest in advanced design equipment, software and continuing education to ensure that we stay current with new design technologies and capabilities. Together with our ongoing research into materials and materials science, these tools allow us to practice disruptive technology; designing products that are unique and bring a distinct and perceptible value to the consumer.

KITCHENAID®

The success of the KitchenAid® brand continued during 2004. We introduced over 130 new KitchenAid® items in 2004.

Shipments of our new lines of KitchenAid® cutlery commenced during the 4th quarter. Totaling over 60 new items, each of the lines features tempered 420J2 steel, a special high-carbon cutlery steel that can be tapered to a perfect cutting edge. The cutlery is offered in a number of handle materials to suit every preference: hollow handle stainless steel; super-strong Dupont Delrin®; triple-riveted impact-resistant ABS, and even the world's first line of non-slip silicone. The cutlery is available in open stock, in full sets and in multi-packs, such as carving sets and steak knife sets.

Another major KitchenAid® introduction in 2004 was the salad spinner. Over a year and a half in development, the salad spinner was a major design and engineering challenge. The KitchenAid® salad spinner requires only one hand to control, can be loaded with fruits or vegetables with no disassembly, has 2 easy-pour spouts for dispensing the extracted water, comes with 3 dividers for the main basket, which allows simultaneous spinning of multiple fruits and vegetables without having them mix together, has a soft silicone ring on the handle and base to prevent slipping, and a clear 6-quart capacity outer bowl that can be used for both storage and serving.

Specialty tools and gadgets were also a focus for KitchenAid® in 2004. We introduced carrot and potato peelers that use curved cutlery-grade steel blades that follow the contour of the vegetables, an oversized pancake turner, a specially shaped omelet turner and dual-purpose "turner tongs," which can be used to effortlessly to flip an omelet or grab a piece of corn on the cob. New sets of food preparation bowls and mixing bowls were also well received, as were a citrus juicer, gravy separator, turkey grabbers, cheese and food mill and an oversized colander. We also introduced a new line of high heat resistant nylon tools in a countertop ceramic crock as well as a series of kitchen brushes.

In development for 2005 under the KitchenAid® brand, is a mandoline slicer, with a unique spring-loaded blade cover system that continually

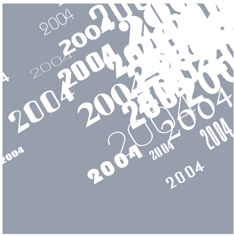
Reinventing the wheel with the KitchenAid® Salad Spinner; one-handed, super-efficient function, with beauty to spare

A garden of earthly delights; KitchenAid® rose and sunflower silicone bakeware molds

guards the user's hand from the slicing blade. Other kitchenware items for 2005 will be new all-stainless steel kitchen and serving tools, tools and gadgets featuring brushed stainless steel handles and a line of copper handle kitchenware with satin nickel accents. Other innovative products will include a fruit slicer with soft grip handles and a cookie gun with 16 discs that conveniently store inside the body of the cookie maker. We are also planning to launch a complete line of KitchenAid® sink accessories.

Silicone continues to grow as a significant material in housewares. We introduced the world's first full line of silicone tools under the KitchenAid® brand in 2001. In 2004, we expanded our selection to include a unique over-molded silicone trivet, pastry and basting brushes with easy-to-clean heat resistant silicone bristles, an oversized silicone spoon rest and a non-stick coated rolling pin, featuring weighted silicone handles that automatically return to the horizontal position. In development for introduction in early 2005 are two lines of silicone handle tools and gadgets, stainless steel and nylon tongs, each featuring silicone grips and a new series of silicone handle barbecue equipment featuring heavy-duty zinc alloy castings and stainless steel.

In addition to the world-class design, innovation



and unparalleled quality that are the hallmarks of our line of KitchenAid® products, we have re-introduced color into the kitchen. The initial offerings of KitchenAid® kitchenware were in 8 colors, and their success at retail revolutionized the look of kitchen accessories and heightened the demand for a broader selection. In 2004, we introduced 8 new colors, ranging from "spring bright" to "spice" colors, to tangerine and pink (a percentage of the sales of pink also benefit breast cancer research). This explosion of color has been effective at all levels of retail trade and across all levels of consumer trends.

KitchenAid® silicone bakeware continued to experience significant sales growth at retail. We added 12 more items to our silicone bakeware line in 2004, expanding into more unique shapes and specialty designs and three sizes of silicone baking mats, perfect for baking prep work or even as liners for the bottom of ovens. For 2005, we have created new bakeware designs in silicone, such as a sunflower, a rose, an ornate "fancy" tube cake pan, as well as 4 sets of mini molds, organized in themes such as "holiday" or "animals".

KitchenAid® metal bakeware continues to remain strong at retail, with the introduction of 9 new items for 2004. For this year, we will launch a line of cast bakeware, featuring remarkably detailed cast sculptures, such as a Tudor Village and Victorian House that can used to create unique cake designs. We expect this category to be a major opportunity for growth and already have another group of creative designs in the works.

During 2004, we completed the designs for the new line of KitchenAid® ceramic bakeware, which will consist of over 50 items and feature silicone grips on almost every piece. The ceramic bakeware is oven, broiler, microwave and freezer safe, with oversized handles and featuring a beautiful "wave" pattern design. The silicone grips allow for ease of handling, cool quickly if left on the ceramic dishes in the oven, and are color matched to the bakeware. The line will begin to ship in spring of 2005 and the initial response from retailers is overwhelmingly positive.

In 2005, we also expect to introduce a line of KitchenAid® brand pantryware, including a spice rack and salt and pepper grinders, featuring ceramic grinding mechanisms, in a variety of finishes and colors. We will also debut a paper towel holder, featuring our patented PerfectTear® technology that enables simple, one-handed use.

FARBERWARE®

Our lineup of Farberware® cutlery and cutting boards saw key additions in 2004 that quickly became major success stories. High value, large piece-count block sets in triple-riveted lines, including new 14-piece and 23-piece Classic Forged sets were strong sellers, as were the large sets in the new Traditions series. The Japanese-inspired santoku knife, in various sizes, spearheaded sales of all levels of Farberware® cutlery. Recognizing growing consumer preferences for darker woods, we have created a new line of Farberware® cutlery with pakka wood handles. We also brought to market 9 new cutting board designs in environmentally-friendly, plantation-grown bamboo, as well as wood boards with stainless steel handles and curved wood paddle boards.

We introduced over 100 new Farberware® tools and gadgets, including Farberware® Preferred and Farberware® Commercial, which features heavy-duty alloy castings. We created Farberware® Innovations, perhaps the most exciting group of Farberware® kitchenware ever to come to market. Innovations will begin to ship in spring of 2005 and every item will be truly unique in design and breakthrough in function. There are over 70 original items being developed and over 30 will be available by end of the 2nd quarter.

We introduced 24 new Farberware® barbecue items in 2004; including a silicone handle line of equipment and tools in both black and red, and a newly designed instant-read digital barbecue thermometer fork. We also have designed a selection of unique Barbecue Innovations items that will be available in 2005, including folding and adjustable wire cooking grids, as well as a barbecue cutlery set and shears, each in magnetized holders that can easily attach to the grill.

Genius loves company; the computerized SmartSpice™ rack with built-in encyclopedia that answers any condiment query

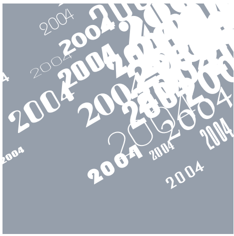
CUISINART®

Cuisinart® cutlery remains the standard-bearer for quality, performance and design. In addition to the Continental and Ultra Edge lines, we added a Triple-Riveted series in 2004, featuring extra-wide bolsters for safety and balance. We also launched an engineering first, the patented Knife Vault™. The exterior of the Knife Vault™ is designed to coordinate with the popular Cuisinart® countertop electrics. The interior houses a complete 15-piece collection of Continental series cutlery. The Knife Vault™ utilizes a revolutionary locking mechanism that makes it secure to leave on the countertop for families with children. The Company will be introducing a second version of the Knife Vault™ in 2005.

