ONEIDA LTD
Form 10-Q
September 10, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 27, 2002

Commission file number 1-5452

ONEIDA LTD.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| NEW YORK | 15-0405700 |
| (State or other jurisdiction of incorporation or organization) | I.R.S. Employer Identification Number |

| | |
|---|---|
| ONEIDA, NEW YORK | 13421 |
| (Address of principal executive offices) | (Zip code) |

(315) 361-3636
(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of September 9, 2002: 16,543,420.

ONEIDA LTD.
FORM 10-Q

FOR THE THREE AND SIX MONTHS ENDED JULY 27, 2002

INDEX



ITEM 1. LEGAL PROCEEDINGS.
None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.
None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.
None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.
None.

ITEM 5. OTHER INFORMATION.
None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

99.2. Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.3. Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) During the quarter ended July 27, 2002 no Reports on Form 8-K were filed by the registrant.

ONEIDA LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| (Thousands except per share amounts) | FOR THE THREE MONTHS ENDED JUL 27, 2002 | FOR THE THREE MONTHS ENDED JUL 28, 2001 | FOR THE SIX MONTHS ENDED JUL 27, 2002 | FOR THE SIX MONTHS ENDED JUL 28, 2001 |
|---|---|---|---|---|
| NET SALES | $111,239 | $119,428 | $226,246 | $246,234 |
| COST OF SALES | 74,015 | 77,652 | 151,516 | 162,932 |
| GROSS MARGIN | 37,224 | 41,776 | 74,730 | 83,302 |
| OPERATING REVENUES | 311 | 333 | 679 | 740 |
| | 37,535 | 42,109 | 75,409 | 84,042 |
| OPERATING EXPENSES: | | | | |
| Selling, distribution and administrative expenses | 31,652 | 34,134 | 63,093 | 68,100 |
| INCOME FROM OPERATIONS | 5,883 | 7,975 | 12,316 | 15,942 |
| OTHER INCOME (EXPENSE) - NET | 2,638 | 672 | 3,004 | 534 |
| INTEREST EXPENSE | 3,790 | 5,939 | 7,877 | 13,060 |
| INCOME BEFORE INCOME TAXES | 4,731 | 2,708 | 7,443 | 3,416 |
| PROVISION FOR INCOME TAXES | 1,762 | 1,005 | 2,772 | 1,273 |
| NET INCOME | $ 2,969 | $ 1,703 | $ 4,671 | $ 2,143 |
| EARNINGS PER SHARE OF COMMON STOCK: | | | | |
| Net income: | | | | |
| Basic | $.18 | $.10 | $.28 | $.13 |
| Diluted (NOTE 3) | .18 | .10 | .28 | .13 |
| SHARES USED IN PER SHARE DATA: | | | | |
| Basic | 16,540 | 16,459 | 16,535 | 16,433 |
| Diluted (NOTE 3) | 16,608 | 16,553 | 16,575 | 16,519 |
| CASH DIVIDENDS DECLARED (Common) | $.02 | $.05 | $.04 | $.10 |

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED BALANCE SHEETS
JULY 27, 2002 AND JANUARY 26, 2002
(Unaudited)

| | JULY 27, 2002 | JAN 26, 2002 |
|---|---|---|
| | (Dollars in Thousands) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | $ 2,654 | $ 11,112 |
| Accounts receivable, net of allowance for doubtful. accounts of $4,141 and $3,475 | 71,532 | 78,420 |
| Other accounts and notes receivable | 4,661 | 2,524 |
| Inventories: | | |
| Finished goods | 149,986 | 147,097 |
| Goods in process | 13,495 | 13,112 |
| Raw materials and supplies | 9,295 | 9,314 |
| Other current assets | 15,340 | 18,540 |
| Total current assets | 266,963 | 280,119 |
| PROPERTY, PLANT AND EQUIPMENT-At cost: | | |
| Property, plant and equipment | 256,157 | 252,144 |
| Less accumulated depreciation | 151,083 | 143,772 |
| Property, plant and equipment-net | 105,074 | 108,372 |
| OTHER ASSETS: | | |
| Goodwill - Net | 135,148 | 134,073 |
| Deferred income taxes | 19,253 | 19,181 |
| Other assets | 8,250 | 4,390 |
| TOTAL | $534,688 | $546,135 |

