ONEIDA LTD
Form 10-Q
September 14, 2004

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 31, 2004

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) 361-3000
(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 by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act.) Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of September 13, 2004: 46,681,672.

ONEIDA LTD.

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None.

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None

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None.

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None.

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None.

(a) Exhibits:

10.1 Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement and Fixture Filing in the amount of $8,432,000.00 dated as of August 18, 2004, between Oneida Food Service, Inc., The Erie County Industrial Development Agency and JPMorgan Chase Bank, as collateral agent.

10.2 Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement and Fixture Filing in the amount of $6,600,000.00 dated as of August 18, 2004, between Oneida Food Service, Inc., The Erie County Industrial Development Agency and JPMorgan Chase Bank, as collateral agent.

10.3 Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement and Fixture Filing in the amount of $20,115,000.00 dated as of August 31, 2004, between Oneida Silversmiths, Inc., The Oneida County Industrial Development Agency and JPMorgan Chase Bank, as collateral agent.

10.4 Mortgage Spreader Agreement in the amount of $20,115,000.00 dated as of August 31, 2004, between Oneida Silversmiths, Inc., The Oneida County Industrial Development Agency and JPMorgan Chase Bank, as collateral agent.

10.5 Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement and Fixture Filing in the amount of $20,943,726.74 dated as of August 31, 2004, between Oneida Silversmiths, Inc., The Oneida County Industrial Development Agency and JPMorgan Chase Bank, as collateral agent.

10.6 Mortgage Spreader Agreement in the amount of $20,943,726.74 dated as of August 31, 2004, between Oneida Silversmiths, Inc.. The Oneida County Industrial Development Agency and JPMorgan Chase Bank, as collateral agent.

10.7 Amended and Restated Mortgage, Assignment of Leases and Rents and Security Agreement and Fixture Filing in the amount of $191,500.00 dated as of August 9, 2004, between Oneida Ltd. and JPMorgan Chase Bank, as collateral agent

10.8 Agreement with former executive officer of the Company, Allan H. Conseur, dated July 22, 2004.

10.9 Agreement with former executive officer of the Company, Harold J. DeBarr, dated August 2, 2004.

10.10 Agreement with executive officer of the Company, Gregg R. Denny, dated July 28, 2004.

10.11 Agreement with executive officer of the Company, J. Peter Fobare dated July 28, 2004.

10.12 Agreement with executive officer of the Company, James E. Joseph, dated July 28, 2004.

10.13 Agreement with executive officer of the Company, Peter J. Kallet, dated July 28, 2004.

10.14 Agreement with executive officer of the Company, Catherine H. Suttmeier, dated July 28, 2004.

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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32.1 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.

32.2 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) Current Reports on Form 8-K:

During the Company's fiscal quarter ended July 31, 2004, the following Current Reports on Forms 8-K were filed:

Form 8-K dated May 6, 2004 to accompany a press release announcing the refusal by the Company's independent auditor, PricewaterhouseCoopers, LLP, to stand for reelection.

Form 8-K dated May 11, 2004 to accompany a press release announcing that the Company's stock had been suspended from trading on the New York Stock Exchange and that trading of the Company's stock would move to the Over the Counter Market.

Form 8-K dated May 26, 2004 to accompany a press release announcing certain of the Company's financial results for the quarter ended May 1, 2004.

Form 8-K dated June 15, 2004 to accompany press releases announcing the receipt from the Company's lenders of further waivers of certain financial covenants and the further deferral of certain payments.

Form 8-K dated June 25, 2004 to accompany a press release announcing that the Company had reached an agreement in principal with its lenders regarding the comprehensive restructuring of its existing indebtedness and a new $30 million revolving credit facility.

Form 8-K dated July 7, 2004 to accompany a press release announcing the Company's plan to sell substantially all of the assets of its Encore Promotions, Inc. subsidiary to Bradshaw International, Inc.

SIGNATURES

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PART I. FINANCIAL INFORMATION
ONEIDA LTD.
ITEM 1. CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands of Dollars, except per share data)
(Unaudited)

	For the Three Months Ended		For the Six Months En	
	July 31, 2004	July 26, 2003	July 31, 2004	July 2 2003
Revenues:				
Net sales	$ 101,020	$ 105,975	$ 211,665	$ 212,14
License fees	306	350	887	69
Total Revenues	101,326	106,325	212,552	212,83

Cost of sales	80,206	76,975	160,460	154,30
Gross Margin	21,120	29,350	52,092	58,53
Operating expenses:				
Selling, distribution and administrative expense	33,567	31,145	66,460	62,08
Restructuring expense	(137)		(137)	
Impairment loss on depreciable assets	34,016		34,016	
Impairment loss on other assets	2,700		2,700	
(Gain) loss on the sale of fixed assets	(4,823)	43	(4,837)	6
Total	65,323	31,188	98,202	62,15
Operating loss	(44,203)	(1,838)	(46,110)	(3,61
Other income	(2,390)	(525)	(66,128)	(1,05
Other expense	1,764	503	4,656	76
Interest expense including amortization of deferred financing costs	3,963	4,068	7,733	7,93
Income (loss) before income taxes	(47,540)	(5,884)	7,629	(11,25
Income tax expense (benefit)	751	(2,177)	1,535	(4,16
Net income (loss)	$ (48,291)	$ (3,707)	$ 6,094	$ (7,09
Preferred Stock Dividends	(32)	(32)	(64)	(6
Net earnings (loss) income available to common shareholders	$ (48,323)	$ (3,739)	$ 6,030	$ (7,15
Earnings (loss) per share of common stock				
Net income:				
Basic	$ (2.88)	$ (.23)	$ .36	$ (.4
Diluted	(2.88)	(.23)	.36	(.4

See notes to consolidated financial statements

PART I. FINANCIAL INFORMATION
ONEIDA LTD.
ITEM 1. CONSOLIDATED BALANCE SHEETS
(Thousand of Dollars)

	Unaudited July 31, 2004	Audited Jan. 31, 2004
ASSETS		
Current assets:		
Cash	$ 1,597	$ 9,886
Trade accounts receivables, less allowance for doubtful accounts of $3,054 and $2,961, respectively	59,430	58,456
Other accounts and notes receivable	3,107	1,890
Inventories	124,821	139,448
Other current assets	5,230	5,361
Total current assets	194,185	215,041
Property, plant and equipment, net	33,234	73,675
Assets held for sale (Note 2)	1,909	3,199
Goodwill	136,394	136,118
Other assets	9,462	13,468
Total assets	$ 375,184	$ 441,501
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 7,235	$ 7,654
Accounts payable	13,181	21,231
Accrued liabilities	38,608	45,293
Accrued restructuring (Note 2)	1,471	7,400
Current Portion of Long Term Debt (Note 6)	18,409	223,214
Total current liabilities	78,904	304,792
Long term debt Note 6	215,948	
Accrued postretirement liability (Note 7)	2,437	62,930
Accrued pension liability (Note 7)	35,083	24,259
Deferred income taxes	10,696	9,823
Other liabilities	12,068	17,097
Total liabilities	355,136	418,901
Commitments and contingencies		
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--$1.00 par value; authorized 48,000,000 shares, issued 17,928,381 and 17,883,460 shares respectively	17,928	17,883
Additional paid-in capital	84,572	84,561
Retained (deficit)	(26,839)	(32,933)
Accumulated other comprehensive loss	(36,195)	(27,493)
Less cost of common stock held in treasury; 1,285,679 and 1,285,679 shares, respectively	(21,569)	(21,569)
Total stockholders' equity:	20,048	22,600
Total liabilities and stockholders' equity	$ 375,184	$ 441,501

