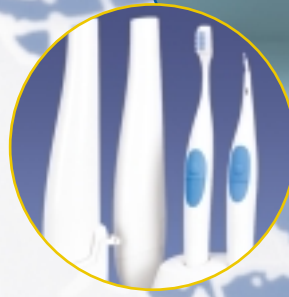




WE ARE SALTON

Growing Global

2002 | Salton Annual Report

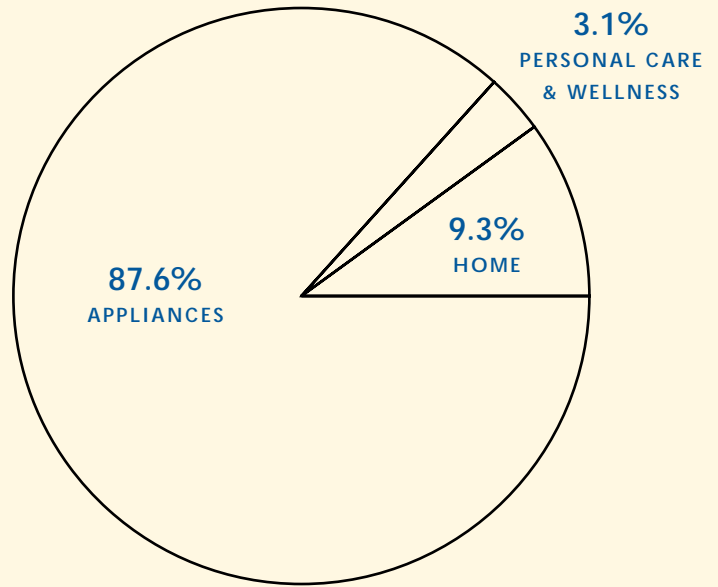


FINANCIAL HIGHLIGHTS

(In thousands except per share data)

	FISCAL YEAR ENDED JUNE 29, 2002	FISCAL YEAR ENDED JUNE 30, 2001
Net Sales	\$ 922,479	\$ 792,114
Gross Profit	317,501	268,463
Operating Income	91,344	111,578
Net Income	30,147	46,154
Net Income per share: diluted	2.00	2.87
Weighted Average Common and Common Equivalent Shares Outstanding	15,042	16,065
BALANCE SHEET DATA		
Working Capital	\$ 278,407	\$ 310,648
Total Assets	825,568	722,884
Total Debt	460,066	423,366
Stockholders' Equity	245,036	211,497

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WE ARE SALTON



To become a leading international small appliance, housewares and home décor company, you need the right products.

PRODUCTS KNOWN FOR QUALITY.

Our product managers work with the best, cost effective, suppliers and manufacturers in the industry. Then we closely inspect and test the products. As a result, our high-quality products meet consumers' needs, year after year.

PRODUCTS THAT ARE INNOVATIVE

We're always looking for the next word in affordable convenience, comfort and style, like our iCEBOX FlipScreen web enabled kitchen entertainment center. This product offers one-touch access to cable TV, broadband internet and email, radio, audio CDs and security video monitoring. In connection with Microsoft's Windows CE.NET Rapid Development Partner Program, we've been able to add simple to use touch-screen navigation, internet browsing, instant

messaging, and enhanced DVD viewing as well. This product is a truly unique offering in the marketplace.

PRODUCTS WITH STRONG BRAND NAMES.

