ONEIDA LTD
Form 10-Q
December 11, 2001

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 October 27, 2001

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 December 7, 2001: 16,504,100.

ONEIDA LTD.
FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED OCTOBER 27, 2001

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PART II OTHER INFORMATION

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:

4(a)(i) Waiver and Amendment No. 1 to 2001 Amended and Restated Note Purchase Agreement (1992) dated as of May 31, 2001, between Oneida Ltd., Allstate Life Insurance Company and Pacific Life Insurance Company. Waiver and Amendment No. 1 is dated December 7, 2001.

(ii) Waiver and Amendment No. 1 to 2001 Amended and Restated Note Purchase Agreement (1996) dated as of May 31, 2001, between Oneida Ltd., THC Systems, Inc., Allstate Life Insurance Company, Allstate Insurance Company and Pacific Life Insurance Company. Waiver and Amendment No. 1 is dated December 7, 2001.

(iii) Waiver and Amendment No. 2 to Amended and Restated Credit Agreement dated as of April 27, 2001, between Oneida Ltd., JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank)and the various lenders named in the Agreement. Waiver Amendment No. 2 is dated December 7, 2001.

(b) During the quarter ended October 27, 2001 no Reports on Form 8-K were filed by the registrant.

SIGNATURES

ONEIDA LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(Thousands except per share amounts)	FOR THE THREE MONTHS ENDED OCT 27, 2001	FOR THE THREE MONTHS ENDED OCT 28, 2000	FOR THE NINE MONTHS ENDED OCT 27, 2001	FOR THE NINE MONTHS ENDED OCT 28, 2000
NET SALES	$128,548	$151,951	$374,782	$374,162
COST OF SALES	87,702	98,267	250,635	236,803
INVENTORY WRITEDOWN (NOTE 4)				24,000
GROSS MARGIN	40,846	53,684	124,147	113,359
OPERATING REVENUES	379	4,819	1,119	6,351
	41,225	58,503	125,266	119,710
OPERATING EXPENSES:				
Selling, distribution and administrative expenses	34,319	37,587	102,419	98,613
Restructuring and unusual Charges (NOTE 4)		7,007		15,007
INCOME FROM OPERATIONS	6,906	13,909	22,847	6,090
OTHER EXPENSE	695	265	161	399
INTEREST EXPENSE	5,732	7,101	18,792	14,048
INCOME (LOSS) BEFORE INCOME TAXES .	479	6,543	3,894	(8,357)
PROVISION (CREDIT)FOR INCOME TAXES	179	2,437	1,451	(3,113)
NET INCOME (LOSS)	$ 300	$ 4,106	$ 2,443	$ (5,244)
EARNINGS PER SHARE OF COMMON STOCK:				
Net income (loss):				
Basic	$.02	$.25	$.14	$(.33)
Diluted (NOTE 5)	.02	.25	.14	(.33)
SHARES USED IN PER SHARE DATA:				
Basic	16,494	16,273	16,453	16,281
Diluted (NOTE 5)	16,546	16,337	16,544	16,281
CASH DIVIDENDS DECLARED		$.10	$.15	$.30

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED BALANCE SHEETS
OCTOBER 27, 2001 AND JANUARY 27, 2001
(Unaudited)

	(Dollars in Thousands) OCTOBER 27, 2001	JAN 27, 2001
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,720	$ 2,163
Accounts receivable, net of allowance for doubtful Accounts of $3,447 and $3,072	90,146	87,721
Other accounts and notes receivable	3,011	2,272
Inventories:		
Finished goods	167,594	194,806
Goods in process	14,067	11,018
Raw materials and supplies	8,581	10,064
Other current assets	18,839	19,141
Total current assets	306,958	327,185
PROPERTY, PLANT AND EQUIPMENT-At cost:		
Property, plant and equipment	252,306	245,558
Less accumulated depreciation	143,724	135,508
Property, plant and equipment-net	108,582	110,050
OTHER ASSETS:		
Intangible assets - net	135,278	139,695
Deferred income taxes	22,513	22,833
Other assets	4,998	10,810
TOTAL	$578,329	$610,573

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED BALANCE SHEETS
OCTOBER 27, 2001 AND JANUARY 27, 2001
(Unaudited)