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See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION
ONEIDA LTD.
ITEM 1. CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JULY 31, 2004 AND JULY 26, 2003
(Thousands of Dollars)
(Unaudited)

	Common Shares	Common Stock	Preferred Stock	Add'l Paid-in Capital	Retained Earnings
Balance January 31, 2004........	17,883	$17,883	$2,151	$84,561	$(32,933)
Stock plan activity.......	45	45		11	
Minimum pension liability adjustment, net of tax benefit of $0................					
Foreign currency translation adjustment...................					
Net income......................					6,094
Balance July 31, 2004..........	17,928	$17,928	$2,151	$84,572	$(26,839)

	Common Shares	Common Stock	Preferred Stock	Add'l Paid-in Capital	Retained Earnings
Balance January 25, 2003.....	17,837	$17,837	$2,151	$84,318	$68,407

Stock plan activity..........	25	25		184	(578)
Cash dividends declared ($.02 per share)..........					(363)
Foreign currency translation adjustment................					
Net loss.....................					(7,092)
Balance July 26, 2003........	17,862	$17,862	$2,151	$84,502	$60,374

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION
ONEIDA LTD.
ITEM 1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Thousands of Dollars)

	Three Months Ended		
	July 31, 2004	July 26, 2003	July 200
Net income (loss)..........................	$(48,291)	$(3,707)	$ 6,0
Foreign currency translation adjustments....	(1,925)	2,140	(8
Other comprehensive income, net of tax:			
Minimum pension liability adjustments....	61		(7,8
Other comprehensive income (loss)...........	(1,864)	2,140	(8,7
Comprehensive income (loss).................	$(50,155)	$(1,567)	$(2,6
Balance at end of quarter..................	$(36,195)	$(17,037)	$(36,1

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION
ONEIDA LTD.
ITEM 1. CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JULY 31, 2004 AND JULY 26, 2003
(Unaudited)
(In Thousands)

	Six Months En	
	July 31, 2004	J
CASH FLOW USED BY OPERATING ACTIVITIES:		
Net income (loss)	$6,094	$
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Gain) loss on disposal of fixed assets	(4,837)	
Depreciation	4,328	
Deferred income taxes	798	
Impairment of long lived assets	34,016	
Impairment of other assets	2,700	
Inventory write downs	9,519	
Pension plan amendment (Note 7)	2,577	
Post retirement health care plan amendment (Note 7)	(63,277)	
Changes in operating assets and liabilities:		
Accounts receivable	(1,798)	
Inventories	5,022	
Other current assets	878	
Other assets	851	
Accounts payable	(8,410)	
Accrued liabilities	(12,807)	
Other liabilities	(4,358)	
Net cash used by operating activities	(28,704)	
CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES:		
Capital expenditures	(2,906)	
Proceeds from sales of assets	12,760	
Net cash provided (used) in investing activities	9,854	
CASH FLOW PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from issuance of common stock		
Increase (decrease) in short-term debt	(616)	

Proceeds from long-term debt......................................	11,341
Dividends paid..	
Net cash provided by financing activities	10,725
EFFECT OF EXCHANGE RATE CHANGES ON CASH.............................	(164)
NET (DECREASE) INCREASE IN CASH......................................	(8,289)
CASH AT BEGINNING OF YEAR..	9,886
CASH AT END OF PERIOD..	$ 1,597
Non-cash contribution of treasury shares to ESOP.....................	

See notes to consolidated financial statements.

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PART I. FINANCIAL INFORMATION
ONEIDA LTD.
ITEM 1. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Thousands)

1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Oneida Ltd. (the "Company,") have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended July 31, 2004 are not necessarily indicative of the results that may be expected for the year ending January 29, 2005. For further information, refer to the consolidated financial statements and notes thereto included in the annual report on Form 10-K for the year ended January 31, 2004.

Going Concern

The accompanying financial statements for the three and six months ended July 31, 2004 and July 26, 2003, respectively have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company experienced operating losses of $44,203 and $46,110 for the three and six months, respectively, ended July 31, 2004. During 2004 the Company has undertaken several initiatives to return to profitability, increase liquidity and compete in a changing marketplace. These include reducing product costs, reducing benefits, restructuring debt, and selling assets.

The Company reduced product costs with the closure of the Buffalo, NY manufacturing facility, and the facilities located in Mexico, Canada , Italy and China. The Company sold the Buffalo, NY manufacturing facility and the facilities in Juarez, Mexico, Toluca, Mexico, Niagara Falls, Canada and part of the Vercelli, Italy facility. The proceeds generated from these sales was used to reduce the Company's debt. On September 9, 2004 the Company announced that it is closing its Sherrill, NY flatware factory because of unsustainably high operating costs that have heavily contributed to substantial losses. The Sherrill, NY facility will be closed by March 31, 2005. The Company outsourced the production from the Buffalo, NY and International facilities to lower cost producers and is currently outsourcing production from the Sherrill, NY facility.

The Company reduced benefit costs in the first quarter by freezing the Retirement Plan for the Employees of Oneida Ltd. and terminated the Oneida Ltd Retiree Group Medical Plan. During the second quarter the company terminated the Long Term Disability Plan, the Oneida Limited Security Plan, and froze the Supplemental Executive Retirement Plan. The Company did not issue purchase options under the Employee Stock Purchase Plan and the 2002 Executive Stock Option Plan. Additionally the Company announced the co-pays and deductibles associated with the Oneida Sterling Health Plan will be increased as a result of the Company's effort to reduce costs.

On August 9, 2004 the Company completed the comprehensive restructuring of the existing indebtedness with its lenders, along with new covenants based upon current projections. The restructuring included the conversion of $30 million of principal amount of debt into an issuance of a total of 29.85 million shares of the common stock to the individual members of the lender group or their respective nominees. The common shares were issued in blocks proportionate to the amount of debt held by each lender. As of August 9, 2004 these shares of common stock represented approximately 62% of the outstanding shares of common stock of the Company. In addition to the debt to equity conversion, the Company received a new $30 million revolving credit facility from the lenders and restructured the balance of the existing indebtedness into a Tranche A loan of $125 Million and a Tranche B loan of approximately $80 million. All the restructured bank debt is secured by a first priority lien over substantially all of the Company's and its domestic subsidiaries' assets. The Tranche A loan will mature in three years and require amortization of principle based on available cash flow for the first two years and fixed amortization of $1,500 per quarter in the third year. The Tranche B loan will mature in 3 1/2 years with no required amortization. The debt and equity restructuring constituted a change in control of the Company. There are several employee benefit plans that have triggers if a change of control occurs. The appropriate plans were amended to allow the debt and equity transaction without triggering the change in control provision. In addition, the Shareholder Rights Plan was terminated.

On August 28, 2004 the Company completed the sale of substantially all of the assets of its Encore Promotions Inc. subsidiary and has entered into a licensing

agreement with the buyer. The proceeds from the sale were used to reduce debt, additionally the sale created an avenue to offer Oneida-branded products under the licensing agreement to the supermarket industry.

If the Company is unable to achieve its operating and strategic plans and objectives, the Company may need to raise additional capital, obtain further covenant waivers from its lenders or seek additional investors. There can be no assurance that the Company will be successful in any or all of these endeavors, and failure may affect the Company's ability to continue to operate its business.