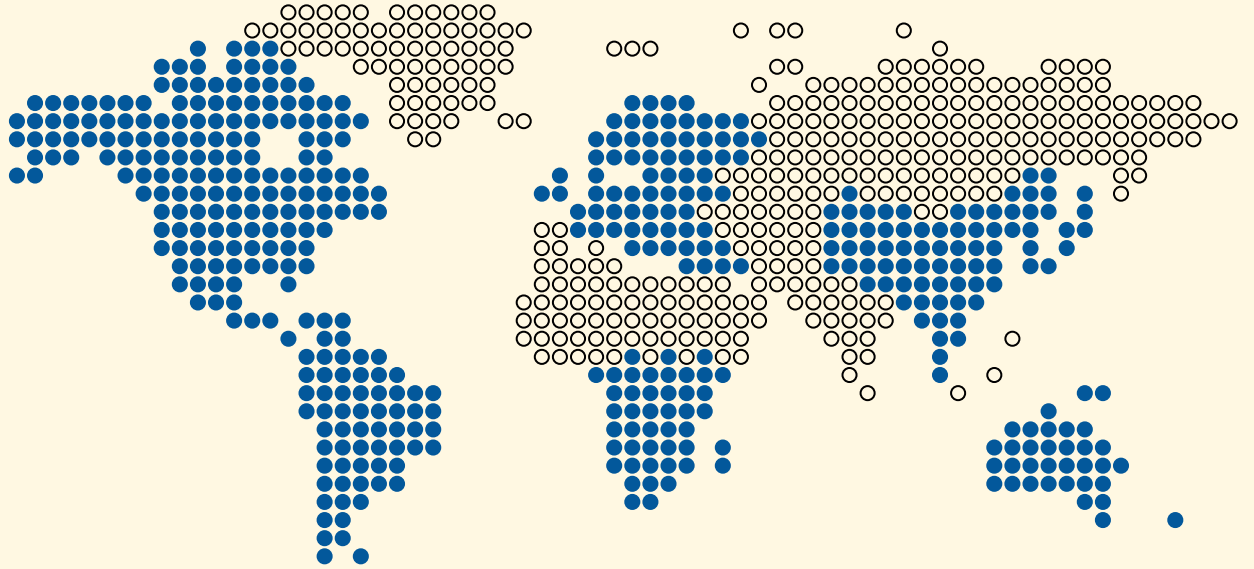
We have leading U.S. shares in indoor grills (George Foreman™); toasters (Toastmaster®, Farberware® and White-Westinghouse®); juice extractors (Juiceman® and Juicelady®); bread makers (Breadman®, Toastmaster® and White-Westinghouse®); and griddles, waffle makers and buffet ranges/hot plates (Farberware®, Toastmaster® and White-Westinghouse®).

PRODUCTS THAT ARE PART OF A BROAD, DEEP PORTFOLIO.

We have the most diverse offering of small appliance, health and beauty, and home products offered by any single company: from irons to art glass to toothbrushes. No wonder people around the world are discovering that Salton, and its trusted brands, mean excellence.



Growing Glob
means going w
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WE ARE SALTON



Some of Salton's brands have been U.S. household names since 1831. But the domestic market is changing. The consolidation of the U.S. retail industry through merger, acquisition and attrition ultimately means fewer retail outlets. Even category leaders, with strong brand awareness and high consumer demand, face intense competition for existing shelf space. Expansion into creative new channels and outlets is imperative for continued dominance and future growth. While the internet and catalogs have helped us reach other countries, we employ a strategically focused effort to provide opportunities for our continued growth.

ACQUIRING EXPERTISE

Rather than start from scratch, we search for international acquisitions that offer brand name products to complement – not cannibalize – our lines, immediate contributions to sales and earnings, and solid distribution networks.

FIRST STOP: UNITED KINGDOM AND SELECT EUROPEAN MARKETS.

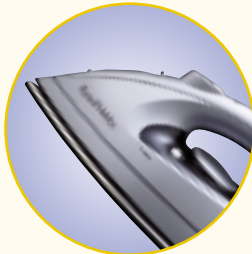
Our June 2001 acquisition of the UK's Pifco Holdings PLC – renamed Salton Europe – added strong brand names in small appliances, and personal care and wellness products. It also gives us a solid distribution network into the United Kingdom.

SECOND STOP: FRANCE AND OTHER MAINLAND MARKETS.