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED BALANCE SHEETS
JULY 27, 2002 AND JANUARY 26, 2002
(Unaudited)

| | JULY 27, 2002 | JAN 26, 2002 |
|---|---|---|
| | (Dollars in Thousands) | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term debt | $ 9,347 | $ 11,430 |

| | | |
|---|---|---|
| Accounts payable............................ | 30,130 | 24,848 |
| Accrued liabilities.......................... | 35,449 | 37,950 |
| Accrued income taxes......................... | 10,682 | 3,696 |
| Dividends payable............................ | 363 | 363 |
| Current installments of long-term debt........ | 5,922 | 3,956 |
| Total current liabilities................. | 91,893 | 82,243 |
| LONG-TERM DEBT................................ | 228,754 | 256,170 |
| OTHER LIABILITIES: | | |
| Accrued postretirement liability............. | 57,918 | 56,410 |
| Accrued pension liability.................... | 15,026 | 15,206 |
| Other liabilities............................ | 8,659 | 8,725 |
| Total other liabilities................... | 81,603 | 80,341 |
| STOCKHOLDERS' EQUITY: | | |
| Cumulative 6% preferred stock; $25 par value; authorized 95,660 shares, issued 86,036 shares, callable at $30 per share..... | 2,151 | 2,151 |
| Common stock $1 par value; authorized 48,000,000 shares, issued 17,827,866 and 17,809,235 shares....................... | 17,828 | 17,809 |
| Additional paid-in capital................... | 84,138 | 83,965 |
| Retained earnings............................ | 67,862 | 63,918 |
| Accumulated other comprehensive loss.......... | (15,407) | (16,328) |
| Less cost of common stock held in treasury; 1,285,679 shares.................. | (24,134) | (24,134) |
| Stockholders' Equity....................... | 132,438 | 127,381 |
| TOTAL.................................... | $534,688 | $546,135 |

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JULY 27, 2002
(Unaudited)

| | Comp. Income | Common Shares | Common Stock | Pref'd Stock | Add'l Paid-in Capital | Retained Earnings |
|---|---|---|---|---|---|---|
| Balance at Jan 26, 2002...... | | 17,809 | $17,809 | $2,151 | $83,965 | $63,918 |
| Stock plan activity, net..... | | 19 | 19 | | 173 | |
| Purchase/retirement of | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Treasury stock, net.......... | | | | | | |
| Cash dividends declared ($.04 per share).......... | | | | | | (727) |
| Net income.................. | $ 4,671 | | | | | 4,671 |
| Other comprehensive gain..................... | 921 | | | | | |
| Comprehensive income......... | $ 5,592 | | | | | |
| Balance at July 27, 2002..... | | 17,828 | $17,828 | $2,151 | $84,138 | $67,862 |

| | Accum. Other Comp Income (Loss) | Treasury Stock | Unallocated ESOP |
|---|---|---|---|
| Balance at Jan 26, 2002...... | $(16,328) | $(24,134) | |
| Stock plan activity, net..... | | | |
| Purchase/retirement of Treasury stock, net.......... | | | |
| Cash dividends declared ($.04 per share).......... | | | |
| Net Income.................. | | | |
| Other comprehensive gain..................... | 921 | | |
| Balance at July 27, 2002..... | $(15,407) | $(24,134) | |

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JULY 28, 2001
(Unaudited)

| | Comp. Income | Common Shares | Common Stock | Pref'd Stock | Add'l Paid-in Capital | Retained Earnings |
|---|---|---|---|---|---|---|
| Balance at Jan 27, 2001...... | | 17,703 | $17,703 | $2,167 | $82,956 | $57,495 |
| Stock plan activity, net..... | | 84 | 84 | | 785 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Purchase/retirement of Treasury stock, net.......... | | | | (16) | | |
| Cash dividends declared ($.10 per share).......... | | | | | | (1,750) |
| Net income.................. | $ 2,143 | | | | | 2,143 |
| Other comprehensive loss.................... | (2,912) | | | | | |
| Comprehensive loss........... | $ (769) | | | | | |
| Balance at July 28, 2001..... | | 17,787 | $17,787 | $2,151 | $83,741 | $57,888 |