Reclassifications

Certain reclassifications have been made to the prior year's information to conform to the current year presentation. In 2003, shipping and handling costs have been reclassified from net sales to cost of sales. Selling expense for the Company owned European retail shops has been reclassified from cost of sales to selling, distribution and administrative expenses. Amortization of deferred financing costs has been reclassified from other expense to interest expense including amortization of deferred financing costs. Additionally prior years' cash flows have been reclassified to accurately report the effect of foreign currency translation on cash.

Comprehensive Income (Loss)

SFAS No. 130, "Reporting Comprehensive Income", requires companies to report a measure of operations called comprehensive income. This measure, in addition to net income, includes as income or loss, the following items, which if present are included in the equity section of the balance sheet: unrealized gains and losses on certain investments in debt and equity securities; foreign currency translation; gains and losses on derivative instruments designated as cash flow hedges; and minimum pension liability adjustments. The Company has reported comprehensive income in the Consolidated Statements of Comprehensive Income (Loss).

Stock Option Plans

The Company has elected to continue following APB No. 25 in accounting for its stock-based compensation plans for employees. Under APB No. 25, compensation expense is not required to be recognized for the Company's stock-based compensation plans "if the fair value of the underlying stock is less than or equal to the option exercise prices on the date of the grant.". Under Statement of Financial Accounting Standards No. 123 ("SFAS 123") "Accounting for Stock Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation Transaction and Disclosure", compensation expense is recognized for the fair value of the options on the date of grant over the vesting period of the options.

Application of the fair-value based accounting provision of SFAS 123 results in the following pro forma amounts of net income (loss) and earnings (loss) per share:

	(Thousands Except Per Share Amounts) For the Three Months Ended		(Thousands For t
	July 31, 2004	July 26, 2003	July 31 2004
Net income (loss), as reported..............	$(48,291)	$(3,707)	$6,09
Deduct: Total stock-based employee compensation expense determined			

under Black-Scholes option pricing model, net of related income tax effect..................................	(351)	(459)	(948
Pro forma net income.........................	$(48,642)	$(4,166)	$5,14
Earnings (loss) per share:			
As reported: Basic..................	$(2.88)	$(.23)	$.3
Diluted................	(2.88)	(.23)	.3
Diluted..................			
Pro forma: Basic....................	(2.90)	(.25)	.3
Diluted..................	(2.90)	(.25)	.3

There was no stock based employee compensation expense included in the Consolidated Statement of Operations.

Recently Issued Accounting Pronouncements

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 106-2 (FSP 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", which supersedes FSP 106-1. FSP 106-2 provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) for employers that sponsor postretirement health care plans that provide prescription drug benefits. It also requires certain disclosures regarding the effect of the federal subsidy provided by the Act. This FSP is effective for the first interim or annual period beginning after June 15, 2004. As a result of the Company's decision to terminate the postretirement health care plan as discussed in Note 7, this accounting pronouncement will not apply.

In January 2003, the FASB issued Financial Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities." In December 2003 the FASB issued FIN 46R. The objective of FIN No. 46 is to improve financial reporting by companies involved with variable interest entities. FIN No. 46 changes certain consolidation requirements by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The Interpretation outlines disclosure requirements for variable interest entities in existence prior to January 31, 2003, and requires consolidation of variable interest entities created after January 31, 2003. In addition, FIN 46R requires consolidation of variable interest entities created prior to January 31, 2003 for fiscal periods ending after March 15, 2004. The Company does not have any variable interest entities, therefore this accounting pronouncement currently does not apply.

2. RESTRUCTURING

As a result of the substantial manufacturing inefficiencies and negative manufacturing variances, it was determined at the end of the third quarter of fiscal year ending January 31, 2004 to close and sell the following factories: Buffalo China dinnerware factory and decorating facility in Buffalo NY; dinnerware factory in Juarez, Mexico; flatware factory in Toluca, Mexico; hollowware factory in Shanghai China; and hollowware factory in Vercelli, Italy. The Company continues to market the products primarily manufactured from these sites, using independent suppliers. The Toluca, Mexico; Shanghai, China; and Vercelli, Italy facilities closings were completed during the fourth quarter of the year ended January 31, 2004. The Buffalo, NY factory buildings and associated materials and supplies were sold to Niagara Ceramics Corporation on March 12, 2004. The Buffalo China name and all other active Buffalo China trademarks and logos remain the property of the Company. Niagara Ceramics is an independent supplier to the Company. The Juarez Mexico factory sale was completed on April 22, 2004, and the Toluca Mexico factory sale was completed on June 2, 2004. The Shanghai, China and remaining Vercelli, Italy assets are classified as assets held for sale on the Consolidated Balance Sheet at July 31, 2004. The Niagara Falls, Canada warehouse sale was completed on July 12, 2004 and part of the Vercelli, Italy properties have been sold. The restructuring plans are intended to reduce costs, increase the Company's liquidity and better position the Company to compete under the current economic conditions.

Under the restructuring plan, approximately 1,150 employees will be terminated. As of July 31, 2004, 1,085 of those terminations have occurred while 65 employees have accepted employment with Niagara Ceramics who are now the new owners of Buffalo China. Termination benefits have been recorded in accordance with contractual agreements or statutory regulations. The Company recognized a charge of $9,001 in the Statement of Operations under the caption "Restructuring Expense" in the year ended January 31, 2004. Cash payments and adjustments inception to date

through July 31, 2004 under the restructuring were $7,085 and $445, respectively, and the remaining liability at the quarter end is $1,471.

On September 9, 2004 the Company announced that it is closing its Sherrill, NY flatware factory because of unsustainably high operating costs that have heavily contributed to substantial losses. The Company will continue to market the products primarily manufactured from this site using independent suppliers. Approximately 500 employees will be terminated. The Company has not yet determined the amount of costs related to the closure. The flatware factory will be closed by March 31, 2005.

3. INCOME TAXES

The provision for income taxes for the three months ended July 31, 2004 was primarily attributable to foreign tax related to foreign operations and

domestic deferred tax liabilities recognized on indefinite long lived intangibles (these liabilities cannot be used to offset deferred tax assets in determining the amount of valuation allowance needed for the quarter). The Company continues to provide a full valuation allowance against its net deferred tax assets and has not recorded a tax benefit for its domestic pretax book losses during the three months ended July 31, 2004 since it is more likely than not that the asset would not be realized. The Company will continue to maintain a valuation allowance against all of its remaining deferred tax assets until sufficient evidence exists to support its reversal.

Subsequent to the second quarter ended July 31, 2004, the Company has undergone a change in ownership within the definition of Sec. 382 of the Internal Revenue Code based upon the completion of a comprehensive restructuring of the existing indebtedness with its primary lenders. The pre-change net operating loss carryforward is subject to annual limitation under Sec. 382. The Company had previously placed a valuation allowance against all its net deferred tax assets.

The provision for income taxes for the six months ended July 31, 2004 was primarily attributable to foreign tax related to foreign operations and domestic deferred tax liabilities recognized on indefinite long lived intangibles. During the first quarter ended May 1, 2004, the Company terminated its retiree group medical plan and amended two of its pension plans to freeze benefits resulting in income recognition of $63,277 and a charge of $2,577 to continuing operations, respectively. The inclusion of these items produced no tax expense or benefit as a valuation allowance was reversed with respect to the retiree medical plan and a valuation allowance established with respect to the pension freeze.