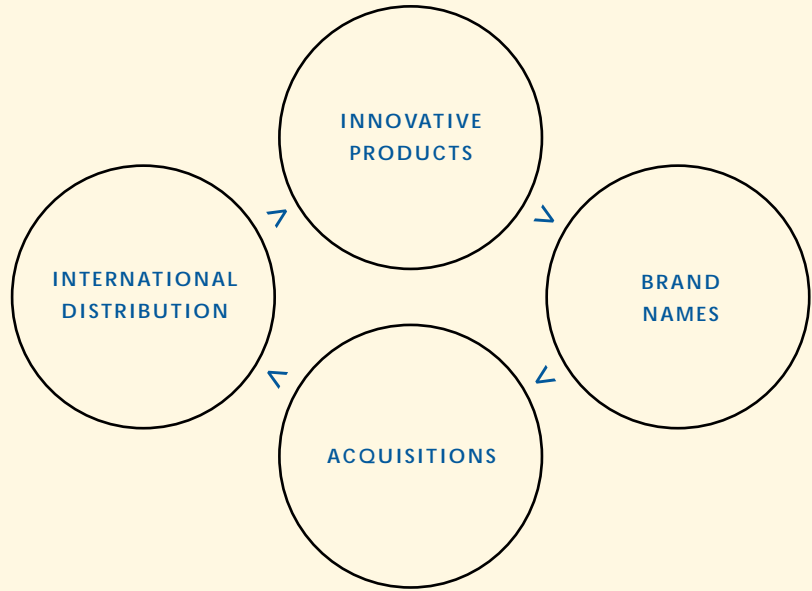
Acquiring France's Look For Group in March 2002 expanded our line of small, brand name electric appliances. More importantly, it provided us with further distribution in France.

STRONG BEGINNING.

By offering the products we acquired – and selling our U.S. products through European distribution channels – we essentially doubled our sales to Europe last year compared to the predecessor's historical levels. We plan to build on this momentum in Europe and other parts of the world.



Growing Glob
means using a
strategy that co
us a leader in



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business
ntinues to make
our industry.

WE ARE SALTON



Our goal is to build higher market share with products that foster steady growth, provide reasonable profits, and help us develop critical mass. How we do this separates Salton from the competition.

PLAYING TO OUR STRENGTHS.

We outsource product manufacturing to high-quality, cost effective producers. This gives us three benefits. First, we focus on what Salton does best: product design, marketing and distribution. Second, because of our long standing relationships with our key manufacturing partners, they bring product ideas – such as new features or upgrades – to us first. Third, our products have better margins than our competition for both our customers and us.

ENHANCING OUR PRODUCT LINE.

George Foreman™ Grills are a good example. In 1995, we started with one product. Today, we offer over 100. George Foreman™

is not only the leader in U.S. indoor grilling products, but is now the top selling small electrical appliance line in the UK since its launch last year.

TARGETING OUR MARKETING.

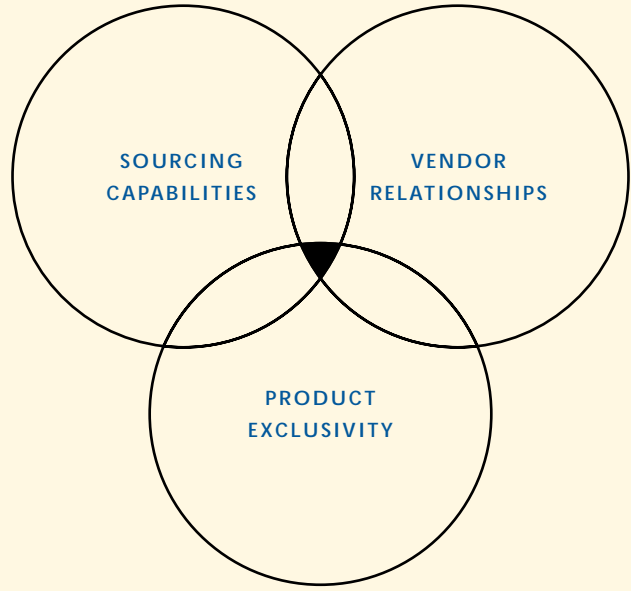
We use aggressive marketing – 30-minute infomercials, for example – to create pull-through demand for our products. That means consumers look for our brands when they walk into mass merchandise stores, department stores and specialty stores, or as they read catalogs. This helps strengthen our relationships with our customers, the retailers.

GROWTH TODAY MEANS GROWTH TOMORROW.

This approach means we reach new geographic markets – adding new products, and finding new markets for current ones – while repeating our successful formula for growth around the globe.