| | Accum. Other Comp Income (Loss) | Treasury Stock | Unallocated ESOP |
|---|---|---|---|
| Balance at Jan 27, 2001...... | $(11,423) | $(24,590) | |
| Stock plan activity, net..... | | | |
| Purchase/retirement of Treasury stock, net.......... | | 235 | |
| Cash dividends declared ($.10 per share).......... | | | |
| Net loss.................... | | | |
| Other comprehensive loss..................... | (2,912) | | |
| Allocation of ESOP shares | | | |
| Balance at July 28, 2001.... | $(14,335) | $(24,355) | |

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JULY 27, 2002 AND JULY 28, 2001
(Unaudited)
(In Thousands)

| | FOR THE SIX MONTHS ENDED JULY 27, 2002 | FOR THE SIX MONTHS ENDED JULY 28, 2001 |
|---|---|---|

| | | |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net income | $ 4,671 | $ 2,143 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 7,950 | 9,366 |
| Deferred taxes and other non-cash charges and credits | (566) | (2,264) |
| Decrease (increase) in operating assets: | | |
| Receivables | 4,752 | 2,173 |
| Inventories | (3,253) | 18,705 |
| Other current assets | (5,199) | 4,785 |
| Other assets | (3,902) | (3,470) |
| Increase (decrease) in accounts payable | 5,282 | (265) |
| Increase (decrease) in accrued liablities | 4,484 | (19,034) |
| Net cash provided by operating activities | 14,219 | 12,139 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Property, plant and equipment expenditures-net | (3,981) | (5,726) |
| Proceeds from sale of marketable securities | 8,399 | |
| Other, net | 51 | (12) |
| Net cash provided (used) in investing activities | 4,469 | (5,738) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock | 192 | 868 |
| Issuance (purchase) of treasury stock | | 219 |
| (Decrease) increase in short-term debt-net | (2,083) | 1,660 |
| Payment of long-term debt | (28,139) | (3,296) |
| Proceeds from issuance of long-term debt | 2,689 | |
| Dividends paid | (726) | (2,432) |
| Net cash (used) provided by financing activities | (28,067) | (2,981) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 921 | (2,912) |
| NET INCREASE (DECREASE) IN CASH | (8,458) | 508 |
| CASH AT BEGINNING OF YEAR | 11,112 | 2,163 |
| CASH AT END OF PERIOD | $ 2,654 | $ 2,671 |

See notes to consolidated financial statements.

ONEIDA LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

1. The consolidated financial statements for the three and six months ended July 27, 2002 and July 28, 2001 are unaudited; in the opinion of the Company such

unaudited consolidated financial statements include all adjustments (which comprise only normal recurring accruals) necessary for a fair presentation of the results of such periods. The results of operations for the three and six months ended July 27, 2002 are not necessarily indicative of the results of operations to be expected for the year ending January 25, 2003. The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the years ended in January 2002 and 2001 included in the Company's January 26, 2002 Annual Report to the Securities and Exchange Commission on Form 10-K.

2. The provision for income taxes is based on pre-tax income for financial statement purposes with an appropriate deferred tax provision to give effect to changes in temporary differences between the financial statements and tax bases of assets and liabilities. The temporary differences arise principally from postretirement benefits, depreciation and other employee benefits.

3. Basic and diluted earnings per share are presented for each period in which a statement of operations is presented. Basic earnings per share is computed by dividing income less preferred stock dividends by the weighted average shares actually outstanding for the period. Diluted earnings per share includes the potentially dilutive effect of shares issuable under the employee stock purchase and incentive stock option plans.