	OCTOBER 27, 2001	JAN 27, 2001
	(Dollars in Thousands)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ 10,455	$ 8,046
Accounts payable	29,783	33,097
Accrued liabilities	39,229	55,582
Accrued income taxes	9,370	4,153
Dividends payable	827	2,522
Current installments of long-term debt	8,240	9,239
Total current liabilities	97,904	112,639
LONG-TERM DEBT	272,155	282,815
OTHER LIABILITIES:		
Accrued postretirement liability	57,477	56,108
Accrued pension liability	16,742	15,557
Other liabilities	11,837	19,146
Total other liabilities	86,056	90,811
STOCKHOLDERS' EQUITY:		
Cumulative 6% preferred stock; $25 par value; authorized 95,660 shares, issued 86,036 and 86,698 shares, callable at $30 per share	2,151	2,167
Common stock $1 par value; authorized 48,000,000 shares, issued 17,790,918 and 17,702,666 shares	17,791	17,703
Additional paid-in capital	83,788	82,956
Retained earnings	58,188	57,495
Accumulated other comprehensive loss	(15,461)	(11,423)
Less cost of common stock held in treasury; 1,294,274 and 1,314,508 shares	(24,243)	(24,590)
Stockholders' Equity	122,214	124,308
TOTAL	$578,329	$610,573

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED OCTOBER 27, 2001
(Unaudited)

	Comp. Income	Common Shares	Common Stock	Pref'd Stock	Add'l Paid-in Capital	Retained Earnings
Balance at July 28, 2001........		17,787	$17,787	$2,151	$83,741	$57,888
Stock plan activity, net........		4	4		47	
Purchase/retirement of Treasury stock, net............						
Net income.....................	$ 300					300
Other comprehensive loss........................	(1,126)					
Comprehensive loss.............	$ (826)					
Balance at October 27, 2001.....		17,791	$17,791	$2,151	$83,788	$58,188

	Accum. Other Comp Income (Loss)	Treasury Stock	Unallocated ESOP
Balance at July 28, 2001......	$(14,335)	$(24,355)	
Stock plan activity, net......			
Purchase/retirement of Treasury stock, net...........		112	
Net income....................			
Other comprehensive loss......................	(1,126)		
Balance at October 27, 2001...	$(15,461)	$(24,243)	

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED OCTOBER 28, 2000
(Unaudited)

	Comp. Income	Common Shares	Common Stock	Pref'd Stock	Add'l Paid-in Capital	Retained Earnings
Balance at July 29, 2000........		17,664	$17,664	$2,171	$82,639	$51,970
Stock plan activity, net........		26	26		299	
Purchase/retirement of Treasury stock, net............				(1)		
Cash dividends declared ($.10 per share)............						(1,672)
Net income.....................	$4,106					4,106
Other comprehensive Loss........................	(955)					
Comprehensive income...........	$3,151					
Balance at October 28, 2000.....		17,690	$17,690	$2,170	$82,938	$54,404

	Accum. Other Comp Income (Loss)	Treasury Stock	Unallocated ESOP
Balance at July 29, 2000......	$(12,736)	$(24,447)	$(717)
Stock plan activity, net......			
Purchase/retirement of Treasury stock, net...........		(196)	
Cash dividends declared ($.10 per share)...........			
Net loss......................			
Other comprehensive loss......................	(955)		
Balance at October 28, 2000...	$(13,691)	$(24,643)	$(717)

See notes to consolidated financial statements.

ONEIDA LTD.

CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED OCTOBER 27, 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	$57,495
Stock plan activity, net........		88	88		832	
Purchase/retirement of Treasury stock, net.............				(16)		
Cash dividends declared ($.10 per share).............						(1,750)
Net income......................	$ 2,443					2,443
Other comprehensive loss........................	(4,038)					
Comprehensive loss..............	$(1,595)					
Balance at October 27, 2001.....		17,791	$17,791	$2,151	$83,788	$58,188

	Accum. Other Comp Income (Loss)	Treasury Stock	Unallocated ESOP
Balance at Jan 27, 2001.......	$(11,423)	$(24,590)	
Stock plan activity, net......			
Purchase/retirement of Treasury stock, net...........		347	
Cash dividends declared ($.10 per share)...........			
Net Income....................			
Other comprehensive loss......................	(4,038)		
Balance at October 27, 2001...	$(15,461)	$(24,243)	

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CHANGES

IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED OCTOBER 28, 2000
(Unaudited)