Growing Glob
means structur
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WE ARE SALTON



Dear Shareholders:

The past year was a challenging time for everyone, both emotionally and economically. It also brought a test of our entrepreneurial spirit and stamina. Our industry did not escape unscathed. In fact, 2002 saw many of our competitors and retail partners struggle in the marketplace. Yet despite this landscape and woeful results in the industry, Salton and many of its customers prevailed.

In last year's Annual Report, we assured you that Salton was structured to succeed, and we proved it in fiscal 2002, by adhering to the basic strategies that have helped us become an industry leader: building market share with innovative products bearing trusted brand names, marketing them with original and compelling campaigns, and bolstering our product lines and global presence with acquisitions that extended and enhanced our market position in the small electrics and home décor categories.

The Company showed an increase in net sales in fiscal year 2002 despite significant volatility in the retail market across the United States. It was a year in which promotional expenses to push sales rose and, despite higher volumes, this marketing expense had the effect of reducing operating margins in the year. All things considered, we are very pleased with our performance during the year.

In fiscal year 2002, net sales were \$922.5 million, compared with \$792.1 million in the same period last year. Including this year's one-time charges, net income was \$30.1million



DAVID C. SABIN
Chairman and Secretary

LEONHARD DREIMANN
Chief Executive Officer

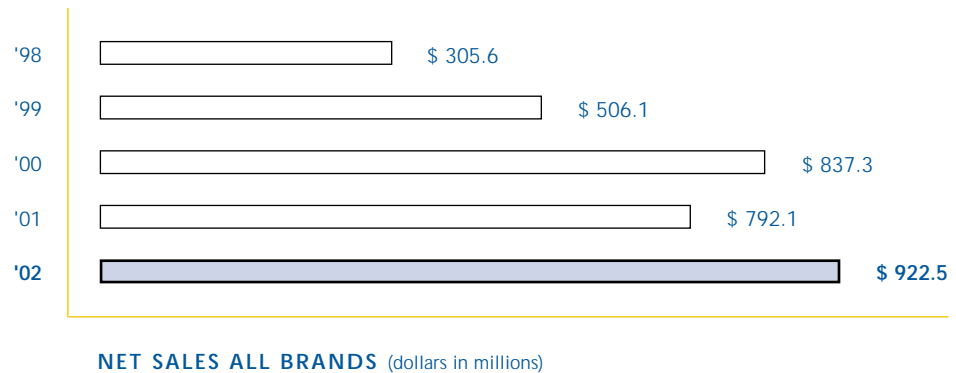
WILLIAM B. RUE
President and
Chief Operating Officer

or \$2.00 per diluted share, versus \$46.2 million, or \$2.87 per diluted share in the prior year. For the fiscal year, adjusted net income, excluding one-time charges, was \$38.8 million, or \$2.58 per diluted share compared to adjusted net income of \$55.7 million or \$3.47 per diluted share in fiscal 2001.

GLOBAL ADDITIONS

In fiscal year 2002, Salton once again proved its industry-leading position by continuing to drive sales even when faced with a weak economy. Key to this success was a focused global expansion strategy and continued efforts to develop international distribution channels. While the rest of the world has not been insulated from the domestic economic difficulties, areas of the global marketplace offer tremendous new opportunities for our type of products and brands that appeal to a worldwide audience and transcend the boundaries of the American marketplace.

In fiscal 2002, Salton had a terrific year in Europe. We fully integrated Salton Europe (formerly Pifco Holdings PLC), the United Kingdom-based small appliance manufacturer acquired by the Company in June, 2001, into the Salton group of companies and used it as the catalyst for entering the European market with new and exciting products not seen before in Pifco's markets. The result was a doubling of sales over Pifco's prior year.



The Company further penetrated the European market with the acquisition by Salton Europe of Look For Group, a French distributor of small electric appliances in mainland Europe under the brand names Suntai®, Orgalys®, and Orva®, and a distributor of Russell Hobbs® for Salton Europe in its existing markets. The acquisition augmented Salton Europe's capabilities and provides an excellent vehicle for introducing innovative products to the French market under many of our established brand names – including George Foreman™, Juiceman®, and Breadman®.

Salton's globally-focused management team also continued to expand the Company's presence around the world through involvement with Amalgamated Appliance Holdings, Ltd. in South Africa, sales organizations in Australia and New Zealand, and expanded operations in Hong Kong and China.

