



Brands for
Yesterday,
Today, &
Tomorrow

For more than half a century, many Salton brands have held coveted spots in the home as dependable, familiar household icons. That's because consumers have always found comfort and satisfaction in products they trust and that make their lives easier.

Yesterday, we began building this sturdy foundation of strong, strategic, reliable brands. Today, we steadfastly continue the tradition of providing innovative products that consistently meet consumer needs and expectations.

Tomorrow, we will continue to make history . . .

FINANCIAL SUMMARY

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended July 1, 2000
Net Sales	\$792,114	\$837,302
Gross Profit	268,463	332,413
Operating Income	111,578	175,664
Net Income	46,154	91,816
Net Income per share: diluted	2.87	5.91
Weighted Average Common and Common Equivalent Shares Outstanding	16,065	15,526
BALANCE SHEET DATA		
Working Capital	\$310,648	\$197,671
Total Assets	722,884	564,276
Total Debt	423,366	327,220
Stockholders' Equity	211,497	173,808

Disclosure Regarding Forward-Looking Statements

This annual report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "believes," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: our degree of leverage; economic conditions and the retail environment; the timely development, introduction and customer acceptance of our products; competitive products and pricing; dependence on foreign suppliers and supply and manufacturing constraints; our relationship and contractual arrangements with key customers, suppliers and licensors; cancellation or reduction of orders; international business activities; availability and success of future acquisitions; the risks relating to legal proceedings; the risks relating to intellectual property matters; the risks relating to regulatory matters; and other risks detailed from time to time in our Commission filings.

All forward-looking statements included in this annual report are based on information available to us on the date of this annual report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this annual report on Form 10-K.

Sunny kitchen. Crisp white curtains.
Crumb-free countertops. The family files
in for breakfast, lured by the wonderful
aroma of fresh, golden slices of toast.
Wearing her favorite apron, Mom presides



over the gleaming Toastmaster electric
toaster. Introduced an amazing four years
before sliced bread, this efficient chrome
marvel browns the bread to perfection
and pops it up when its done. Life is good.

1926



Hiked up hemlines. Shag carpets. Plastic, plastic, plastic. The youth culture really starts to rock, as everyone in the family embraces all things modern. Mom "turns on" to technology for clever inventions



that take over tiresome chores. One of Salton's very first kitchen appliances makes the scene. Now you can even make your own yogurt. Live long and prosper.

1971



Eat right. Eat light. Eat lean. The fitness-focused family runs to a new beat, even as the pace of change keeps getting faster. Sleek and sophisticated, the George Foreman Lean Mean Fat Reducing



Grilling Machine sets the trend with a revolutionary design that helps everyone stay on track today and paves the way for a healthier tomorrow. Grilled salmon or veggie burgers anyone? Now this is living.

1995



APPLIANCES



Air Cleaners	Espresso Makers	Popcorn Makers
Batteries	Cappuccino Makers	Pressure Cookers
BBQ Grills	Fans	Quesadilla Maker
Blenders	Griddles	Rice Cookers
Breadmakers	Grills	Roasters
Buffet Ranges	Heaters	Rotisseries
Can Openers	Hot Trays	Skillet/Woks
Choppers	Humidifiers	Slow Cookers
Food Processors	Ice Cream Makers	Soy Milk Maker
Coffee Accessories	Iced Tea Makers	Steamers
Coffeemakers	Irons	Tea Kettles
Convection Ovens	Juicers	Toaster Ovens
Cookware	Juice Extractors	Toasters
Deep Fryers	Mixers	Waffle
Electric Knives/Slicers	Novelty Lighting	Sandwich Makers
	Percolators/Urns	Web -Enabled TV/DVD/CD Player
	Pizza Makers	