KAMENSTEIN®

With the release of over 150 new items, the Kamenstein® brand had a number of major success stories in 2004, including the patented PerfectTear® paper towel holder. The Company released 10 versions of this unique product, which uses an internal gearing system that allows for simple one-handed use. By mid-2005 there will be over 35 versions available in all key basic and trend colors, as well as the special electroplated metal finishes and material combinations found in today's kitchens; satin nickel, polished copper, burnished copper, chrome, burnished bronze, distressed black, gum metal, ceramic with wood, and wire in either black or chrome. The PerfectTear® has transformed the countertop paper towel holder from a kitchen basic into a functional and decorative kitchen necessity.

In 2004, Kamenstein® also unveiled the Can-Do™ line of colorful and stylish storage products, which combine magnetic bulletin boards in 3 sizes, with a variety of round, square, and rectangular containers with see-through tops that can be used to easily sort and store a variety of items, from spices to desk accessories. There are also cylindrical-shaped holders, holders for paper, pens and pencils, 3 sizes of magnetic picture frames, magnetic clips and sets of "reminder" magnets for important events or activities like birthday parties or doctor's appointments. For



2005, the Company will be offering countertop display units that hold large numbers of these impulse-driven items, as well as sets of containers, and magnetic easels that can hold up to 12 assorted containers.

Kamenstein® has also developed 12-, 16-, and 18-tin revolving spice racks utilizing magnetic round tins. Also available are magnetic, rectangular, brushed stainless steel "strips" that can be hung vertically, horizontally, or at an angle to suit any decorating need, in 3-, 5-, 6-, 9-, and 12-tin spice sets.

Other innovative new products to be sold under the Kamenstein® brand are wipe dispenser containers and clean-up kits, which combine a PerfectTear® paper towel holder and a wipe dispenser container within a durable plastic carrying case.

The popularity of the new Twist spice racks for 2004 is reflected by the development of 15 new designs, mirroring many of the color and material choices being utilized in the next generation of PerfectTear® paper towel holders. Other spice racks of note are: the 15-jar, 18-jar, and 21-jar Tower racks in assorted colors and finishes; a 16-jar and 20-jar stainless steel version of the Tower; Photo Frame spice racks; the nostalgic and novel Ferris Wheel spice rack, and a 16-jar multi-striped bamboo spice rack. Other exciting concepts that will be brought to market in the beginning of 2005 are a 20-jar flat wire rack in the Chromeworks collection, a sequel to the unusual Circa spice rack, and the fun Spice Train. Also in 2005, the Company will begin shipping SmartSpice™, a combination spice rack and cookbook, with over 200 recipes all contained in a computerized, portable, digital control module. The rack comes with 16 premium spices in jars with easy to use sift and pour lids. Kamenstein® bottles all of its spices in the United States in its own FDA-approved bottling facility in Massachusetts.

For home organization and back-to-college, Kamenstein® has developed a stainless steel message board with a dry erase section, as well as the Dorm Safe, a unique, compact, lockable safe for personal items and valuables. These items will be available in time for the busy back-to-school season in the 2nd and 3rd quarters of 2005.

ROSHCO®

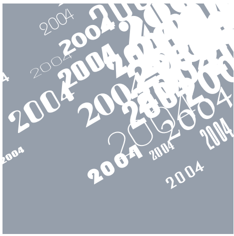
Roshco® became a major brand in silicone bakeware in 2004, with a broad assortment of 14 items in key colors, highlighted by the exclusive wire carrying "sled" that simplifies the handling of the larger silicone items. We will expand the assortment into specialty cake pans, mini baking and chocolate molds, and set of mini novelty molds in trend colors for 2005. The Company has also designed numerous fondues, multi-function versions of the S'mores Maker™, a novel ice cream serving set that can also be used for various desserts and a unique, easy-to-use cookie press.

The Roshco® division had a huge hit in 2004 with designs using famous Hershey's® icons. There were two versions of the S'mores Maker™, each using a ceramic marshmallow-shaped S'mores burner on a ceramic tray designed to resemble the famous Hershey's® Milk Chocolate bar. There was also a Hershey's® fondue in the shape of the Hershey's® Chocolate Kiss. For 2005, the Company will be shipping specialty silicone bakeware items such as a 6-in-one Hershey's® Kiss mold, a 6-in-one Hershey's® Reese's® Peanut Butter Cup mold, and a 4-in-one Hershey's® Milk Chocolate Bar mold. There is also an 8-piece Kid's Baking Set, with silicone molds, cookie cutters and a mini rolling pin.

CASAMŌDA™

CasaMōda™ is as our primary brand for home entertainment items. This brand features a collection of home entertaining items, such as the S'mores Maker™, the Smokeless Tabletop Griller™ and ceramic serveware with candle warmers and decorative wire stands. We are expanding the CasaMōda™ barware collection to include a beautiful leather-covered grouping, a metallic gold and silver series and a unique "light up" line of products using LED technology.

Pièce de résistance; Sabatier® cutlery and kitchenware for the finest in timeless French design and quality



SABATIER®

In 2004, we acquired a license to distribute products under the well-known Sabatier® brand. Known for its heritage of classic French cutlery, we have expanded the Sabatier® brand to include French-inspired designs in dinnerware, flatware, cutting boards, kitchen tools and gadgets.

A key addition for 2005 will be a full line extension of the Laguiole™ line, previously available only in steak knives known for their remarkable sharpness, distinctive shape and the famous "bee" insignia. The tremendous success of the contemporary ProSteel, a hollow handle stainless knife, has proven that the brand has widespread appeal. We have added two new cutlery lines under the ProSteel umbrella; one uses soft grip Santoprene® and the other features never needs sharpening blades. To compliment the line extension, the Company will also be introducing both wood and polypropylene cutting boards with the ProSteel handle, as well as a full line of over 30 tools, gadgets and barbecue equipment.

We will also be expanding the traditional wood handle Loire line to include a new cherry wood series, and will add a full line of Loire tools and gadgets, bringing a French-inspired, updated look to wood tools and cutlery for the kitchen.

We are also introducing new patterns of Sabatier® dinnerware and flatware. Sabatier® has proven to be a brand with wide appeal. While respected for its classic heritage, retailers and consumers alike fully appreciate the updated and contemporary designs of Sabatier® in many categories of housewares.

:USE® - TOOLS FOR CIVILIZATION®

Originated by the renowned designer Robert Sonneman, :USE® is an upscale line of contemporary bath and lighting products. Many of the lines are carried by the finest bath and decorative accessory retailers in America, and are respected for their breakthrough design and unparalleled quality. We acquired :USE® in late 2003, and have taken a two-level approach to product development for the brand. While continuing to expand the assortment of product in the premier lines, we have also developed three great collections of exciting, moderately priced, bath, closet, and bedroom storage accessories. We have received very positive feedback from all channels of distribution for these storage accessories, with particular interest from those accounts that target the ever-expanding back-to-dorm business.

For 2005, we have introduced WetNets™, a collection of popularly priced, brightly colored bath and shower accessories, made of waterproof nylon netting held within colorful polypropylene frames. Oversized and extra-strong suction cups hold the WetNets™ to any smooth surface and make installation simple and safe. WetNets™ will be available in many sizes, in sets, as wall-corner units, and in over-the-shower rod models.

JOSEPH ABBOUD ENVIRONMENTS™

Joseph Abboud Environments™ takes the same casual, understated approach to elegant fashion as Joseph Abboud does in his clothing designs. His keen understanding of style, fabric, texture, and color, all combine into an updated classic style that is as flexible in its approach to dressing a table as it is when outfitting a wardrobe. For 2004, we offered over 50 items in the Abboud collections of flatware, glassware, placemats, stainless tabletop accessories, candles and dinnerware. Both the South Beach and Ventana collections were major successes at such upscale retailers as Bloomingdale's and Macy's, and are perfect expressions of the Abboud philosophy. By utilizing unique combinations of shapes, textures, and materials featuring a metallic "reactive glaze" on the dinnerware that imparts a remarkable visual depth to the product, the Abboud collections create a fluid approach that is effective for the entire range of casual to formal entertaining.