The following table summarizes the Company's provision for income taxes and the related effective tax rates for the three and six months ended July 31, 2004 and 2003:

	For the Three Months Ended		For t
	July 31, 2004	July 26, 2003	July 31,
Income (loss) before income taxes............	$(47,540)	$(5,884)	$ 7
(Provision) benefit for income taxes..........	(751)	2,177	(1
Effective tax rate..........................	(1.58%)	37.0%	2

4. INVENTORIES

Inventories by major classification are as follows:

	July 31, 2004	January 31
Finished goods...............................	$115,732	$1
Goods in process.............................	4,125	
Raw materials and supplies....................	4,964	
Total..................................	$124,821	$1

5. EARNINGS PER SHARE
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 net income less preferred stock dividends earned, even if not declared, by the weighted average shares actually outstanding for the period. Diluted earnings per share include the potentially dilutive effect of shares issuable under the employee stock purchase and incentive stock option plans.

The shares used in the calculation of diluted EPS exclude options to purchase shares where the exercise price was greater than the average market price of common shares for the period. Such shares aggregated 1,515 and 1,414 for the six-months ended July 31, 2004 and July 26, 2003, respectively.

Under the provisions of the amended revolving credit and note agreements, at July 31, 2004, the Company was able to declare dividends on its 6% Cumulative Preferred Stock up to $32 per quarter. However, no dividend was declared on the preferred stock for quarter ended July 31, 2004 and the preferred dividends in arrears is $64. The preferred accumulated stock dividends in arrears as of July 31, 2004 is $193.

The following is a reconciliation of basic earnings per share to diluted earnings per share for the three months ended July 31, 2004 and July 26, 2003:

	Net Income (Loss)	Preferred Stock Dividends	Adjusted Net Income (Loss)	A S
2004:				
Basic earnings (loss) per share............	$(48,291)	$(32)	$(48,323)	
Effect of stock options....................				
Diluted earnings (loss) per share..........	$(48,291)	$(32)	$(48,323)	
2003:				
Basic earnings (loss) per share............	$(3,707)	$(32)	$ (3,739)	
Effect of stock options....................				
Diluted earnings (loss) per share..........	$(3,707)	$(32)	$ (3,739)	

The following is a reconciliation of basic earnings per share to diluted earnings per share for the six months ended July 31, 2004 and July 26, 2003:

	Net Income	Preferred Stock	Adjusted Net Income	A

	(Loss)	Dividends	(Loss)	S
2004:				
Basic earnings (loss) per share............	$ 6,094	$(64)	$ 6,030	
Effect of stock options....................				
Diluted earnings (loss) per share..........	$ 6,094	$(64)	$ 6,030	
2003:				
Basic earnings (loss) per share............	$(7,092)	$(64)	$(7,156)	
Effect of stock options....................				
Diluted earnings (loss) per share..........	$(7,092)	$(64)	$(7,156)	

6. DEBT
In April 2003, the Company and its lenders entered into amendments to the revolving credit and note agreements. These amendments extended the maturity to May 31, 2005 from February 1, 2004, adjusted certain financial covenants and prohibited payment of dividends on common stock. In addition, the commitment under the revolving credit facility reduced to $225,000 upon signing of the amendment with further reductions to $220,000 on July 25, 2003, $215,000 on November 3, 2003, $205,000 on January 30, 2004, $185,000 on February 7, 2004, $175,000 on May 3, 2004 and $165,000 on November 1, 2004.

These facilities contain certain financial covenants, including a restriction limiting the Company's total debt outstanding to a pre-determined multiple of the prior rolling twelve months earnings before interest, taxes, depreciation and amortization. A default in compliance with these covenants, if unremedied, could cause the lenders to declare the principal outstanding to be payable immediately. Since October 25, 2003, the Company has been in violation of the interest coverage ratio, leverage ratio and net worth covenants and received a series of waivers from its required lenders that expire June 15, 2004. The waivers also postponed the $45 million reductions in the revolving credit facility until June 15, 2004. The Company did not pay any compensation for these waivers. The Company's senior note holders agreed to defer until June 15, 2004 a $3.9 million payment that was due October 31, 2003. On June 15, 2004, the Company obtained further waiver extensions through July 15, 2004 from its lenders in regard to the Company's financial covenants and in respect to the above mentioned payments that are due. On June 25, 2004, the Company announced that it has reached an agreement in principle with its lenders on a comprehensive restructuring plan for its existing indebtedness and a new $30 million revolving credit facility.

On August 9, 2004 the Company completed the comprehensive restructuring of the existing indebtedness with its lenders, along with new covenants based upon current projections. The restructuring included the conversion of $30 million of principal amount of debt into an issuance of a total of 29.85 million shares of the common stock of the Company to the individual members of the

lender group or their respective nominees. The common shares were issued in blocks proportionate to the amount of debt held by each lender. As of August 9, 2004 these shares of common stock represented approximately 62% of the outstanding shares of common stock of the Company. In addition to the debt to equity conversion, the Company received a new $30 million revolving credit facility from the lenders and restructured the balance of the existing indebtedness into a Tranche A loan of $125 Million and a Tranche B loan of approximately $80 million. All the restructured bank debt is secured by a first priority lien over substantially all of the Company's and its domestic subsidiaries' assets. The Tranche A loan will mature in three years and require amortization of principle based on available cash flow for the first two years and fixed amortization of $1.5 per quarter in the third year. Interest on the Tranche A loan will accrue at LIBOR (London Inter Bank Offered Rate) plus 6%-8.25% depending on the leverage to cash flow formula. The Tranche B loan will mature in 3 1/2 years with no required amortization. Interest on the Tranche B loan will accrue at LIBOR plus 13% with a maximum interest rate of 17%. The debt and equity restructuring constituted a change in control of the Company. There are several employee benefit plans that have triggers if a change of control occurs. The appropriate plans were amended to allow the debt and equity transaction without triggering the change in control provision. In addition, the Shareholder Rights Plan was terminated.

The restructured debt agreement has several covenants including maximum total leverage ratio, cash interest coverage ratio, total interest coverage ratio, and consolidated minimum Earnings Before Interest, Taxes, Depreciation, Amortization and Restructuring Expenses. (EBITDAR). The covenants are effective beginning with the quarter ending on January 29, 2005.

7. RETIREMENT BENEFIT PLANS

Pension Plans

The net periodic pension cost for the Company's United States (US) qualified defined benefit plans for the three months and six months ended July 31, 2004 and 2003 includes the following components:

	For the Three Months Ended		For t
	July 31, 2004	July 26, 2003	July 31,
Service cost..............................	$ 46	$ 339	$
Interest cost.............................	1,065	735	
Expected Return on Assets.................	(595)	(443)	(
Net amortization..........................	339	48	
Curtailment (Gain) Loss...................			
Net periodic pension cost.................	854	680	
One-time recognition of remaining prior			

service cost...........................			
One-time charge for QSERP amendment........			
Total net periodic pension cost...........	$ 854	$ 680	$

The Company anticipates filing a request with the Internal Revenue Service seeking permission to waive expected quarterly funding requirements for the plan year ended 2004. Final contributions for the plan year ended 2003 will be made. The Company expects to contribute cash contributions of $4,323 to its US Pension plans for fiscal year ended 2004. Through the second quarter, $641 has been contributed.