	Comp. Income	Common Shares	Common Stock	Pref'd Stock	Add'l Paid-in Capital	Retained Earnings
Balance at Jan 29, 2000.........		17,603	$17,603	$2,175	$81,887	$64,630
Stock plan activity, net........		87	87		1,051	
Purchase/retirement of Treasury stock, net............				(5)		
Cash dividends declared ($.30 per share)............						(4,982)
Net loss........................	$(5,244)					(5,244)
Other comprehensive loss......................	(1,901)					
Comprehensive loss..............	$(7,145)					
Balance at October 28, 2000.....		17,690	$17,690	$2,170	$82,938	$54,404

	Accum. Other Comp Income (Loss)	Treasury Stock	Unallocated ESOP
Balance at Jan 29, 2000.......	$(11,790)	$(19,712)	$(1,486)
Stock plan activity, net......			
Purchase/retirement of Treasury stock, net...........		(4,931)	
Cash dividends declared ($.30 per share)...........			
Net loss......................			
Other comprehensive loss......................	(1,901)		
Allocation of ESOP shares.....			769
Balance at October 28, 2000...	$(13,691)	$(24,643)	$ (717)

See notes to consolidated financial statements.

ONEIDA LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED OCTOBER 27, 2001 AND OCTOBER 28, 2000
(Unaudited)
(In Thousands)

	FOR THE NINE MONTHS ENDED OCT 27, 2001	FOR THE NINE MONTHS ENDED OCT 28, 2000
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 2,443	$ (5,244)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,950	11,911
Provision for impairment of inventory and long-term assets		29,000
Deferred taxes and other non-cash charges and credits	(1,931)	(11,990)
Decrease (increase) in operating assets:		
Receivables	(3,164)	(10,373)
Inventories	25,124	(46,540)
Other current assets	583	2,507
Other assets	(3,555)	(9,735)
Increase (decrease) in accounts payable	(3,314)	8,696
Decrease in accrued liabilities	(11,497)	5,095
Net cash provided (used) by operating activities	18,639	(26,673)
CASH FLOW FROM INVESTING ACTIVITIES:		
Property, plant and equipment expenditures-net	(7,539)	(8,990)
Purchase of subsidiaries, net of cash acquired		(117,976)
Other, net	6,580	737
Net cash used in investing activities	(959)	(126,229)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	913	1,138
Issuance (purchase) of treasury stock	338	(4,937)
Purchase (allocation) of ESOP shares - net		769
(Decrease) increase in short-term debt-net	2,409	(27,629)
Payment of long-term debt	(11,660)	(197,020)
Proceeds from issuance of long-term debt		387,036
Dividends paid	(3,085)	(4,982)
Net cash (used) provided by financing activities	(11,085)	154,375
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(4,038)	(1,901)
NET INCREASE (DECREASE) IN CASH	2,557	(428)
CASH AT BEGINNING OF YEAR	2,163	3,899
CASH AT END OF PERIOD	$ 4,720	$ 3,471

See notes to consolidated financial statements.

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

1. The consolidated financial statements for the three and nine months ended October 27, 2001 and October 28, 2000 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 nine months ended October 27, 2001 are not necessarily indicative of the results of operations to be expected for the year ending January 26, 2002. 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 2001 and 2000 included in the Company's January 27, 2001 Annual Report to the Securities and Exchange Commission on Form 10-K and the Company's Form 8-K that was filed with the Securities and Exchange Commission on August 9, 2000.

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 restructuring charges, postretirement benefits, depreciation and other employee benefits.

3. On June 13, 2000, the Company purchased all of the stock of Viners of Sheffield, Ltd. (Viners), a London based marketer of flatware and cookware in the United Kingdom, for approximately $25,000 in cash. On June 30, 2000, the Company acquired all of the net assets of Sakura, Inc. (Sakura) a domestic importer of consumer dinnerware, for approximately $40,000 in cash. On August 9, 2000, the Company completed the acquisition of the stock of Delco International Ltd. (Delco), a leading foodservice tableware supplier for approximately $60,000 in cash.

The above three acquisitions were recorded using the purchase method of accounting and accordingly, their operating results have been included in the Company's consolidated financial statements since their respective acquisition dates. Excess purchase price over the net fair value of assets acquired (including certain acquisition costs) totaled $113,346. These intangibles, primarily goodwill, are being amortized over forty years using the straight line method.