We also design and distribute the Kathy Ireland Home® Acafe collections of dinnerware, oven to table ceramics, and wooden serveware. The designs and colors reflect elegant, updated taste at affordable prices. In 2004, we launched 18 items in dinnerware, both in full sets and open

stock, in fashion color combinations of terra cotta and mustard, blue and mustard, and brick and mustard. We also introduced 32 oven-to-table items, using the same color combinations, and highlighted by individual accent pieces such as large platters or ramekins done in solid colors. As with all fine ceramics, the Acafe collection is freezer, oven, microwave and dishwasher safe. The wood serveware collection features honey toned wood combined with rich, dark brown scrolled metal accents, and includes a salad bowl set, wine rack, coasters, bread basket, and serving tray.

Alternative energy source; Joseph Abboud Environments™ collection lights up any room

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

The Company's Common Stock has been traded under the symbol "LCUT" on The NASDAQ National Market ("NASDAQ") since its initial public offering in June 1991.

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.

	2004		2003	
	High	Low	High	Low
First Quarter	**$17.65**	**$13.41**	$7.10	$4.68
Second Quarter	**$22.79**	**$17.78**	$7.93	$6.30
Third Quarter	**$22.98**	**$14.85**	$10.50	$6.43
Fourth Quarter	**$15.90**	**$11.74**	$17.12	$9.84

The Company estimates that at December 31, 2004, there were approximately 2,000 beneficial holders of the Common Stock of the Company.

The Company is authorized to issue 2,000,000 shares of Series B Preferred Stock, par value of One Dollar ($1.00) each, none of which is outstanding. The Company is also authorized to issue 100 shares of Series A Preferred Stock, par value of One Dollar ($1.00) each, none of which is outstanding.

The Company paid quarterly cash dividends of $0.0625 per share, or a total annual cash dividend of $0.25 per share, on its Common Stock during each of 2004 and 2003. 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, 2004:

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 under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	694,807	$7.59	949,500
Equity compensation plans not approved by security holders	—	—	—
Total	694,807	$7.59	949,500

SELECTED FINANCIAL DATA

	(in thousands, except per share data) Year Ended December 31,				
	2004	2003	2002	2001	2000
INCOME STATEMENT DATA:					
Net sales	**$189,458**	$160,355	$131,219	$135,068	$121,124
Cost of sales	**111,497**	92,918	73,145	75,626	70,189
Distribution expenses	**22,830**	21,030	22,255	22,037	16,555
Selling, general and administrative expenses	**40,282**	31,762	28,923	30,427	26,882
Income from operations	**14,849**	14,645	6,896	6,978	7,498
Interest expense	**835**	724	1,004	1,015	730
Other income, net	**(60)**	(68)	(66)	(98)	(82)
Income before income taxes	**14,074**	13,989	5,958	6,061	6,850
Income taxes	**5,602**	5,574	2,407	2,449	2,786
Income from continuing operations	**$8,472**	$8,415	$3,551	$3,612	$4,064
Basic earnings per common share from continuing operations	**$0.77**	$0.79	$0.34	$0.34	$0.37
Weighted average shares – basic	**10,982**	10,628	10,516	10,492	10,995
Diluted earnings per common share from continuing operations	**$0.75**	$0.78	$0.34	$0.34	$0.37
Weighted average shares and common share equivalents – diluted	**11,226**	10,754	10,541	10,537	11,079
Cash dividends paid per common share	**$0.25**	$0.25	$0.25	$0.25	$0.25

	December 31,				
	2004	2003	2002	2001	2000
BALANCE SHEET DATA:					
Current assets	**$102,543**	$88,284	$66,189	$75,486	$73,280
Current liabilities	**52,913**	46,974	32,809	44,925	34,074
Working capital	**49,630**	41,310	33,380	30,561	39,206
Total assets	**156,335**	136,736	113,369	124,856	113,307
Short-term borrowings	**19,400**	16,800	14,200	22,847	10,746
Long-term debt	**5,000**	-	-	-	-
Stockholders' equity	**92,938**	86,081	78,309	78,061	77,517

Effective September 2002, the Company sold its 51% controlling interest in Prestige Italiana, Spa ("Prestige Italy"), and, together with its minority interest shareholder, caused Prestige Haushaltwaren GmbH ("Prestige Germany", and together with Prestige Italy, 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 selling, general and administrative expenses have been reclassified to distribution expenses in 2003, 2002, 2001 and 2000 to conform with the current year's presentation.

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.

OVERVIEW

The Company is a leading designer, developer and marketer of a broad range of branded consumer products used in the home, including Kitchenware, Cutlery and Cutting Boards, Bakeware and Cookware, Pantryware and Spices, Tabletop and Bath Accessories. Products are marketed under brand names including Farberware®, KitchenAid®, Cuisinart®, Hoffritz®, Sabatier®, DBK™-Daniel Boulud Kitchen, Joseph Abboud Environments™, Roshco®, Baker's Advantage®, Kamenstein®, CasaMōda™, Hoan®, Gemco® and :USE®. The Company uses the Farberware® brand name for kitchenware, cutlery and cutting boards and bakeware pursuant to a 200-year royalty-free license. The Company licenses the KitchenAid®, Cuisinart®, Farberware® (for flatware and dinnerware), Sabatier®, DBK™-Daniel Boulud Kitchen and Joseph Abboud Environments™ trade names pursuant to licenses granted by the owners of those brands. All other brand names listed above are owned. Several product lines are marketed within each of the Company's product categories and under brands primarily targeting moderate to medium price points, through every major level of trade.

Over the last several years, sales growth has come from: (i) expanding product offerings within current categories, (ii) developing and acquiring product categories and (iii) entering new channels of distribution, primarily in the United States. Key factors in the Company's growth strategy have been, and will continue to be, the selective use and management of strong brands and the ability to provide a steady stream of new products and designs.

For the year ended December 31, 2004, net sales were $189.5 million, which represented an 18.1% growth over the previous year. The combined net sales in 2004 for the Gemco®, :USE® and Excel businesses that had been acquired during the past 15 months, were approximately $14.3 million compared to $0.6 million in 2003. Excluding the impact of these acquisitions, net sales for 2004 were approximately $175.2 million, a 9.6% growth over 2003. The 9.6% increase in sales was primarily attributable to the continuing growth in demand for KitchenAid® branded products and higher Outlet Store sales, offset by lower sales in 2004 of the Company's S'mores Maker™. Net sales for the Outlet Stores in 2004 were $15.9 million compared to $11.0 million in 2003. The sales growth for the Outlet Stores was principally attributable to the Company assuming responsibility for an additional 20% of the floor space in each store, effective October 1, 2003.

The Company's gross profit margin is subject to fluctuation due primarily to product mix and, in some instances, customer mix. In 2004, our gross profit margin declined as a substantial portion of our sales growth came from sales of KitchenAid® branded products, which generate lower margins due to the added cost of royalties, and increased sales of other product lines, including Gemco® functional glassware and Excel products, that generate lower gross profit margins.

Our operating profit margin declined in 2004 due to three factors: (i) the $14.3 million in sales for the recently acquired Gemco®, :USE® and Excel businesses generated a small operating loss in 2004, (ii) the distribution of the Company's products through its outlet stores generated higher sales and a larger operating loss in 2004 compared to 2003 and (iii)added personnel costs incurred in 2004 to expand the product design group, the overseas sourcing department and our sales and marketing departments to accommodate future growth. In addition, the Company incurred in excess of $900,000 of direct expenses in 2004 related to Sarbanes-Oxley compliance work.

The Company's business and working capital needs are highly seasonal, with a significant majority of sales occurring in the third and fourth quarters. In 2004, 2003 and 2002, net sales for the third and fourth quarters combined accounted for 63%, 66% and 61% of total annual net sales, respectively, and operating profit earned in the third and fourth quarters combined accounted for 92%, 97% and 100% of total annual operating profits, respectively. Inventory levels increase primarily in the June through October time period in anticipation of the pre-holiday shipping season.