The net periodic pension cost for the Company's non-United States qualified defined benefit plans for the three months and six months ended July 31, 2004 and 2003 includes the following components:

	For the Three Months Ended		For t
	July 31, 2004	July 26, 2003	July 31,
Service cost..............................	$ 74	$ 7	$
Interest cost.............................	971	32	
Expected Return on Assets.................	(658)	(21)	
Net amortization..........................	584	19	
Curtailment (Gain) Loss...................	0	0	
Net periodic pension cost.................	$ 971	$ 37	$

The Company expects to contribute cash contributions of $249 to its non-United States pension plans for the fiscal year ended 2004. Through the second quarter, $109 has been contributed.

During the first quarter ended May 1, 2004, the Company announced that it has terminated the Oneida Ltd. Retiree Group Medical Plan resulting in income recognition of $61,973. Also, the company amended two of its pension plans to freeze benefit accruals, and as a result recognized a charge of $2,577.

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8. OPERATIONS BY SEGMENT

During fiscal 2004, the Company determined that it should have historically been reporting three reportable segments, as defined in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information": Foodservice, Consumer and International. Foodservice and Consumer segments operate in the US. The

Company previously reported that its Tableware segment was grouped around three major product categories. The prior year disclosures have been restated to report these three segments. This change in segment reporting has no effect on reported earnings.

The Company's Consumer segment sells directly to a broad base of retail outlets including department stores, mass merchandisers, Oneida Home stores and chain stores. The Company's Foodservice segment sells directly or through distributors to Foodservice operations, including hotels, restaurants, airlines, cruise lines, schools and healthcare facilities. The Company's International segment sells to a variety of distributors, foodservice operations and retail outlets.

The accounting policies of the reportable segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements. The Company evaluates the performance of its segments based on revenue, and reports segment contributions before unallocated manufacturing costs, unallocated selling, distribution and administrative costs, interest, other income/expenses, corporate expenses and income taxes. The Company does not track its assets by segment and, therefore, is unable to present assets by segment. The Company does not derive more than 10% of its total revenues from any individual customer, government agency or export sales.

Segment information for the six months of 2004 and 2003 were as follows:

	2004	2003
Revenues Sales to external customers:		
Foodservice	$ 96,065	$ 90,456
Consumer	76,111	79,639
International	39,489	42,052
Total segment revenues	211,665	212,147
Reconciling items:		
License revenues	887	690
Total revenues	212,552	212,837
Income (loss) before income taxes		
Segment contributions before unallocated costs		
Foodservice	29,417	27,789
Consumer	8,613	11,258
International	(1,001)	(1,681)
Total segment contributions	37,029	37,366
Unallocated manufacturing costs	(20,057)	(15,585)
Unallocated selling, distribution and administrative costs	(31,340)	(25,231)
Restructuring costs	137	0
Impairment loss on depreciable assets	(34,016)	0
Impairment loss on other assets	(2,700)	0
(Gain) loss on sales of assets	4,837	(69)
Other income	66,128	1,058
Other (expense)	(4,656)	(764)
Interest expense and deferred financing costs	(7,733)	(7,932)
Income (loss) before income taxes	$ 7,629	$(11,157)

9. Subsequent Events

On August 9, 2004 the Company completed the comprehensive restructuring of the existing indebtedness with its lenders, along with new covenants based upon current projections. The restructuring included the conversion of $30 million of principal amount of debt into an issuance of a total of 29.85 million shares of the common stock of the Company to the individual members of the lender group or their respective nominees. The common shares were issued in blocks proportionate to the amount of debt held by each lender.

On August 28, 2004 the Company completed the sale of substantially all of the assets of its Encore Promotions Inc. subsidiary which resulted in a loss of approximately $3,157.

On September 9, 2004 the Company announced that it is closing its Sherrill, NY flatware factory because of unsustainably high operating costs that have heavily contributed to substantial losses within the company. The Company will continue to market the products primarily manufactured from this site using independent suppliers. An impairment loss of $34,016 was recorded in the consolidated statement of operations under the caption "impairment loss on depreciable assets".

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Quarter ended July 31, 2004 compared with
the quarter ended July 26, 2003
(In Thousands)

Executive Summary

The accompanying financial statements for the three and six months ended July 31, 2004 and July 26, 2003, respectively have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company experienced operating losses of $44,203 and $46,110 for the three and six months respectively, ended July 31, 2004. During 2004 the Company has undertaken several initiatives to return to profitability, increase liquidity and compete in a changing marketplace. These include reducing product costs, reducing benefits, restructuring debt, and selling assets.

The Company reduced product costs with the closure of the Buffalo, NY manufacturing facility, and the facilities located in Mexico, Canada , Italy and China. The Company sold the Buffalo, NY manufacturing facility along with the sale of facilities in Juarez, Mexico, Toluca, Mexico, Niagara Falls, Canada and part of the Vercelli, Italy facility. The proceeds generated from these sales was used to reduce the Company's debt. On September 9, 2004 the Company announced that it is closing its Sherrill, NY flatware factory because of

unsustainably high operating costs that have heavily contributed to substantial losses within the company. The Sherrill, NY facility will be closed by March 31, 2005. The Company outsourced the production from the Buffalo, NY and International facilities to lower cost producers and is currently outsourcing products from the Sherrill, NY facility.

The Company reduced benefit costs in the first quarter by freezing the Retirement Plan for the Employees of Oneida Ltd. and terminated the Oneida Ltd Retiree Group Medical Plan. During the second quarter the company terminated the Long Term Disability Plan, the Oneida Limited Security Plan, and froze the Supplemental Executive Retirement Plan. The Company did not issue purchase options under the Employee Stock Purchase Plan and the 2002 Executive Stock Option Plan. Additionally the Company announced the co-pays and deductibles associated with the Oneida Sterling Health Plan will be increased as a result of the Company's effort to reduce costs.

On August 9, 2004 the Company completed the comprehensive restructuring of the existing indebtedness with its lenders, along with new covenants based upon current projections. The restructuring included the conversion of $30 million of principal amount of debt into an issuance of a total of 29.85 million shares of the common stock of the Company to the individual members of the lender group or their respective nominees. The common shares were issued in blocks proportionate to the amount of debt held by each lender. As of August 9, 2004 these shares of common stock represented approximately 62% of the outstanding shares of common stock of the Company. In addition to the debt to equity conversion, the Company received a new $30 million revolving credit facility from the lenders and restructured the balance of the existing indebtedness into a Tranche A loan of $125 Million and a Tranche B loan of approximately $80 million. All the restructured bank debt is secured by a first priority lien over substantially all of the Company's and its domestic subsidiaries' assets. The Tranche A loan will mature in three years and require amortization of principle based on available cash flow for the first two years and fixed amortization of $1.5 per quarter in the third year. Interest on the Tranche A loan will accrue at LIBOR (London Inter Bank Offered Rate) plus 6%-8.25% depending on the leverage to cash flow formula. The Tranche B loan will mature in 3 1/2 years with no required amortization. Interest on the Tranche B loan will accrue at LIBOR plus 13% with a maximum interest rate of 17%. The debt and equity restructuring constituted a change in control of the Company. There are several employee benefit plans that have triggers if a change of control occurs. The appropriate plans were amended to allow the debt and equity transaction without triggering the change in control provision. In addition, the Shareholder Rights Plan was terminated.