The following is a reconciliation of basic earnings per share to diluted earnings per share for the three months ended July 27, 2002 and July 28, 2001:

| | Net Income | Preferred Stock Dividends | Adjusted Net Income | Average Shares | Earnings Per Share |
|---|---|---|---|---|---|
| 2002: | | | | | |
| Basic earnings per share............. | $2,969 | $(32) | $2,937 | 16,540 | $.18 |
| Effect of stock options. | | | | 68 | |
| Diluted earnings per share............. | 2,969 | (32) | 2,937 | 16,608 | .18 |
| 2001: | | | | | |
| Basic earnings(loss) per share............. | $1,703 | $(32) | $1,671 | 16,459 | $.10 |
| Effect of stock options. | | | | 94 | |
| Diluted earnings(loss) per share............. | 1,703 | (32) | 1,671 | 16,553 | .10 |

ONEIDA LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Thousands)

The following is a reconciliation of basic earnings per share to diluted earnings per share for the six months ended July 27, 2002 and July 28, 2001:

| | Net Income (Loss) | Preferred Stock Dividends | Adjusted Net Income (Loss) | Average Shares | Earnings Per Share |
|---|---|---|---|---|---|
| 2002: | | | | | |
| Basic earnings per share............. | $4,671 | $(64) | $4,607 | 16,535 | $.28 |
| Effect of stock options. | | | | 40 | |
| Diluted earnings per share............. | 4,671 | (64) | 4,607 | 16,575 | .28 |
| 2001: | | | | | |
| Basic earnings (loss) per share............. | $2,143 | $(64) | $2,079 | 16,433 | $.13 |
| Effect of stock options. | | | | 86 | |
| Diluted earnings (loss) per share............. | 2,143 | (64) | 2,079 | 16,519 | .13 |

4. Included in the long-term debt caption on the balance sheet are various senior notes. The note agreements relating thereto contain provisions which, among other things require maintenance of certain financial ratios related to levels of indebtedness, minimum net worth and interest coverage levels. The covenants limit certain types of payments including dividends, capital expenditures, intercompany indebtedness and letters of credit. Under the provisions of the amended note agreements, at July 27, 2002, the company was able to declare dividends of up to $375 per quarter.

ONEIDA LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

5. The Company's operations and assets are in one principal industry; tableware products. The Company's reportable segments are grouped around the manufacture and distribution of three major product categories: metal tableware, china dinnerware and glass tabletop products. The Company also distributes a variety of other tabletop accessories. These products are sold directly to a broad base of retail outlets including department stores, mass merchandisers, Oneida Home stores and chain stores. Additionally, these products are sold to special sales markets, which include customers who use them as premiums, incentives and business gifts. The Company also sells directly or through distributors to foodservice operations worldwide, including hotels, restaurants, airlines, cruise lines, schools and healthcare facilities. The Company's operations are

located in the United States, Canada, Mexico, Italy, Australia, The United Kingdom and China.

Sales by reportable segment for the second quarter and first half of 2002 and 2001 were as follows:

(000)

Second Quarter

| | Metal | Dinnerware | Glass | Other | Total |
|---|---|---|---|---|---|
| 2002 Net Sales | $69,900 | $32,300 | $7,300 | $1,739 | $111,239 |
| 2001 Net Sales | 78,400 | 32,800 | 7,200 | 1,028 | 119,428 |
| 2002 Operating Income | $ 3,200 | $ 2,800 | $ (100) | $ (17) | $ 5,883 |
| 2001 Operating Income | 5,000 | 3,300 | (200) | (125) | 7,975 |

Year to date

| | Metal | Dinnerware | Glass | Other | Total |
|---|---|---|---|---|---|
| 2002 Net Sales | $139,500 | $68,500 | $14,400 | $3,846 | $226,246 |
| 2001 Net Sales | 161,900 | 66,700 | 15,100 | 2,534 | 246,234 |
| 2002 Operating Income | $ 5,300 | $ 7,300 | $ (200) | $ (84) | $ 12,316 |
| 2001 Operating Income | 9,500 | 7,100 | (400) | (258) | 15,942 |

ONEIDA LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

6. In June 2001, the Financial Accounting Standards Board approved Statement of Financial Accounting Standards No. 142 "goodwill and other Intangible Assets" ("SFAS 142"). We adopted SFAS 142 effective January 27, 2002. Under this standard, amortization of goodwill and certain intangible assets, including certain intangibles recorded as a result of past business combinations, is to be discontinued upon adoption of SFAS 142. The new standard requires that goodwill and intangible assets be tested for impairment on an annual basis. The Company performed the impairment test in the second fiscal quarter of 2002 and the analysis indicated there is no impairment.