These connections illustrate our growth.

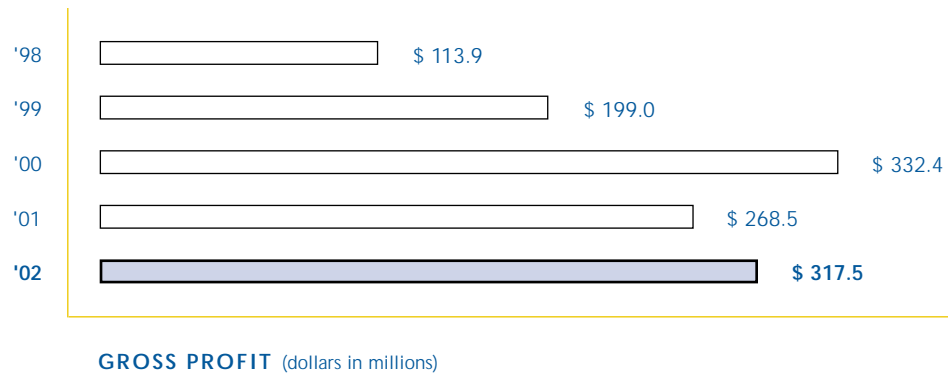
PLUS PRODUCT INNOVATION

Arm in arm with developing expanded distribution channels around the world, the Company continued its core emphasis on attaining and maintaining a diversified portfolio of product offerings and powerful brands. In April 2002, the Company signed an exclusive licensing agreement with Westinghouse Electric Corporation that allows Salton to use the

marquis Westinghouse® brand name, Circle W trademark, and globally-recognized tagline “You can be sure. . . if it’s Westinghouse” on certain product categories in South America, Africa, Europe, Asia, and Australia-New Zealand, as well as in North America. It is truly a world brand.

This exclusive licensing agreement will assist us with several important new product developments and impending launches. The first line of new products being developed is a series of technologically advanced Westinghouse® branded vacuum cleaners. Though it has not been in the small household appliance arena for many years, Westinghouse® remains a widely recognized brand. The new Westinghouse® vacuum cleaners will successfully mesh the brand’s heritage of quality and convenience with the Company’s emphasis on providing practical, affordable appliances that make life easier and perform higher-level functions with innovative technology.

Technology also is at the heart of the new “smart appliances” being introduced under the Westinghouse® brand by Salton and its wholly owned subsidiary Icebox, LLC. These networked home appliances interface with the internet via a gateway device designed by Salton and powered by Microsoft Windows CE.NET. The line includes the gateway device, bread makers, convection ovens, microwave ovens, and coffee makers. In keeping with the



Company's strategy to deliver a reliable, robust consumer experience plus enhanced functionality, additional products are on the drawing board.

Product innovation plays a major role in other Company strategies and activities, as well. The Company has devoted resources to re-energizing brands and licenses acquired in fiscal 2001, such as Westclox® and Big Ben® timepieces, the Ultrasonex® oral care system, Stiffel® lamps, and Relaxor personal care and wellness appliances. We also have increased market share in key categories by enhancing and evolving core product lines.

Our capability to source manufacturing, our size and our relationships with vendors in the Far East enable the Company to build market share via product exclusivity. Our strategy is simple. We start with an innovative idea and expand it to reach critical mass, building on that momentum by offering retailers an opportunity to create their own niche in the marketplace. We have been able to avail ourselves of the lowest costs consistent with quality, the best margins, and the newest technologies, while avoiding significant capital investment in factories and personnel.

MULTIPLIED BY STRATEGIC MARKETING

First and foremost, we are a marketing company. Salton's hard-hitting advertising and marketing programs have generated tremendous excitement in the worldwide marketplace