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 judgments, including those related to inventories. Management bases its estimates and judgments 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 judgments 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, consisting principally of finished goods, are priced under 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, 2004 and 2003 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.

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.

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. Accordingly, the Company ceased amortizing goodwill effective January 1, 2002. For each of the years ended December 31, 2004 and December 31, 2003, the Company completed its assessment. Based upon such reviews, no impairment to the carrying value of goodwill was identified.

Effective January 1, 2002, the Company adopted SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets". SFAS 144 requires that a long-lived asset shall be tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. For each of the years ended December 31, 2004 and December 31, 2003, the Company completed its assessment. Based upon such reviews, no impairment to the carrying value of any long-lived asset was identified.

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,		
	2004	2003	2002
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**58.9**	57.9	55.7
Distribution expenses	**12.0**	13.1	17.0
Selling, general and administrative expenses	**21.2**	19.8	22.0
Income from operations	**7.9**	9.2	5.3
Interest expense	**0.4**	0.5	0.8
Other income, net	**-**	-	-
Income before income taxes	**7.5**	8.7	4.5
Income taxes	**3.0**	3.5	1.8
Income from continuing operations	**4.5%**	5.2%	2.7%

2004 COMPARED TO 2003

Net Sales

Net sales in 2004 were $189.5 million, an increase of approximately $29.1 million, or 18.1% higher than 2003. The combined net sales in 2004 for the Gemco® and :USE® businesses acquired in the fourth quarter of 2003 and the Excel business that was acquired in July 2004, totaled approximately $14.3 million compared to $0.6 million in 2003. The Outlet Stores sales were $15.9 million in 2004 compared to $11.0 million in 2003. Excluding the net sales attributable to the Gemco®, :USE®, and Excel businesses and the Outlet Stores, net sales totaled approximately $159.2 million, a 7.0% increase over 2003's sales of $148.7 million. The increase in sales was primarily attributable to increased sales of KitchenAid® branded products in the Company's kitchenware, bakeware and cutlery product lines and, to a lesser extent, higher sales of its pantryware products. These sales increases in 2004 were offset primarily by lower sales of the Company's S'mores Maker™. Sales of Farberware® and Cuisinart® branded cutlery and Roshco® branded bakeware also declined in 2004.

The Outlet Stores sales increased to $15.9 million compared to $11.0 million in 2003. The Outlet Stores sales growth was principally attributable to the Company assuming responsibility for 70% of the space in each store, effective October 1, 2003, compared to 50% of the space in prior periods. The Outlet Stores had an operating loss of $1.3 million in 2004, compared to an operating loss of $1.0 million in 2003.

Cost of Sales

Cost of sales for 2004 was $111.5 million, an increase of approximately $18.6 million, or 20.0% more than 2003. Cost of sales as a percentage of net sales increased to 58.9% in 2004 from 57.9% in 2003, primarily as a result of higher sales of KitchenAid® branded products which generate lower margins due to the added costs of royalties and an increase in sales of other products that carry lower gross profit margins, including Gemco® functional glassware products and Excel products.

Distribution Expenses

Distribution expenses, which primarily consist of warehousing expenses, handling costs of products sold and freight-out expenses, were $22.8 million for 2004 as compared to $21.0 million for 2003. In 2003 these expenses included relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey distribution facility amounting to $0.7 million. No such expenses were incurred in 2004. Excluding these moving related costs, distribution expenses were 12.3% higher in 2004 as compared to 2003. However, as a percentage of net sales, distribution expenses, excluding the aforementioned relocation charges, were 12.0% in 2004 as compared to 12.7% in 2003. This improved relationship reflects primarily the benefits of labor savings and efficiencies generated by our main distribution center in Robbinsville, New Jersey.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2004 were $40.3 million, an increase of $8.5 million, or 26.8%, from 2003. The increase in selling, general and administrative expenses was primarily attributable to the following: increased Outlet Store operating expenses, resulting from the Company being responsible for 70% of the space and expenses of each store for the last three months of 2003 and all of 2004 compared to 50% of the space and expenses of each store for the first nine months of 2003; additional operating expenses of the :USE®, Gemco® and Excel businesses recently acquired; the higher personnel costs associated with planned personnel increases in the product design group, the overseas sourcing department and sales and marketing departments and expenses related to Sarbanes-Oxley compliance work.

Interest Expense

Interest expense for 2004 was $0.8 million, an increase of $0.1 million or 15.3%, from 2003.

Income Taxes

Income taxes for each of 2004 and 2003 were $5.6 million. Income taxes as a percentage of income before taxes remained consistent from year-to-year at approximately 40%.

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 Maker™ and Kamenstein® pantryware products.

The Outlet Stores sales increased to $11.0 million compared to $10.3 million in 2002. The Outlet Stores became responsible for 70% of the space and expenses in each store, effective October 1, 2003, compared to 50% of the space and expenses in prior periods. The Outlet Stores had an operating loss of $1.0 million in 2003, compared to an operating loss of $0.1 million in 2002.

Cost of Sales

Cost of sales for 2003 was $92.9 million, an

increase of approximately $19.8 million, or 27.0% more 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. In addition, 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 recognizes 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 $21.0 million for 2003 as compared to $22.2 million for 2002. These expenses included relocation charges, duplicate rent and other costs associated with the Company's move into its Robbinsville, New Jersey distribution facility amounting to $0.7 million in 2003 and $2.2 million in 2002. Excluding these moving related costs, distribution expenses were 1.2% higher in 2003 as compared to 2002 due to higher depreciation expense related to capital expenditures for the new automated warehouse distribution system and related equipment, offset by lower payroll costs. As a percentage of net sales, distribution expenses, excluding the aforementioned relocation charges, were 12.7% in 2003 as compared to 15.3% in 2002. This improved relationship reflects the benefits of labor savings generated by the new systems in our Robbinsville, New Jersey distribution facility.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2003 were $31.8 million, an increase of $2.8 million, or 9.8%, from 2002. The increase in selling, general and administrative expenses was primarily attributable to increased personnel costs, including 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 2002 to 2003. Income taxes as a percentage of income before taxes remained consistent from year-to-year at approximately 40%.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of cash to fund liquidity needs are: (i) cash provided by operating activities and (ii) borrowings available under its credit facility. Its primary uses of funds consist of capital expenditures, acquisitions, funding for working capital increases, payments of principal and interest on its debt and payment of cash dividends.

At December 31, 2004, the Company had cash and cash equivalents of $1.7 million, compared to $1.2 million at December 31, 2003; working capital was $49.6 million, compared to $41.3 million at December 31, 2003; the current ratio was 1.94 to 1 compared to 1.88 to 1 at December 31, 2003; and borrowings increased to $24.4 million at December 31, 2004 compared to $16.8 million at December 31, 2003. The increase in working capital primarily resulted from an increase in merchandise inventories offset in part by an increase in accounts payable and trade acceptances and accrued expenses.

Cash provided by operating activities was approximately $4.4 million, primarily resulting from net income before depreciation, amortization, provisions for losses on accounts receivable and other non-cash charges and increased income taxes payable offset by increased merchandise inventories, decreased accounts payable and trade acceptances and accrued expenses. Cash used in investing activities was approximately $9.9 million, which consisted of purchases of property and equipment and the cash paid in connection with the Excel acquisition. Net cash provided by financing activities was approximately $6.0 million, primarily as a result of an increase in short and long-term borrowings and the proceeds from the exercise of stock options, offset by cash dividends paid.

Capital expenditures were $2.9 million in 2004 and $2.2 million in 2003. Total planned capital expenditures for 2005 are estimated at $5.0 million. These expenditures are expected to be funded from current operations, cash and cash equivalents and, if necessary, from borrowings under the Company's secured credit facility.