On August 28, 2004 the Company completed the sale of substantially all of the assets of its Encore Promotions Inc. subsidiary and has entered into a licensing agreement with the buyer. The sale provides additional liquidity and the avenue to offer Oneida-branded products under the licensing agreement to the supermarket industry.

If the Company is unable to achieve its operating and strategic plans and objectives, the Company may need to raise additional capital, obtain further covenant waivers from its lenders or seek additional investors. There can be no assurance that the Company will be successful in any or all of these endeavors, and failure may affect the Company's ability to continue to operate its business.

	For The Three Months Ended	
	July 31, 2004	July 26, 2003
Net Sales:		
Foodservice	$ 45,654	$ 43,156
Consumer	36,346	39,380
International	19,020	23,439
Total	101,020	105,975
Gross Margin	21,120	29,350
% Net Sales	20.9%	27.7%
Operating Expenses	65,323	31,188
% Net Sales	64.7%	29.4%

Operations

Consolidated net sales for the three months ended July 31, 2004 decreased $4,955 (4.7%) as compared to the same period in the prior year. Sales of Foodservice products increased by $2,498 (5.7%) over the same period in the prior year primarily from increased volume to chain restaurant customers. These increases were offset by a decrease in volume for both the International and Consumer segments. International and Consumer sales decreased $4,419 (18.9%) and $3,034 (7.7%), respectively, over the same period in the prior year. The International decline was in the European Consumer and Foodservice segments. Product shortages in the Consumer segment primarily caused the sales decline.

Gross margin for the three months ended July 31, 2004 was $21,120 or 20.9% as a percentage of net sales, as compared to $29,350 or 27.7% for the same period in the prior year. The decrease in gross margins is primarily due to inventory write downs and decreased sales volumes. The Encore asset sale resulted in an increase in the inventory reserve of approximately $3,000. The Company recorded additional inventory reserve of $2,700, the majority of the reserve is for glassware products.

Operating expenses increased $34,135 or 109.5% for three months ended July 31, 2004 as compared to the same period in the prior year. The increase is primarily attributable to an impairment of $34,016 in connection with the announcement of the closing of the Company's flatware factory in Sherrill, New York and increased Professional fees from outside consultants which amounted to $2,200 for the three months ended July 31, 2004. Additionally, it became apparent that it is probable that the Company will not use a portion of the remaining Barter Credits and as a result an impairment of $2,700 was recorded.

Other income was $2,390 for the three months ended July 31, 2004 compared to $525 a year ago. The increase is the result of the termination of the Long Term Disability and Oneida Limited Security Plans.

Other expense was $1,764 for the three months ended July 31, 2004 compared to $503 for the same period in the prior year. The increase is the result of freezing the Supplemental Executive Retirement Plan and realizing the unamortized prior service costs.

Interest expense including amortization of deferred financing costs decreased by $105 or 2.6% for the three months ended July 31, 2004 compared with the same period a year ago. Capitalized interest was $62 for the three months ended July 31, 2004 and $78 over the same period a year ago.

During the quarter ended October 25, 2003, the Company established a full valuation allowance against its net deferred tax assets and continues to maintain a full valuation allowance. Provision for income taxes as a percentage of income (loss) before income taxes was 1.58% or $751 for the three months ended July 31, 2004 as compared to 37.07% or $2,177 for the same period in the prior year. The provision for income taxes for the three months ended July 31, 2004 was primarily attributable to foreign tax related to foreign operations and domestic deferred tax liabilities recognized on indefinite long lived intangibles (these liabilities cannot be used to offset deferred tax assets in determining the amount of valuation allowance needed for the quarter). The Company did not record a tax benefit for the domestic losses during the three months ended July 31, 2004. The Company will continue to maintain a valuation allowance against all of its remaining deferred tax assets until sufficient evidence exists to support its reversal.

Subsequent to the second quarter ended July 31, 2004, the Company has undergone a change in ownership within the meaning of Sec. 382 of the Internal revenue Code (Sec. 382) based upon the completion of a comprehensive restructuring of the existing indebtedness with its primary lenders. Sec. 382

provides that, after an ownership change, the amount of a loss corporation's taxable income for any post-change year that may be offset by pre-change losses shall not exceed the Sec. 382 limitation for that year. A loss corporation is any corporation that has a net operating loss, a net operating loss carryforward, or a net unrealized built-in loss for the taxable year in which the ownership change occurs. The Sec.382 limitation generally equals the fair market value of the old loss corporation multiplied by the long-term tax-exempt rate. The Company is in the process of determining the annual limitation under Sec. 382.

The following table summarizes the Company's provision for income taxes and the related effective tax rates:

	For the Three Months Ended	
	July 31, 2004	July 26, 2003
Income (loss) before income taxes	$(47,540)	$(5,884)
(Provision) benefit for income taxes	(751)	2,177
Effective tax rate	(1.58%)	37.0%

	For the Six Months Ended	
	July 31, 2004	July 26, 2003
Net Sales:		
Foodservice	$ 96,065	$ 90,456
Consumer	76,111	79,639
International	39,489	42,052
Total	211,665	212,147
Gross Margin	52,092	58,534
% Net Sales	24.6%	27.6%
Operating Expenses	98,202	62,153
% Net Sales	46.4%	29.3%

Consolidated net sales for the six months ended July 31, 2004 decreased $482 (0.2%) as compared to the same period in the prior year. Sales of Foodservice products increased by $5,609 (6.2%) over the same period in the prior year primarily from continued increased volume to chain restaurant customers. These increases were offset by a decrease in volume for both the International and Consumer segments. International and Consumer sales decreased $2,563 (6.9%) and $3,523 (4.4%), respectively, over the same period in the prior year. The International decline was in the European Consumer and Foodservice segment. Product shortages in the Consumer segment caused the sales decline.

Gross margin for the six months was $52,092 or 24.6% as a percentage of net sales, as compared to $58,534 or 27.6% for the same period in the prior year. The decrease is the result of $8,600 in inventory writedowns associated with the Company's focus on reducing inventory levels and improving cash flow. Additionally, approximately $3,000 reserve was recorded for the sale of the Encore assets and $2,700 for glass products.

Operating expenses increased $36,118 or 58.2% for the six months ended July 31, 2004 as compared to the same period in the prior year. The increase is attributable to an impairment adjustment booked of $34,016 in connection for the closing of the Company's flatware factory in Sherrill, New York and a $2,700 impairment for the write down of Barter Credits that the Company has determined they will not be able to use. Professional fees of $3,000 have been incurred year to date for outside consultants relating to the comprehensive restructuring plan. Additionally $916 of severance related costs were recorded for the six months ending July 31, 2004.

Other income was $66,128 for the six months ended July 31, 2004 compared to $1,058 a year ago. This increase is the result of a decision by the Company to terminate the Oneida Ltd. Retiree Group Medical Plan, the Long Term Disability and the Oneida Limited Security Plans. The plan termination resulted in a one-time benefit of $64,272.

Other expense was $4,656 for the six months ended July 31, 2004 compared to $764 a year ago. This increase is the result of a decision by the Company to freeze benefit accruals for the Retirement Plans and the Supplemental Executive Retirement Plan. The plan amendments resulted in a one-time recognition of prior service cost of $3,565 of freezing the Supplemental Executive Retirement Plan and realizing the unamortized prior service costs.

Interest expense and amortization of deferred financing costs decreased by $199 or 2.5% in the first six-months of 2004 compared with the same period a year ago. Capitalized interest was $62 for the six-months ended July 31, 2004 and $78 over the same period a year ago.