The following is a reconciliation assuming goodwill and other intangible assets had been accounted for in accordance with the provisions of SFAS 142 in the six months ended July 28, 2001:

| | Three months ended July 27, 2002 | Three months ended July 28, 2001 | Six months ended July 27, 2002 | Six months ended July 28, 2001 |
|---|---|---|---|---|
| Reported net income | $2,969 | $1,703 | $4,671 | $2,143 |
| Adjustments (net of income taxes): | | | | |
| Goodwill amortization | | 511 | | 1,087 |
| Adjusted net income | $2,969 | $2,214 | $4,671 | $3,230 |
| Earnings per share: | | | | |
| Basic: | | | | |
| Reported net income | $ .18 | $ .10 | $ .28 | $ .13 |
| Adjusted net income | .18 | .13 | .28 | .20 |
| Diluted: | | | | |
| Reported net income | $ .18 | $ .10 | $ .28 | $ .13 |
| Adjusted net income | .18 | .13 | .28 | .20 |

7. Other income (expense) for the six months ended July 27, 2002 was principally generated from insurance proceeds of $3,000 and gain on the sale of the remaining shares of Prudential stock of $1,300.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Quarter ended July 27, 2002 compared with the quarter ended
July 28, 2001
(In Thousands)

Operations
Net Sales by Product Line:

| | Three Months Ended July 2002 | 2001 | %Change |
|---|---|---|---|
| Metal products....... | $ 69,900 | $78,400 | (10.8) |
| Dinnerware Products.. | 32,300 | 32,800 | (1.5) |
| Glass products....... | 7,300 | 7,200 | 1.4 |
| Other Products....... | 1,739 | 1,028 | 69.2 |
| Total.............. | $111,239 | $119,428 | (6.9) |

Quarterly Review

Consolidated net sales for the quarter ended July 27, 2002 decreased $8,189 over the same period a year ago. Sales through Consumer channels were 3.3% higher than the same period last year due to a strong quarter in the Encore supermarket division. Sales in foodservice markets decreased 15.0% over the second quarter of 2001 as the airline and hotel industries continue to be soft. Domestic foodservice sales totaled 44.8% of the Company's sales in the current quarter. During the same period, International sales decreased by 3.5%. The International division accounted for 17.9% of the Company's total second quarter sales.

Gross margin as a percentage of net sales was 33.5% in the second quarter of 2002 as compared to 35.0% for the same period of 2001. The decrease in gross margin this quarter is due to unfavorable factory variances as the Company's manufacturing plants operated at a lower capacity due to reduced demand.

Total operating expenses decreased by $2,482, or 7.3%, from the same quarter last year. This decrease is attributable to the reduction of goodwill amortization of $851, in accordance with the adoption of FAS #142, and continued efforts to reduce operating costs and integrate the operations of the three companies acquired in mid 2000. As a percentage of sales, operating expenses remained essentially flat with the same quarter last year at 28.5% compared to 28.6%.

Other income was $2,638 for the quarter as compared to $672 for the second quarter of 2001 (See Note 7).

Interest expense, prior to capitalized interest, was $3,819 for the quarter ended July 27, 2002, a decrease of $2,246 from the same period last year. This decrease is due to significantly lower average borrowings and lower prevailing interest rates throughout the current quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Six Months ended July 27, 2002 compared with the six months
ended July 28, 2001
(In Thousands)

Operations
Net Sales by Product Line:

| | Six Months Ended July 2002 | 2001 | %Change |
|---|---|---|---|
| Metal products....... | $139,500 | $161,900 | (13.8) |
| Dinnerware Products.. | 68,500 | 66,700 | 2.7 |
| Glass products....... | 14,400 | 15,100 | (4.6) |
| Other Products....... | 3,846 | 2,534 | 51.8 |
| Total.............. | $226,246 | $246,234 | (8.1) |

======== ======== =====

Year to date review

Consolidated net sales for the six months ended July 27, 2002 decreased $19,988 over the same period a year ago, reflecting continuing softness in the overall economy. Year to date, sales of consumer products have declined less than 1% over the same period last year due to a strong first half in the Encore supermarket division, which increased 68.5% over the first six months of 2001. All other Consumer channels were down a combined 6.6% in that same period. Foodservice sales, which represent 44.9% of the Company's total 2002 sales to date, decreased $14,515, or 12.5%, from the same period last year. International sales decreased $4,817, or 11.3% from the six months ended July 28, 2001. Sales in the International division represent 16.6% of the Company's total through six months of 2002.