On July 28, 2004, the Company entered into a $50 million five-year, secured credit facility (the "Credit Facility") with a group of banks and, in conjunction therewith, canceled its $35 million secured, reducing revolving credit facility which was due to mature in November 2004. Borrowings under the Credit Facility are secured by all of the

assets of the Company. Under the terms of the Credit Facility, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; a maximum leverage ratio and maintenance of a minimum net worth. Borrowings under the credit facility have different interest rate options that are based on an alternate base rate, the LIBOR rate and the lender's cost of funds rate, plus in each case a margin based on a leverage ratio. As of December 31, 2004, the Company had outstanding $0.4 million of letters of credit and trade acceptances, $19.4 million of short-term borrowings and a $5.0 million term loan under its Credit Facility and, as a result, the availability under the Credit Facility was $25.2 million. The $5.0 million long-term loan is non-amortizing, bears interest at 5.07% and matures in August 2009. Interest rates on short-term borrowings at December 31, 2004 ranged from 3.3125% to 5.25%.

Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms.

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, 2004, the Company's contractual obligations were as follows:

(in thousands)

		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating Leases	$40,194	$5,941	$8,929	$6,705	$18,619
Capitalized Leases	1,204	331	581	292	-
Short-term Debt	19,400	19,400	-	-	-
Long-term Debt	5,000	-	-	5,000	-
Royalty License Agreements	11,103	3,618	7,439	46	-
Employment Agreements	5,312	3,157	2,155	-	-
Totals	$82,213	$32,447	$19,104	$12,043	$18,619

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, 2004.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2004 and 2003.

	(in thousands, except per share data) Three Months Ended			
	3/31	6/30	9/30	12/31
2004				
Net sales	**$37,129**	**$33,029**	**$51,241**	**$68,059**
Cost of sales	**21,689**	**19,154**	**30,553**	**40,100**
Net income	**345**	**203**	**2,584**	**5,340**
Basic earnings per common share	**$0.03**	**$0.02**	**$0.23**	**$0.48**
Diluted earnings per common share	**$0.03**	**$0.02**	**$0.23**	**$0.47**
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 (loss) earnings per common share	($0.06)	$0.07	$0.27	$0.50
Diluted (loss) earnings per common share	($0.06)	$0.07	$0.27	$0.49

The quarterly results of operations for the periods ended September 30, 2004 and December 31, 2004 include the operations of Excel acquired in July 2004.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term disclosure controls and procedures is defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") or Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. An evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2004. During the quarter ended on December 31, 2004, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 using the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management believes that, as of December 31, 2004, the Company's internal control over financial reporting was effective based on those criteria.

During this process the Company identified control opportunities, none of which constituted a material weakness, and implemented a process to investigate and, as appropriate, remediate such matters. The Company is continuing to review, evaluate, document and test our internal control and procedures and may identify areas where disclosure and additional corrective measures are advisable or required. The Company will also look for methods to improve its overall system of controls.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young LLP's attestation report on management's assessment of the Company's internal control over financial reporting appears on page 26.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Lifetime Hoan Corporation

We have audited the accompanying consolidated balance sheets of Lifetime Hoan Corporation and subsidiaries (the "Company") as of December 31, 2004 and 2003 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2005, expressed an unqualified opinion thereon.

Melville, New York

March 11, 2005

Ernst & Young LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of Lifetime Hoan Corporation

We have audited management's assessment, included in the accompanying Report by Management on Internal Control over Financial Reporting, that Lifetime Hoan Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Lifetime Hoan Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Lifetime Hoan Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Lifetime Hoan Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lifetime Hoan Corporation and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 and our report dated March 11, 2005 expressed an unqualified opinion thereon.

Melville, New York

March 11, 2005

Ernst + Young LLP

CONSOLIDATED BALANCE SHEETS

	(in thousands, except share data) December 31,	
ASSETS	**2004**	2003
CURRENT ASSETS		
Cash and cash equivalents	**$1,741**	$1,175
Accounts receivable, less allowances of $3,477 in 2004 and $3,349 in 2003	**34,083**	31,977
Merchandise inventories	**58,934**	49,294
Prepaid expenses	**1,998**	2,129
Other current assets	**5,787**	3,709
TOTAL CURRENT ASSETS	**102,543**	88,284
PROPERTY AND EQUIPMENT, net	**20,003**	20,563
GOODWILL	**16,200**	16,145
OTHER INTANGIBLES, net	**15,284**	9,530
OTHER ASSETS	**2,305**	2,214
TOTAL ASSETS	**$156,335**	$136,736
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	**$19,400**	$16,800
Accounts payable and trade acceptances	**7,892**	8,405
Accrued expenses	**20,145**	17,156
Income taxes payable	**5,476**	4,613
TOTAL CURRENT LIABILITIES	**52,913**	46,974
DEFERRED RENT & OTHER LONG-TERM LIABILITIES	**2,072**	1,593
DEFERRED INCOME TAX LIABILITIES	**3,412**	2,088
LONG-TERM DEBT	**5,000**	-
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, shares authorized: 25,000,000; shares issued and outstanding: 11,050,349 in 2004 and 10,842,540 in 2003	**111**	109
Paid-in capital	**65,229**	63,409
Retained earnings	**28,077**	23,042
Notes receivable for shares issued to stockholders	**(479)**	(479)
TOTAL STOCKHOLDERS' EQUITY	**92,938**	86,081
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$156,335**	$136,736

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

	(in thousands, except per share data) Year Ended December 31,		
	2004	2003	2002
Net Sales	**$189,458**	$160,355	$131,219
Cost of Sales	**111,497**	92,918	73,145
Distribution Expenses	**22,830**	21,030	22,255
Selling, General and Administrative Expenses	**40,282**	31,762	28,923
Income from Operations	**14,849**	14,645	6,896
Interest Expense	**835**	724	1,004
Other Income, net	**(60)**	(68)	(66)
Income Before Income Taxes	**14,074**	13,989	5,958
Income Taxes	**5,602**	5,574	2,407
Income from Continuing Operations	**8,472**	8,415	3,551
Discontinued Operations:			
Loss from Operations, net of tax	**-**	-	(495)
Loss on Disposal, net of income tax benefit of $225	**-**	-	(811)
Total Loss from Discontinued Operations	**-**	-	(1,306)
NET INCOME	**$8,472**	$8,415	$2,245
BASIC INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	**$0.77**	$0.79	$0.34
DILUTED INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS	**$0.75**	$0.78	$0.34
LOSS PER COMMON SHARE FROM DISCONTINUED OPERATIONS	**-**	-	($0.13)
BASIC INCOME PER COMMON SHARE	**$0.77**	$0.79	$0.21
DILUTED INCOME PER COMMON SHARE	**$0.75**	$0.78	$0.21

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	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income
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	
Net income for 2004				**8,472**			**8,472**	
Tax Benefit on Exercise of Stock Options			**449**				**449**	
Exercise of stock options	**207**	**2**	**1,371**				**1,373**	
Dividends declared				**(691)**			**(691)**	
Cash dividends				**(2,746)**			**(2,746)**	
Balance at December 31, 2004	**11,050**	**$111**	**$65,229**	**$28,077**	**($479)**	**-**	**$92,938**	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(in thousands) Year Ended December 31,		
	2004	2003	2002
OPERATING ACTIVITIES			
Net income	**$8,472**	$8,415	$2,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on sale of discontinued operations	**-**	-	811
Depreciation and amortization	**4,074**	3,673	3,457
Deferred income taxes	**(100)**	105	133
Deferred rent and other long-term liabilities	**479**	539	468
Provision for losses on accounts receivable	**(68)**	8	386
Reserve for sales returns and allowances	**9,942**	9,297	7,453
Minority interest	**-**	-	(476)
Changes in operating assets and liabilities, excluding the effects of the sale of the Prestige companies and the acquisitions of Excel, :USE® and Gemco®:			
Accounts receivable	**(10,658)**	(21,008)	(6,880)
Merchandise inventories	**(4,944)**	(6,960)	1,022
Prepaid expenses, other current assets and other assets	**(595)**	177	1,853
Accounts payable, trade acceptances and accrued expenses	**(3,485)**	8,987	(6,122)
Income taxes	**1,312**	2,452	2,463
NET CASH PROVIDED BY OPERATING ACTIVITIES	**4,429**	5,685	6,813
INVESTING ACTIVITIES			
Purchases of property and equipment, net	**(2,911)**	(2,213)	(1,807)
Proceeds from disposition of Prestige Companies	**-**	-	985
Acquisition of Excel	**(7,000)**	-	-
Acquisitions of :USE® and Gemco®	**-**	(3,964)	-
NET CASH USED IN INVESTING ACTIVITIES	**(9,911)**	(6,177)	(822)
FINANCING ACTIVITIES			
Proceeds from (payments of) short term borrowings, net	**2,600**	2,600	(8,647)
Proceeds from long-term debt	**5,000**	-	-
Proceeds from the exercise of stock options	**1,373**	1,705	318
Repayment of Note Receivable	**-**	-	7
Payment of capital lease obligations	**(179)**	(50)	-
Cash dividends paid	**(2,746)**	(2,650)	(2,628)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**6,048**	1,605	(10,950)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**566**	1,113	(4,959)
Cash and cash equivalents at beginning of year	**1,175**	62	5,021
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$1,741**	$1,175	$62