During the quarter ended October 25, 2003, the Company established a full valuation allowance against its net deferred tax assets and continues to maintain a full valuation allowance Provision for income taxes as a percentage of income (loss) before income taxes was 20.12% or $1,535 for the six months ended July 31, 2004 as compared to 37.0% or $4,165 for the same period in the prior year. The provision for income taxes for the six months ended July 31, 2004 was primarily attributable to foreign tax related to foreign operations and domestic deferred tax liabilities recognized on indefinite long lived intangibles (these liabilities cannot be used to offset deferred tax assets in determining the amount of valuation allowance needed for the quarter). The Company did not record a tax benefit for the domestic losses during the six months ended July 31, 2004. The Company will continue to maintain a valuation allowance against all of its remaining deferred tax assets until sufficient evidence exists to support its reversal.

During the first quarter ended May 1, 2004, the Company recognized two significant events that impact the year to date taxes. The Company announced that it has terminated the Oneida Ltd. Retiree Group Medical Plan, resulting in income recognition of $61,973. The inclusion of this income in the year to date domestic tax calculation produced no tax expense since the deferred tax asset is realized and the valuation allowance previously recognized against that asset is reversed. Also, the Company amended two of its pension plans to freeze benefit accruals, and as a result recognized a charge of $2,577. The inclusion of this charge in the year to date domestic tax calculation produced no tax benefit because a full valuation allowance is recorded against the deferred tax asset resulting from this item.

Subsequent to the second quarter ended July 31, 2004, the Company has undergone a change in ownership within the meaning of Sec. 382 of the Internal revenue Code (Sec. 382) on a deal consummated with its primary lenders. Sec. 382 provides that, after an ownership change, the amount of a loss corporation's taxable income for any post-change year that may be offset by pre-change losses shall not exceed the Sec. 382 limitation for that year. A loss corporation is any corporation that has a net operating loss, a net operating loss carryforward, or a net unrealized built-in loss for the taxable year in which the ownership change occurs. The Sec.382 limitation generally equals the fair market value of the old loss corporation multiplied by the long-term tax-exempt rate. The Company is in the process of determining the annual limitation under Sec. 382.

The following table summarizes the Company's provision for income taxes and the related effective tax rates:

	For the Six Months Ended	
	July 31, 2004	July 26, 2003
Income (loss) before income taxes	$ 7,629	$(11,257)
(Provision) benefit for income taxes	(1,535)	4,165
Effective tax rate	20.12%	(37.0%)

Restructuring

As a result of the substantial manufacturing inefficiencies and negative manufacturing variances, it was determined at the end of the third quarter of fiscal year ending January 31, 2004 to close and sell the following factories: Buffalo China dinnerware factory and decorating facility in Buffalo NY; dinnerware factory in Juarez, Mexico; flatware factory in Toluca, Mexico; hollowware factory in Shanghai China; and hollowware factory in Vercelli, Italy. The Company continues to market the products primarily manufactured from these sites, using independent suppliers. The Toluca, Mexico; Shanghai, China; and Vercelli, Italy facilities closings were completed during the fourth quarter of the year ended January 31, 2004. The Buffalo, NY factory buildings and associated materials and supplies were sold to Niagara Ceramics Corporation on March 12, 2004. The Buffalo China name and all other active Buffalo China trademarks and logos remain the property of the Company. Niagara Ceramics is an independent supplier to the Company. The Juarez Mexico factory sale was completed on April 22, 2004, and the Toluca Mexico factory sale was completed on June 2, 2004. The Niagara Falls, Canada warehouse sale was completed on July 12, 2004 and part of the Vercelli, Italy properties have been sold. The restructuring plans are intended to reduce costs, increase the Company's liquidity and better position the Company to compete under the current economic conditions.

Under the restructuring plan, approximately 1,150 employees will be terminated. As of July 31, 2004, 1,085 of those terminations have occurred while 65 employees have accepted employment with Niagara Ceramics who are now the new owners of Buffalo China. Termination benefits have been recorded in accordance with contractual agreements or statutory regulations. The Company recognized a charge of $9,001 in the Statement of Operations under the caption "Restructuring Expense" in the year ended January 31, 2004. Cash payments and adjustments inception to date through July 31, 2004 under the restructuring were $7,085 and $445 and the liability at the quarter end is $1,471.

On September 9, 2004 the Company announced that it is closing its Sherrill, NY flatware factory because of unsustainably high operating costs that have heavily contributed to substantial losses within the company. The Company will continue to market the products primarily manufactured from this site using independent suppliers. Approximately 500 employees will be terminated. The Company has not yet determined the amount of costs related to the closure. The flatware factory

will be closed by March 31, 2005.

Fixed Asset Impairments

In conjunction with the announcement on September 9, 2004 that it is closing its Sherrill flatware factory because of unsustainably high operating costs that have heavily contributed to substantial losses within the company, the Company performed an evaluation in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long Lived Assets" (FASB 144), to determine if the manufacturing facilities assets were subject to a possible impairment loss. Due to the cash flow being less than the book value, it was determined that an impairment existed and as a result, an impairment charge of $34,016 was recorded as a charge in the consolidated statements of operations under the caption "Impairment loss on depreciable assets" for the quarter ended July 31, 2004.

Impairment of Other Assets

As a result of the reduced use of barter credits ,it became apparent that it is probable that the Company will not use all of the remaining barter credits. The Company performed an evaluation in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment of Long Lived Assets" (FASB 144), to determine if the barter credits were subject to a possible impairment loss. Due to the cash flow being less than the book value, it was determined that an impairment existed and as a result, a $2,700 impairment was recorded as a charge in the consolidated statements of operations under the caption "Impairment loss on other assets" for the quarter ended July 31, 2004.

Liquidity & Financial Resources

Cash used in operating activities was $28,749 and $2,287 for the six months ended July 31, 2004 and July 26, 2003, respectively. The net cash used in operating activities for the six months ended July 31, 2004 was primarily due to negative changes in working capital which resulted from vendors requiring shorter payment cycles.

Cash generated from investing activities was $9,909 for the six months ended July 31, 2004 compared to cash used of $3,186 for the same period in the prior year. The sale of Buffalo China on March 12, 2004 generated cash of $5,517, and the sale of the facilities located in Mexico, Canada and Italy generated cash of $7,315 which were offset by capital expenditures of $2,923. Cash used in the prior year was for capital expenditures.

Cash flow from financing activities generated cash of $10,722 for the six months ended July 31, 2004 compared to cash generated of $7,716 for the same period in the prior year. The increase in cash was a result of additional debt proceeds used to fund working capital needs.

In April 2003, the Company and its required lenders entered into amendments to the revolving credit and note agreements. These amendments extend the maturity to May 31, 2005 from February 1, 2004, adjust certain financial covenants and prohibit payment of dividends on common stock. In addition, the commitment under the revolving credit facility was reduced to $225,000 upon signing of the amendment with further reductions to $220,000 on July 25, 2003, $215,000 on November 3, 2003, $205,000 on January 30, 2004, $185,000 on February 7, 2004, $175,000 on May 3, 2004 and $165,000 on November 1, 2004.