Gross margin as a percentage of net sales for the first six months of the current year was 33.0% as compared to 33.8% for the same period of 2001. The low gross margin in both 2002 and 2001 is primarily the result of unfavorable factory variances as the Company's manufacturing plants operated at a lower capacity due to reduced demand.

Total operating expenses decreased by $5,006, or 7.4%, compared to the first six months of the prior year. This decrease is attributable to the reduction of goodwill amortization of $1,732, in accordance with the adoption of FAS #142, and continued efforts to reduce operating costs and integrate the operations of the three companies acquired in mid 2000. As a percentage of sales, operating expenses were 27.9% in the current year to date, compared to 27.7% in 2001.

Other income for the period was $3,004 compared to $534 for the six months ended July 28, 2001 (See Note 7).

Interest expense, prior to capitalized interest, was $7,931 for the six months ended July 27, 2002, a decrease of $5,346 from the same period in 2001. This decrease is due to significantly lower average borrowings and lower prevailing interest rates throughout the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Six Months ended July 27, 2002
compared with the six months
ended July 28, 2001
(In Thousands)

Liquidity & Financial Resources

A prime objective of the Company since mid-2000 has been to strengthen its balance sheet and reduce debt. During the first half of 2002, continued progress was made toward these goals. Debt was reduced by approximately $28,000 in the six-month period. Cash flow generated from operations for the six months ended July 27, 2002 was $14,219, as compared to $12,139 for the same period in 2001. During the first half of 2002, the Company received approximately $8,000 from the sale of marketable equity securities. These proceeds were directly applied to pay down debt. The Company spent approximately $4,400 in the first six months on capital projects focused primarily on its manufacturing facilities. Capital spending for the remaining six months of the fiscal year is anticipated to be approximately $4,600.

Included in the long-term debt caption on the balance sheet are various senior notes. The note agreements relating thereto contain provisions which, among other things require maintenance of certain financial ratios related to levels of indebtedness, minimum net worth and interest coverage levels. The covenants limit certain types of payments including dividends, capital expenditures, intercompany indebtedness and letters of credit. Under the provisions of the amended note agreements, at July 27, 2002, the Company was able to declare dividends of $375 per quarter.

Management believes there is sufficient liquidity to support the Company's ongoing funding requirements from future operations as well as the unused bank lines of credit of $51 million. Working capital was $175,070 as of July 27, 2002.

Forward Looking Information

With the exception of historical data, the information contained in this Form 10-Q, as well as those other documents incorporated by reference herein, is forward-looking. For the purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers that changes in certain factors could affect the Company's future results and could cause the Company's future consolidated results to differ materially from those expressed herein. Such factors include, but are not limited to: general economic conditions in the Company's markets; difficulties or delays in the development, production and marketing of new products; the impact of competitive products and pricing; certain assumptions related to consumer purchasing patterns; significant increases in interest rates or the level of the Company's indebtedness; major slowdowns in the retail, travel or entertainment industries; the loss of several of the Company's major customers; under utilization of the Company's plants and factories; the amount and rate of growth of the Company's selling, general and administrative expenses.

ONEIDA LTD

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

JULY 27, 2002

SIGNATURES

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

ONEIDA LTD
(Registrant)

Date: September 10, 2002

/s/ GREGG R. DENNY

Gregg R. Denny
Chief Financial Officer

CERTIFICATION
PURSUANT TO SECTION 13a-14
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Peter J. Kallet, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oneida Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: September 10, 2002

/s/ PETER J. KALLET

Peter J. Kallet
Chairman of the Board, President and Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 13a-14
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Gregg R. Denny, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oneida Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

Date: September 10, 2002

/s/ GREGG R. DENNY
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Gregg R. Denny
Chief Financial Officer