See notes to consolidated financial statements.

DECEMBER 31, 2004

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 (collectively the "Company"), 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 a broad range of consumer products used in the home, including kitchenware, cutlery and cutting boards, bakeware and cookware, pantryware and spices, tabletop and decorative bath accessories and markets 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 60 retail outlet stores in 31 states under the Farberware® name. Under an agreement with the Meyer Corporation, Meyer Corporation assumed responsibility for merchandising and for stocking Farberware® cookware products in the stores, receives all revenue from sales of Farberware® cookware and since October 31, 2003, occupies 30% of the space in each store and reimburses the Company for 30% of the operating expenses of the stores. For the periods prior to October 1, 2003, Meyer was responsible for 50% of the space in each store and 50% of the operating expenses of the stores.

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

Revenue Recognition: Revenue is recognized when goods are shipped and title of ownership transfers to the customer. Related freight-out costs are included in distribution expenses and amounted to $3.3 million, $2.7 million and $2.7 million for 2004, 2003 and 2002, 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 distribution facility, amounting to $0.7 million and $2.2 million in 2003 and 2002, respectively. No such expenses were incurred in 2004.

Inventories: Merchandise inventories, consisting principally of finished goods, are priced at 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, 2004 and 2003 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 under the straight-line method over the estimated useful lives of the assets. Buildings 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 their estimated useful lives, 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. The carrying value of long-term debt outstanding under the Company's revolving credit facility approximates fair value of such debt and bears interest at the current market rate of 5.07%.

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 ceased amortizing goodwill effective January 1, 2002. The Company completed its annual assessment of goodwill impairment in the fourth quarters of 2004 and 2003. Based upon such reviews, no impairment to the carrying value of goodwill was identified in either period.

Other intangibles consist of licenses, trademarks / trade names, customer relationships and product designs acquired pursuant to four acquisitions and are being amortized by the straight-line method over periods ranging from 4 to 40 years. The remaining weighted-average amortization period for such intangibles is approximately 28 years. Accumulated amortization at December 31, 2004 and 2003 was $3.7 million and $3.1 million, respectively. Amortization expense with respect to these intangible assets for each of five succeeding fiscal years is estimated to be as follows: 2005 - $677,000; 2006 - $677,000; 2007 - $677,000; 2008 - $665,000; 2009 - $615,000.

Amortization expense for the years ended December 31, 2004, December 31, 2003 and December 31, 2002 was $602,000, $410,000 and $390,000, 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. Deferred income taxes have been provided to 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.

Earnings Per Share: Basic earnings per share have been computed by dividing net income by the weighted average number of common shares outstanding of 10,982,000 in 2004, 10,628,000 in 2003 and 10,516,000 in 2002. Diluted earnings per share have been computed by dividing net income by the weighted average number of common shares outstanding, including the dilutive effects of stock options, of 11,226,000 in 2004, 10,754,000 in 2003 and 10,541,000 in 2002.

Accounting for Stock Option Plan: At December 31, 2004, the Company had 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)		
	2004	2003	2002
Net income, as reported	**$8,472**	$8,415	$2,245
Deduct: Total stock option employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(179)**	(196)	(156)
Pro forma net income	**$8,293**	$8,219	$2,089
Earnings per share:			
Basic – as reported	**$0.77**	$0.79	$0.21
Basic – pro forma	**$0.76**	$0.77	$0.20
Diluted – as reported	**$0.75**	$0.78	$0.21
Diluted – pro forma	**$0.74**	$0.76	$0.20

The weighted average fair values of options granted during the years ended December 31, 2004, 2003 and 2002 were $5.90, $2.57 and $0.16, respectively. The fair values 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 3.73%, 3.37% and 3.47% for 2004, 2003 and 2002, respectively; 1.55% dividend yield in 2004, 2.53% dividend yield in 2003 and 4.33% dividend yield in 2002; volatility factor of the expected market price of the Company's common stock of 0.37 in 2004, 0.41 in 2003 and 0.06 in 2002; and a weighted-average expected life of the options of 6.0, 6.0 and 6.0 years in 2004, 2003 and 2002, 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 estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair values of its employee stock options.

New Accounting Pronouncements: In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123R, Share-Based Payment, an amendment of FASB Statement No. 123 ("SFAS No. 123R"). SFAS No. 123R addresses the accounting for transactions in which an enterprise exchanges its valuable equity instruments for employee services. It also addresses transactions in which an enterprise incurs liabilities that are based on the fair values of the enterprise's equity instruments or that may be settled by the issuance of those equity instruments in exchange for employee services. For public entities, the cost of employee services received in exchange for equity instruments, including employee stock options, would be measured based on the grant-date fair value of those instruments. That cost would be recognized as compensation expense over the requisite service period (often the vesting period). Generally, no compensation cost would be recognized for equity instruments that do not vest.

SFAS No. 123R is effective for periods beginning after June 15, 2005. SFAS No. 123R will apply to awards granted, modified, or settled in cash on or after that date. Companies may choose from one of three methods when transitioning to the new standard, which may include restatement of prior annual and interim periods. The impact on EPS of expensing stock options will be dependent upon the method to be used for valuation of stock options and the transition method determined by the Company. The total impact on an annualized basis could range from approximately $0.01 to $0.02 per share-diluted, assuming option grants continue at the same level as in 2004.

Reclassifications: Certain selling, general and administrative expenses have been reclassified to distribution expenses in 2003 and 2002 to conform with the current presentation.

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 Italiana, Spa ("Prestige Italy") and Prestige Haushaltswaren GmbH ("Prestige Germany" and, together with Prestige Italy, the "Prestige Companies"). 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 Italy and, together with its minority interest shareholder, caused Prestige Germany 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.

Gemco® 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. This acquisition enabled the Company to broaden its kitchenware product lines to include functional glassware.

: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. This acquisition enabled the Company to expand its product offering to include bath 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 total of the purchase prices paid in cash, including associated expenses, amounted to approximately $4.0 million. In connection with the :USE® acquisition 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 allocations of the purchase prices of the acquired businesses resulted in the following condensed balance of assets being acquired (in thousands):

	Purchase Price Allocation
Accounts receivable	$1,131
Merchandise Inventories	944
Other intangibles	940
Goodwill	1,248
Total assets acquired	$4,263

In July 2004, the Company acquired the business and certain assets of Excel Importing Corp., ("Excel"), a wholly-owned subsidiary of Mickelberry Communications Incorporated. Excel marketed and distributed a diversified line of high quality cutlery, tabletop, cookware and barware products under well-recognized premium brand names, including Sabatier®, Farberware®, Retroneu® Design Studio®, Joseph Abboud Environments™, DBK™-Daniel Boulud Kitchen and Legnoart®. The Excel acquisition provided quality brand names that the Company can use to market many of its existing product lines and added tabletop product categories to the Company's current product lines. The purchase price, subject to post closing adjustments, was approximately $8.5 million, of which $7.0 million was paid in cash at the closing. The Company has not paid the balance of $1.5 million since it believes the total estimated post closing inventory adjustments and certain indemnification claims are in excess of that amount.