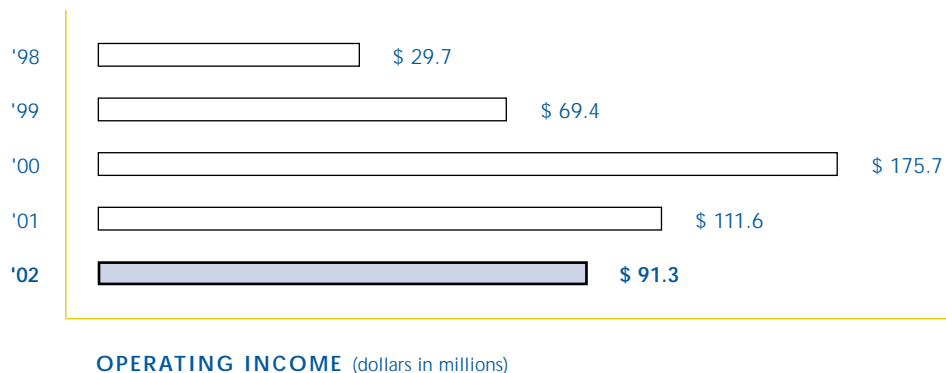
and leveraged our brand names across multiple distribution channels. We are experts at creating consumer awareness at the retail level. Repeated sales and profits over the past five years prove consumers want our products. More importantly, our retail partners recognize the value of having customers walk through their doors asking for Salton products by their brand names!

EQUALS POWERFUL PERFORMANCE

Our results in fiscal 2002 stand as a powerful testament to the persistence of our strategic vision. We have never wavered. The Company and its management team are committed to monitoring the competitive landscape. We continually seek new ways to extend the Company's reach, increase our value to our retail partners, and enhance our performance for you, our stockholders.

To accomplish this goal, we reaffirm our promises:

- We will adapt to changing market conditions.
- We will continue focusing on the proven strategies that have enabled us to prosper despite difficult operating environments.
- We will persist in seeking out global alliances that help us achieve our objectives.



- We will continue developing and diversifying our portfolio of innovative products and trusted brands, constantly evolving with new technologies.
- We will be aggressive and promotional in our marketing strategies, building even greater worldwide recognition for our brands.

WE ARE SALTON!

Sincerely,

Leonhard Dreimann
Chief Executive Officer

David C. Sabin
Chairman and Secretary

William B. Rue
President and
Chief Operating Officer

BOARD OF DIRECTORS

Leonhard Dreiman
Chief Executive Officer
Salton, Inc.

David C. Sabin
Chairman, Secretary
Salton, Inc.

William B. Rue
President, Chief Operating Officer
Salton, Inc.

Bert Doornmalen*
Foreign Trade Consultant
Doornmalen Associates

Robert A. Bergmann**
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Frank Devine
Management Consultant

Bruce G. Pollack* **
Managing Director
Centre Partners Management, LLC

Bruce J. Walker*
Lansford Professor of Leadership
and Dean
University of Missouri – Columbia

SENIOR EXECUTIVE STAFF

Leonhard Dreimann
Chief Executive Officer

David C. Sabin
Chairman, Secretary

William B. Rue
President, Chief Operating Officer

David Mulder
Executive Vice President,
Chief Administrative Officer

John E. Thompson
Senior Vice President,
Chief Financial Officer

*Audit Committee member

**Compensation Committee member

REGISTRAR AND TRANSFER AGENT

UMB Bank, n.a.
Kansas City, Missouri

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Chicago, Illinois

LEGAL COUNSEL

Sonnenschein Nath and Rosenthal
Chicago, Illinois

STOCKWATCH

Salton's common stock has traded on the New York Stock Exchange under the symbol "SFP" since February 26, 1999. From October 1991 until February 25, 1999, our common stock traded on the NASDAQ National market under the symbol "SALT".

For additional stockholder information, please write to Investor Relations, Salton, Inc., 1955 Field Court, Lake Forest, IL 60045.

QUARTERLY SHARE PRICE

	HIGH	LOW		HIGH	LOW
Fiscal 2002			Fiscal 2001		
First Quarter	\$ 19.35	\$ 8.24	First Quarter	\$ 41.50	\$ 28.63
Second Quarter	\$ 20.20	\$ 7.96	Second Quarter	\$ 33.38	\$ 16.56
Third Quarter	\$ 23.60	\$ 16.76	Third Quarter	\$ 23.00	\$ 14.96
Fourth Quarter	\$ 20.66	\$ 12.16	Fourth Quarter	\$ 21.80	\$ 12.85





innovation for a healthier today and tomorrow

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