ONEIDA LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

4. During the year ended January 27, 2001, the Company recorded restructuring and unusual charges totaling $39,000. Included in this total was an inventory writedown of $24,000 related to product rationalization as a result of recent acquisitions as well as significant other stock keeping unit reductions. The Company established a $24,000 inventory reserve in the second quarter of 2000, approximately half of which was utilized through the most recent year end. In the current quarter and first nine months of the current year, $800 and $9,100, respectively, of the reserve was utilized to dispose of excess and discontinued product.

The remainder of the restructuring and unusual costs accrued of $15,000 related primarily to the consolidation of sales, marketing, logistics and administrative functions, realignment of product lines, "make versus buy" decisions and the impairment of certain manufacturing and procurement assets. All assets identified as impaired were written down by $5,000 to their net realizable value in the prior year. Other restructuring payments made to date totaled $9,700, of which $1,000 and $3,200 were paid in the current quarter and year to date.

There were no significant adjustments made to the original accruals for restructuring and unusual charges.

5. 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 October 27, 2001 and October 28, 2000:

	Net Income (Loss)	Preferred Stock Dividends	Adjusted Net Income (Loss)	Average Shares	Earnings Per Share
2001:					
Basic earnings per share..............	$300	$(32)	$ 268	16,494	$.02
Effect of stock options.				52	
Diluted earnings per share..............	300	(32)	268	16,546	.02
2000:					
Basic earnings per share..............	$4,106	(33)	4,073	16,273	$.25
Effect of stock options.				64	
Diluted earnings per share..............	4,106	(33)	4,073	16,337	$.25

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 nine months ended October 27, 2001 and October 28, 2000:

	Net Income (Loss)	Preferred Stock Dividends	Adjusted Net Income (Loss)	Average Shares	Earnings Per Share
2001:					
Basic earnings per share.............	$2,443	$(96)	$2,347	16,453	$.14
Effect of stock options.				91	
Diluted earnings per share.............	2,443	(96)	2,347	16,544	.14
2000:					
Basic earnings (loss) per share.............	$(5,244)	(98)	(5,342)	16,281	$(.33)
Effect of stock options.				0	
Diluted earnings (loss) per share.............	(5,244)	(98)	(5,342)	16,281	(.33)

6. 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 and investments. At October 27, 2001, the maximum amount available for payment of dividends was $2,606.

During the first quarter of 2001, the Company and its lenders negotiated revised covenant levels and entered into a security agreement collateralizing the Company's debt with all of the domestic assets (excluding real estate holdings) of the Company and certain of its material domestic subsidiaries, as well as a majority of its investment in Oneida UK Limited. At October 27, 2001, the Company was not in compliance with its consolidated interest coverage and consolidated leverage covenants. The Company has entered into a Waiver and Amendment with its lenders and expects to complete a further amendment to the covenants and to provide further collateral.

7. 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

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

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 third quarter and first nine months of 2001 and 2000 were as follows:

			(000)		
Third Quarter	Metal	Dinnerware	Glass	Other	Total
2001 Net Sales	$ 80,400	$38,400	$8,900	$ 848	$128,548
2000 Net Sales	$ 99,200	$41,700	$9,300	$1,751	$151,951

Year to date	Metal	Dinnerware	Glass	Other	Total
2001 Net Sales	$242,300	$105,100	$24,000	$3,382	$374,782
2000 Net Sales	$243,600	$ 99,700	$25,600	$5,262	$374,162

8. In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 is currently effective and SFAS 142 is effective January 27,2002 for the Corporation. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS 142, amortization of goodwill, including goodwill recorded in past business combinations, will discontinue upon adoption of this standard. In addition, goodwill recorded as a result of business combinations completed during the six-month period ending December 31, 2001 will not be amortized. All goodwill and intangible assets will be tested for impairment in accordance with the provisions of the Statement. The Corporation is currently reviewing the provisions of SFAS 141 and SFAS 142 and assessing the impact of adoption.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 provides guidance on the accounting for long-lived assets to be held and used and for assets to be disposed of though sale or by other means. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption of SFAS 144 to have a material impact on the earnings or financial position of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Quarter ended October 27, 2001 compared with the quarter
ended October 28, 2000
(In Thousands)

Operations
Net Sales by Product Line:

	Three Months Ended October		
	2001	2000	%Change
Metal products.......	$ 80,400	$ 99,200	(19.0)
Dinnerware products..	38,400	41,700	(7.9)
Glass products.......	8,900	9,300	(4.3)
Other products.......	848	1,751	(51.6)
Total...............	$128,548	$151,951	(15.4)

Quarterly Review
Consolidated net sales for the quarter ended October 27, 2001 decreased by $23,403 from the third quarter of 2000. This decline was noted across all markets and product lines. The slowdown in consumer spending noted in the first half of 2001 became more pronounced following the events of September 11 and the resulting impact on the domestic economy. Sales to domestic consumer markets dropped 16.5% from the third quarter 2000 level. Domestic foodservice sales, which totaled 41.6% of the Company's sales in the current quarter, were especially impacted by the United States terrorist attacks. During the six weeks remaining after September 11, the Company saw a dramatic decrease in orders from its foodservice customers, as Americans traveled and dined out less. During the same period, international sales decreased by 13.8% from the same period last year. Sales in international markets accounted for 15.1% of the Company's total third quarter sales.

Gross margin as a percentage of net sales was 31.8% in the third quarter of 2001 as compared to 35.3% for the same period of 2000. The decrease in gross margin this quarter is attributable to the above referenced downturn in consumer and foodservice sales in 2001. To meet the lower demand, the Company's manufacturing plants operated at a lower capacity in the current quarter. The Company's domestic flatware plant operated on a reduced workweek during October, while the domestic china plant had an unscheduled two week shutdown. These actions prevented the build up of inventory, but generated negative manufacturing variances.

Total operating expenses decreased by $3,268, or 8.7%, from the same quarter last year. As a percentage of sales, the current quarter operating expenses increased by 2.0% from the same period last year to 26.7%.

During the second and third quarters of 2000, the Company recorded restructuring and unusual charges totaling $39,000. Included in this total was an inventory writedown of $24,000 related to product rationalization as a result of recent acquisitions as well as significant other stock keeping unit reductions. The Company established a $24,000 inventory reserve in the second quarter of 2000, approximately half of which was utilized through the most recent year end. In the third quarter of the current year, another $800 of the reserve was utilized to dispose of excess and discontinued product.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Quarter ended October 27, 2001 compared with the quarter
ended October 28, 2000
(In Thousands)

The remainder of the restructuring costs accrued of $15,000 related primarily to the consolidation of sales, marketing, logistics and administrative functions, realignment of product lines, "make versus buy" decisions and the impairment of certain manufacturing and procurement assets. All assets identified as impaired were written down by $5,000 to their net realizable value in the prior year. Other restructuring payments made to date totaled $8,700, of which $1,000 was paid in the current quarter.

There were no significant adjustments made to the original accruals for restructuring and unusual charges.

Interest expense, prior to capitalized interest, was $5,838 for the quarter ended October 27, 2001, a decrease of $1,586, or 21.4%, from the third quarter of 2000. This decrease is due to a combination of lower average borrowings (primarily as a result of inventory reduction) and outstanding interest rates in the current quarter as compared to a year ago.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Nine Months ended October 27, 2001 compared with the nine
months ended October 28, 2000
(In Thousands)

Operations
Net Sales by Product Line:

	Nine Months Ended October 2001	2000	%Change
Metal products.......	$242,300	$243,600	(.5)
Dinnerware Products..	105,100	99,700	5.4
Glass products.......	24,000	25,600	(6.3)
Other Products.......	3,382	5,262	(35.7)
Total...............	$374,782	$374,162	.2

Year to date review
Consolidated net sales for the nine months ended October 27, 2001 increased slightly over the same period a year ago. Increases from the Company's 2000 acquisitions were offset by declines in the Company's existing businesses, particularly in all consumer product markets. Year to date, sales of consumer products (primarily metal) have declined 13.4% over the same period last year. Lagging domestic consumer demand experienced in the first half of this year was further dampened by the recent terrorist attacks and subsequent erosion of the United States economy. Due to the Delco acquisition in mid 2000, domestic foodservice sales have increased to account for 45.2% of the Company's 2001 sales. The events of September 11 had a significant immediate negative effect on the Company's foodservice business, as Americans have reduced their travel and entertainment spending. In spite of these events, sales to foodservice customers have increased by 11.7% over the same period last year. International sales increased by 8.8%, to $61,864 from the same period last year, primarily due to the Viners acquisition.