The Company has not yet determined either the amount or the allocation of the purchase price for the Excel acquisition since the calculation of post closing adjustments has not yet been finalized. The acquisition was accounted for under the purchase method and, accordingly, acquired assets and liabilities are recorded at their fair values. Preliminary the $7.0 million of the purchase price paid at closing has been allocated based on management's estimates as follows (in thousands):

	Preliminary Purchase Price Allocation
Accounts receivable	$1,300
Merchandise Inventories	4,800
Current Liabilities	(5,400)
License Intangibles	6,300
Total assets acquired	$7,000

KitchenAid® License Agreement: On September 24, 2000, the Company entered into a license agreement with 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 license agreement was amended, expanding the covered products to include bakeware and baking related products as covered products. A second amendment to the license agreement was entered into effective August 1, 2003, which extended the term of the license through December 31, 2007 and further expanded the covered products to include kitchen cutlery. Shipments of products by the Company under the agreement KitchenAid® name began in the second quarter of 2001.

Cuisinart® License Agreement: On March 19, 2002, the Company entered into a license 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. On April 8, 2004, the license agreement was amended, expanding the covered products to include cutting boards.

NOTE C —CREDIT FACILITIES

On July 28, 2004, the Company entered into a $50 million five-year, secured credit facility (the "Credit Facility") with a group of banks and, in conjunction therewith, canceled its $35 million secured, reducing revolving credit facility which was due to mature in November 2004. Borrowings under the Credit Facility are secured by all of the assets of the Company. Under the terms of the Credit Facility, the Company is required to satisfy certain financial covenants, including limitations on indebtedness and sale of assets; a minimum fixed charge ratio; a maximum leverage ratio; and maintenance of a minimum net worth. Borrowings under the credit facility have different interest rate options that are based on an alternate base rate, the LIBOR rate and the lender's cost of funds rate, plus in each case a margin based on a leverage ratio. As of December 31, 2004, the Company had outstanding $0.4 million of letters of credit and trade acceptances, $19.4 million of short-term borrowings and a $5.0 million term loan under its Credit Facility and, as a result, the availability under the Credit Facility was $25.2 million. The $5.0 million long-term loan is non-amortizing, bears interest at 5.07% and matures in August 2009. Interest rates on short-term borrowings at December 31, 2004 ranged from 3.3125% to 5.25%. The weighted-average interest rate on short-term borrowings was 3.857% and 3.502% at December 31, 2004 and December 31, 2003, respectively.

The Company paid interest of approximately $0.8 million, $0.7 million and $1.0 million during the years ended December 31, 2004, 2003 and 2002, 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 each of 2004, 2003 and 2002. 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: During the years ended December 31, 1999 and 2000, the Board of Directors of the Company authorized the repurchase of up to 3,000,000 shares of the outstanding Common Stock in the open market. Through December 31, 2004, 2,128,000 shares had been repurchased for approximately $15.2 million (none were repurchased in 2004, 2003 and 2002).

Preferred Stock: The Company is authorized to issue 2,000,000 shares of Series B Preferred Stock, par value of One Dollar ($1.00) each, none of which is outstanding. The Company is also authorized to issue 100 shares of Series A Preferred Stock, par value of One Dollar ($1.00) each, none of which is outstanding.

Stock Option Plans: In June 2000, the stockholders of the Company approved the 2000 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 in the form of stock options or other equity-based awards to directors, officers, employees, consultants and service providers to the Company and its affiliates. The Plan authorizes the Board of Directors of the Company to issue incentive stock options as defined in Section 422 of the Internal Revenue Code, stock options that do not conform to the requirements of that Section of the Code and other stock based awards. Options that have been granted under the plan 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, 2004, approximately 949,500 shares were available for grant under the Plan and all options granted through December 31, 2004 under the Plan have exercise prices equal to the market value of the Company's stock on the date of grant.

The following table summarizes the Company's stock option activity and related information for the years ended December 31, 2004, 2003 and 2002:

	2004		2003		2002	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Balance – Jan 1,	**966,610**	**$7.27**	919,291	$6.98	1,031,830	$6.94
Grants	**49,000**	**$16.68**	370,000	$7.37	175,000	$6.30
Exercised	**(217,041)**	**$6.76**	(298,232)	$6.50	(94,153)	$5.00
Canceled	**(103,762)**	**$10.60**	(24,449)	$7.44	(193,386)	$7.09
Balance–Dec 31,	**694,807**	**$7.59**	966,610	$7.27	919,291	$6.98

The following table summarizes information about employees' stock options outstanding at December 31, 2004:

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	198,400	198,400	7.2 years	$5.28	$5.28
$6.00 - $8.55	413,457	234,332	6.8 years	$7.25	$6.97
$8.64 - $13.84	58,950	15,200	8.5 years	$12.90	$11.45
$15.60 - $22.46	24,000	14,000	9.3 years	$19.65	$20.09
	694,807	461,932	7.1 years	$7.59	$6.79

At December 31, 2003 and 2002, there were outstanding exercisable options to purchase 699,610 and 789,917 shares of Common Stock, respectively, at weighted-average exercise prices per share of $6.94 and $7.14, respectively.

In connection with the exercise of options issued under a stock option plan that has since been terminated, 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 issued by Milton L. Cohen, a director of the Company, in the amount of $422,000 was canceled and replaced by a new note issued by Milton L. Cohen in the amount of $855,000, which consolidated such $422,000 and all other amounts due by Milton L. Cohen to the Company. As at December 31, 2004, the amount of such note had been reduced to approximately $278,000.

NOTE E — INCOME TAXES

Pre-tax income from continuing operations for the years ended December 31, 2004, 2003 and 2002 was $14.1 million, $14.0 million and $6.0 million, respectively.

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

	Year Ended December 31,		
	2004	2003	2002
Current:			
Federal	**$4,861**	$4,451	$2,035
State and local	**841**	1,018	239
Deferred	**(100)**	105	133
Income tax provision	**$5,602**	$5,574	$2,407

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,	
	2004	2003
Merchandise inventories	**$1,174**	$1,122
Accounts receivable allowances	**964**	876
Depreciation and amortization	**(3,412)**	(2,088)
Inventory reserve	**889**	-
Accrued bonuses	**395**	-
Net deferred tax (liabilities) assets	**$10**	($90)

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

	Year Ended December 31,		
	2004	2003	2002
Provision for Federal income taxes at the statutory rate	**$4,926**	$4,896	$2,026
Increases (decreases):			
State and local income taxes, net of Federal income tax benefit	**547**	662	158
Other	**129**	16	223
Provision for income taxes	**$5,602**	$5,574	$2,407

The Company paid income taxes of approximately $4.2 million and $3.1 million during the years ended 2004 and 2003, respectively. The Company received income tax refunds (net of payments) of approximately $328,000 during the year ended December 2002.

The Company and its subsidiaries' income tax returns are routinely examined by various tax authorities. In management's opinion, adequate provision for income taxes has been made for all open years in accordance with SFAS No. 5, "Accounting for Contingencies".

NOTE F — COMMITMENTS

Operating Leases: The Company has lease agreements for its distribution facility, 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:	
2005	$5,941
2006	4,821
2007	4,108
2008	3,607
2009	3,098
Thereafter	18,619
	$40,194

Under an agreement with the Meyer Corporation ("Meyer"), Meyer assumed responsibility for merchandising and for stocking Farberware® cookware products in the outlet stores and receives all revenue from store sales of Farberware® cookware. Since October 1, 2003, Meyer has occupied 30% of the space in each store and reimbursed the Company for 30% of the operating expenses of the stores. For the periods prior to October 1, 2003, Meyer occupied 50% of the space in each store and reimbursed the company for 50% of the operating expenses of the stores. In 2004, 2003 and 2002, Meyer Corporation reimbursed the Company approximately $1.2 million, $1.5 million and $1.7 million, respectively, for operating expenses.