These facilities contained certain financial covenants, including a restriction limiting the Company's total debt outstanding to a pre-determined multiple of the prior rolling twelve months earnings before interest, taxes, depreciation and amortization. A default in compliance with these covenants, if unremedied, could cause the lenders to declare the principal outstanding to be payable immediately. Since October 25, 2003, the Company has been in violation of the interest coverage ratio, leverage ratio and net worth covenants and received a series of waivers from its required lenders that expire June 15, 2004. The waivers also postponed the $45 million reductions in the revolving credit facility until June 15, 2004. The Company did not pay any compensation for these waivers. The Company's senior note holders agreed to defer until June 15, 2004 a $3.9 million payment that was due October 31, 2003. On June 15, 2004, the Company obtained further waiver extensions through July 15, 2004 from its lenders in regard to the Company's financial covenants and in respect to the above mentioned payments that are due. On June 25, 2004, the Company announced that it has reached an agreement in principle with its lenders on a comprehensive restructuring plan for its existing indebtedness and a new $30 million revolving credit facility.

On August 9, 2004 the Company completed the comprehensive restructuring of the existing indebtedness with its lenders, along with new covenants based upon current projections. The restructuring included the conversion of $30 million of principal amount of debt into an issuance of a total of 29.85 million shares of the common stock of the Company to the individual members of the lender group or their respective nominees. The common shares were issued in blocks proportionate to the amount of debt held by each lender. As of August 9, 2004 these shares of common stock represented approximately 62% of the outstanding shares of common stock of the Company. In addition to the debt to equity conversion, the Company received a new $30 million revolving credit facility from the lenders and restructured the balance of the existing indebtedness into a Tranche A loan of $125 Million and a Tranche B loan of approximately $80 million. All the restructured bank debt is secured by a first priority lien over substantially all of the Company's and its domestic subsidiaries' assets. The Tranche A loan will mature in three years and require amortization of principle based on available cash flow for the first two years and fixed amortization of $1.5 per quarter in the third year. Interest on the Tranche A loan will accrue at LIBOR (London Inter Bank Offered Rate) plus 6%-8.25% depending on the leverage to cash flow formula. The Tranche B loan will mature in 3 1/2 years with no required amortization. Interest on the Tranche B loan will accrue at LIBOR plus 13% with a maximum interest rate of 17%. The debt and equity restructuring constituted a change in control of the Company. There are several employee benefit plans that have triggers if a change of control occurs. The appropriate plans were amended to allow the debt and equity transaction without triggering the change in control provision. In addition, the Shareholder Rights Plan was terminated.

The restructured debt agreement has several covenants including maximum total leverage ratio, cash interest coverage ratio, total interest coverage ratio, and consolidated minimum EBITDAR. The new covenants are effective beginning with the quarter ending on January 29, 2005.

Working capital was $115,281 as of July 31, 2004 as compared to ($89,751)

at January 31, 2004. The negative working capital at January 31, 2004 was primarily caused by the current classification of the revolving credit and note agreements.

During the second quarter, the Company has determined it will not make any scheduled remaining 2004 pension plan contributions in an effort to conserve cash. The Retirement Plan for Employees of Oneida Ltd. And the Retirement Income Plan for Employees of Buffalo China were previously frozen in the first quarter. The anticipated deferred plan contributions are approximately $6,500. This is in accordance with the Company's strategy of obtaining a waiver from the IRS that allows current year pension contributions to be deferred. The contributions related to 2003 plan year can not be waived and they will be made in accordance with scheduled dates.

Subsequent Events:

On August 9, 2004 the Company completed the comprehensive restructuring of the existing indebtedness with its lenders, along with new covenants based upon current projections. The restructuring included the conversion of $30 million of principal amount of debt into an issuance of a total of 29.85 million shares of the common stock of the Company to the individual members of the lender group or their respective nominees. The common shares were issued in blocks proportionate to the amount of debt held by each lender.

On August 28, 2004 the Company completed the sale of substantially all of the assets of its Encore Promotions Inc. subsidiary which resulted in a loss of approximately $3,157.

On September 9, 2004 the Company announced that it is closing its Sherrill, NY flatware factory because of unsustainably high operating costs that have heavily contributed to substantial losses within the company. The Company will continue to market the products primarily manufactured from this site using independent suppliers. An impairment loss of $34,016 was recorded in the consolidated statement of operations under the caption "impairment loss on depreciable assets".

Accounting Pronouncements

In May 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 106-2 (FSP 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", which supersedes FSP 106-1. FSP 106-2 provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) for employers that sponsor postretirement health care plans that provide prescription drug benefits. It also requires certain disclosures regarding the effect of the federal subsidy provided by the Act. This FSP is effective for the first interim or annual period beginning after June 15, 2004. As a result of the Company's decision to terminate the

postretirement health care plan as discussed in Note 7, this accounting pronouncement will not apply.

In January 2003, the FASB issued Financial Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities." In December 2003 the FASB issued FIN 46R. The objective of FIN No. 46 is to improve financial reporting by companies involved with variable interest entities. FIN No. 46 changes certain consolidation requirements by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The Interpretation outlines disclosure requirements for variable interest entities in existence prior to January 31, 2003, and requires consolidation of variable interest entities created after January 31, 2003. In addition, FIN 46R requires consolidation of variable interest entities created prior to January 31, 2003 for fiscal periods ending after March 15, 2004.

Quantitative and Qualitative Disclosures about Market Risk

The Company's market risk is impacted by changes in interest rates and foreign currency exchange rates. Pursuant to the Company's policies, the Company does not hold or issue any significant derivative financial instruments.

The Company's primary market risk is interest rate exposure in the United States. Historically, the Company manages interest rate exposure through a mix of fixed and floating rate debt. The majority of the Company's debt is currently at floating rates. Based on floating rate borrowings outstanding at July 31, 2004, a 1% change in the rate would result in a corresponding change in interest expense of $2.4 million.

The Company has foreign exchange exposure related to its foreign operations in Mexico, Canada, Italy, Australia, the United Kingdom and China. See Note 8 to the Notes to Consolidated Financial Statements for details on the Company's foreign operations. Translation adjustments reported in the income statement were not of a material nature.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer have carried out an evaluation, with the participation of the Company's management, of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon that evaluation, each has concluded that at the end of the period covered by this report, the Company's "disclosure controls and procedures" are effective to insure that information required to be disclosed in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and regulations. Notwithstanding the foregoing, a control system, no matter how well designed and operated can provide only reasonable, not absolute assurance that it will detect or uncover failure within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

Changes in Internal Controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, nor any significant deficiencies or material weaknesses in such controls requiring corrective actions, subsequent to the date of their evaluation.

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, may constitute forward-looking statements, within the meaning of the Federal securities laws, including but not limited to the Private Securities Litigation Reform Act of 1995. As such, 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 or implied herein. Such factors include, but are not limited to: changes in national or international political conditions; civil unrest, war or terrorist attacks; general economic conditions in the Company's own markets and related 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; inability of the Company to maintain sufficient levels of liquidity; failure of the company of obtain needed waivers and/or amendments relative to it's finance agreements; foreign currency fluctuations; major slowdowns in the retail, travel or entertainment industries; the loss of several of the Company's key executives, major customers or suppliers; underutilization of or negative variances at, some or all of the Company's plants and factories; the Company's failure to achieve the savings and profit goals of any planned restructuring or reorganization programs; international health epidemics such as the SARS outbreak; impact of changes in accounting standards; potential legal proceedings; changes in pension and medical benefit costs; and the amount and rate of growth of the Company's selling, general and administrative expenses.

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 14, 2004

By: /s/ GREGG R. DENNY

Gregg R. Denny
Vice President Finance