Gross margin as a percentage of net sales for the first nine months of the current year was 33.1% as compared to 36.7% for the same period of 2000, due largely to slowing down the volume of the Company's manufacturing plants. To match lower demand while still decreasing inventories, the Company's production facilities have been operating at a lower capacity than in 2000, thus generating negative manufacturing variances.

Total operating expenses increased by $3,807, or 3.9%, over the first nine months of the prior year due to the inclusion of the three acquisitions that took place in the late second and third quarters of 2000. As a percentage of sales, operating expenses were 27.3% in the current year to date, compared to 26.5% in 2000. The Company completed the integration of the Delco operations into its existing foodservice operations in the first quarter of 2001. This has lowered fixed operating costs and should continue to do so over the course of the rest of this year.

During the second and third quarters of 2000, the Company recorded restructuring and unusual charges totaling $39,000. Included in this total was an inventory writedown of $24,000 related to product rationalization as a result of recent acquisitions as well as significant other stock keeping unit reductions. The Company established a $24,000 inventory reserve in the first half of 2000,

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approximately half of which was utilized through the most recent year end. In the current year, another $9,100 of the reserve was utilized to dispose of excess and discontinued product.

The remainder of the restructuring costs accrued of $15,000 related primarily to the consolidation of sales, marketing, logistics and administrative functions, realignment of product lines, "make versus buy" decisions and the impairment of certain manufacturing and procurement assets. All assets identified as impaired were written down by $5,000 to their net realizable value in the prior year. Other restructuring payments made to date totaled $9,700, of which $3,200 was paid in the current year.

There were no significant adjustments made to the original accruals for restructuring and unusual charges.

Interest expense, prior to capitalized interest, was $19,086 for the nine months ended October 27, 2001, an increase of $4,274 from the same period of 2000. This increase is due to higher average borrowings outstanding in 2001, attributable to the funding of the acquisitions made by the Company in mid 2000. Debt levels have dropped throughout the current year, due to inventory reductions, from a high point in the third quarter of 2000.

Liquidity & Financial Resources

A prime objective of the Company in 2001 has been to strengthen its balance sheet and reduce debt. During the first nine months of 2001, continual progress has been made toward attaining these goals. Year to date, inventories has been reduced by $25,600, while debt and current liabilities have declined by $25,400. The Company spent approximately $7,500 on capital projects focused primarily on its manufacturing facilities and retail fixturing. Capital spending for the remainder of 2001 is anticipated to be approximately $1,500.

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 and investments. At October 27, 2001, the maximum amount available for payment of dividends was $2,606.

During the first quarter of 2001, the Company and its lenders negotiated revised covenant levels and entered into a security agreement collateralizing the Company's debt with all of the domestic assets (excluding real estate holdings) of the Company and certain of its material domestic subsidiaries, as well as a majority of its investment in Oneida UK Limited. At October 27, 2001, the Company was not in compliance with its consolidated interest coverage and consolidated leverage covenants. The Company has entered into a Waiver and Amendment with its lenders and expects to complete a further amendment to the covenants and to provide further collateral.

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Management believes there is sufficient liquidity to support the Company's ongoing funding requirements from future operations as well as the availability of bank lines of credit. Working capital was $209,055 as of October 27, 2001.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board approved Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 is currently effective and SFAS 142 is effective January 27, 2002 for the Corporation. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS 142, amortization of goodwill, including goodwill recorded in past business combinations, will discontinue upon adoption of this standard. In addition, goodwill recorded as a result of business combinations completed during the six-month period ending December 31, 2001 will not be amortized. All goodwill and intangible assets will be tested for impairment in accordance with the provisions of the Statement. The Corporation is currently reviewing the provisions of SFAS 141 and SFAS 142 and assessing the impact of adoption.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 provides guidance on the accounting for long-lived assets to be held and used and for assets to be disposed of though sale or by other means. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The Company does not expect the adoption of SFAS 144 to have a material impact on the earnings or financial position of the Company.

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

OCTOBER 27, 2001

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: December 10, 2001

/s/ GREGG R. DENNY

Gregg R. Denny
Chief Financial Officer

STATEMENT OF DIFFERENCES

The less-than-or-equal-to sign shall be expressed as................... <=