Rental and related expenses under operating leases were approximately $7.0 million, $6.9 million and $7.1 million for the years ended December 31, 2004, 2003 and 2002, respectively. Such amounts are prior to the Meyer 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 distribution facility. These leases expire in 2008 and the future minimum lease payments due under the leases as of December 31, 2004 are as follows (in thousands):

Year ended December 31:	
2005	$331
2006	304
2007	277
2008	226
2009	66
Total Minimum Lease Payments	1,204
Less: amounts representing interest	123
Present value of minimum lease payments	$1,081

The current and non-current portions of the Company's capital lease obligations at December 31, 2004 of approximately $262,000 and $819,000, respectively, and at December 31, 2003 of approximately $128,000 and $586,000, respectively, are included in the accompanying consolidated balance sheets within accrued expenses and deferred rent and other long-term liabilities, respectively.

Royalties: The Company has royalty license agreements that require payments of royalties on sales of licensed products which expire through December 31, 2008. Future minimum royalties payable under these agreements are as follows (in thousands):

Year ended December 31:	
2005	$3,618
2006	3,748
2007	3,691
2008	46
	$11,103

Legal Proceedings: The Company has, from time to time, been involved in various legal proceedings. The Company believes that all current litigation is routine in nature and incidental to the conduct of our business, and that none of this litigation, if determined adversely to us, 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 and Chief Executive Officer for a term commencing on April 6, 2001, and as its Chairman of the Board for a term that commenced immediately following the 2001 Annual Meeting of stockholders, 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 increases

based on changes in the Consumer Price Index and for the payment each year of a bonus in an amount equal to 3.5% of the Company's pre-tax income for such fiscal year, adjusted to include amounts payable during such year to Mr. Siegel under the employment agreement and to Milton L. Cohen in his capacity as a consultant to the Company and all significant non-recurring charges deducted in determining such pre-tax income. During the years ended December 31, 2004, 2003 and 2002, the Company recorded annual compensation expense of approximately $555,000, $576,000 and $323,000, respectively, to the bonus plan. In addition, under the terms of the employment agreement, Mr. Siegel is entitled to $350,000 payable at the earlier of April 5, 2006 or the occurrence of certain termination events. The agreement also provides for, among other things, certain standard fringe benefits, 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) and such event is followed by: (i) the termination of his employment, other than for cause; (ii) the diminution of his duties or change in his executive position; (iii) the diminution of his compensation (other than as part of 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 2004 and 2003, several members of senior management entered into employment agreements with the Company. The employment agreements termination dates range from June 30, 2006 through June 30, 2007. The agreements provide for annual salaries and bonuses, and certain standard fringe benefits, such as disability benefits, medical insurance, life insurance and auto allowances.

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 pursuant to which the Company is paying Milton L. Cohen an annual consulting fee of $440,800.

As of December 31, 2004 and December 31, 2003, Milton L. Cohen owed the Company approximately $278,000 and $453,000, respectively. Milton L. Cohen remits $48,404 quarterly in payment of interest and principal. The loan, which matures on March 31, 2006, is included within other current and non-current assets in the accompanying consolidated balance sheets.

As of December 31, 2004 and December 31, 2003, Jeffrey Siegel, Chairman of the Board, President and Chief Executive Officer of the Company, owed the Company approximately $344,000 for with respect to an outstanding loan related to the exercise of stock options under a stock option plan which has since been terminated.

As of December 31, 2004 and December 31, 2003, Craig Phillips, a vice president of the Company, owed the Company approximately $135,000 for with respect to an outstanding loan related to the exercise of stock options under a stock option plan which has since been terminated.

The above referenced notes receivables due from Jeffrey Siegel and Craig Phillips totaling $479,000 are included within total stockholders' equity in the accompanying balance sheets at December 31, 2004 and 2003, respectively.

On October 1, 2002 the Company entered into a consulting agreement with Ronald Shiftan, a director of the Company. The agreement was terminated effective November 1, 2004 when Mr. Shiftan became Vice Chairman of the Company. Mr. Shiftan was 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 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 $257,000, $206,000 and $220,000 in 2004, 2003 and 2002, 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, 2004, 2003 and 2002, Wal-Mart Stores, Inc. (including Sam's Clubs) accounted for approximately 24%, 29% and 20% of net sales, respectively. No other customer accounted for 10% or more of the Company's net sales during 2004, 2003 or 2002. For the years ended December 31, 2004, 2003 and 2002, our ten largest customers accounted for approximately 59%, 62% and 56% of net sales, respectively.

NOTE J — OTHER

Property and Equipment:

Property and equipment consist of (in thousands):

	December 31, 2004	December 31, 2003
Land	**$932**	$932
Building and improvements	**7,179**	7,135
Machinery, furniture and equipment	**28,881**	26,451
Leasehold improvements	**1,810**	1,637
	38,802	36,155
Less: accumulated depreciation and amortization	**18,799**	15,592
	$20,003	$20,563

Depreciation and amortization expense on property and equipment for the years ended December 31, 2004, 2003 and 2002 was $3.5 million, $3.3 million and $3.1 million, respectively. Included in machinery, furniture and equipment and related accumulated depreciation above as of December 31, 2004 are $1,332,000 and $281,000, respectively, and as of December 31, 2003 are $763,000 and $76,000, respectively, related to assets recorded under capital leases.

Accrued Expenses:

Accrued expenses consist of (in thousands):

	December 31, 2004	December 31, 2003
Commissions	**$887**	$732
Accrued customer allowances and rebates	**5,407**	5,410
Amounts due to Meyer Corporation	**1,621**	2,534
Officer and employee bonuses	**1,203**	1,504
Accrued health insurance	**—**	642
Accrued royalties	**2,249**	966
Accrued salaries, vacation and temporary labor billings	**2,075**	1,855
Other	**6,703**	3,513
	$20,145	$17,156

Sources of Supply: The Company sources its products from approximately 98 suppliers located primarily in the People's Republic of China, and to a lesser extent in the United States, Taiwan, Thailand, Malaysia, Indonesia, Germany, France, Korea, Czechoslovakia, Italy, India and Hong Kong. For the fiscal year ended December 31, 2004 our three largest suppliers provided us with approximately 54% of the products we distributed, as compared to 62% for the fiscal year ended December 31, 2003. This concentration of sourcing in certain key vendors is an additional risk to our business. Furthermore, because our product lines cover thousands of products, many products are produced for us by only one or two manufacturers. An interruption of supply from any of these manufacturers could have an adverse impact on our ability to fill orders on a timely basis. However, we believe other manufacturers with whom we do business would be able to increase production to fulfill our requirements.

OFFICERS AND DIRECTORS

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

Ronald Shiftan
Vice Chairman and a Director

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-Finance,
Treasurer and Chief Financial Officer

Evan Miller
Executive Vice President and
President-Sales Division

Robert Reichenbach
Executive Vice President and
President-Cutlery, Bakeware and
At Home Entertaining Divisions

Larry Sklute
President-Kitchenware Division

Howard Bernstein
Director

Leonard Florence
Director

Sheldon Misher
Director

Cherrie Nanninga
Director

William Westerfield
Director

Joseph Abboud Environments™ is a trademark of
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Cuisinart® is a registered trademark of Conair Corporation
DBK™— Daniel Boulud Kitchen is a trademark of
Dinex Licensing LLC
Farberware® is a registered trademark of Farberware, Inc.
Hershey's® and Reese's® are registered trademarks of
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Kathy Ireland Home® is a registered trademark of
Kathy Ireland World Wide LLC
KitchenAid® is a registered trademark of Whirlpool Corporation
Sabatier® is a registered trademark of Rousselon Frères et Cie.

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Robbinsville, NJ 08691
(609)208-1500

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Winchendon, MA 01475
(978)297-4010

CORPORATE INFORMATION

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New York, NY

Independent Registered Public Accounting Firm
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, 2004, 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 7, 2005, at the Corporate Headquarters.

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