HEALTH & BEAUTY

Carmen®

Grinch®

Looney
Tunes®

Marilyn
Monroe®

Power Puff
Girls®

Rejuvenique®

Relaxor®

Salton
Creations®

Scooby Doo®

Utrasonex®

HOME

Atlantis
Crystal®

Big Ben®

Block Basics®

Block China
& Crystal®

Hoffritz®

Ingraham®

Jonal®

Salton
Creations®

Salton Time®

Sasaki®

Spartus®

Stiffel®

Timex®

Westclox®

White-
Westinghouse®

Aroma Therapy
Calming Pools
Curling Irons/Brushes
Facial Saunas
Facial Toning Systems
Flossers
Foot baths
Hairsetters
Makeup Mirrors
Manicure/Pedicure Sets
Massage Chairs
Massagers
Mood Lights
Paraffin Wax Baths
Seat Toppers
Shower Radios/CDs
Sound Therapy
Toothbrushes

Alarm Clocks
Art Glass
Formal Dinnerware
Crystal
Casual Dinnerware
Flatware
Glassware
Lamps
Serveware
Table Clocks
Timers
Wall Clocks



Leonhard Dreimann
Chief Executive Officer

David C. Sabin
Chairman and Secretary

William B. Rue
President and Chief Operating Officer

Dear Shareholders,

The events of September 11, 2001 have irrevocably altered the way we see the world. Together with the rest of the nation, the management and employees of Salton share in the tremendous sense of loss, even as we applaud the determination and heroism demonstrated by so many Americans. Despite recent events in our nation's history, however, those of us who have withstood previous challenges understand that our foundation is strong and that freedom will prevail.

As we turn our attention to the business at hand, we recognize that fiscal year 2001 was a difficult time in the Company's history. For the past 15 years, we have achieved significant goals, shown measurable growth and reached major milestones. This year, the national economic slowdown experienced in the third and fourth quarters adversely affected our final results. But it did not halt our progress or weaken our resolve. We were able to reduce total inventories both sequentially and year-over-year and overall unit sales remained strong during the fourth quarter.

Salton is structured to survive – with a sturdy foundation of trusted brands, unique marketing capabilities and a

forward-looking acquisition strategy. We have a history of reliably providing the products consumers want – brands for yesterday, today and tomorrow. We have made our brands household icons with creative marketing and promotion. And we have continued to seize new opportunities. We believe these strategic initiatives begun in the recent past have set the framework for a prosperous future.

The Company started with the idea of becoming a strong domestic player in the small electrics business, concentrating on product innovation, steady growth and building market share. We have not changed our commitment or our resolution. Today, we are the number one product leader

in many of the product categories we serve. More importantly, we are well positioned to leverage our strengths and become a truly global player.

In fiscal year 2001, net sales were \$792.1 million, compared with \$837.3 million in the same period last year. Operating income was \$111.6 million, compared with \$175.7 million in fiscal 2000. Net income was \$46.2 million, or \$2.87 per diluted share, versus \$91.8 million, or \$5.91 per diluted share in the prior year.

It is important to understand, however, that financial summaries and columns of figures do not adequately reflect the business growth strategies and positive initiatives implemented during fiscal 2001. Our overall effort remained strong and steadfast, in spite of a soft retail ordering environment, and management persistently pursued acquisitions that reinforce the Company's powerful brand presence.

In April 2001, we sold \$150 million of 12 1/4% Senior Subordinated Notes due 2008. The net proceeds of this offering were used to repay the Company's outstanding debt under its senior revolving credit facility, which as of June 30, 2001 stood at \$20 million, and for working capital and general corporate purposes, including some key acquisitions. We also executed a floating for fixed rate swap coincidental with the debt issuance, reducing our current interest rate from 12 1/4% to less than 9%, as of October 15, 2001.

In June 2001, we made our largest acquisition of the year: Pifco Holdings PLC, a United Kingdom-based

producer and marketer of a broad range of branded kitchen and small appliances, personal care and wellness products, cookware and battery operated products. Sold under the brand names Russell Hobbs®, Pifco®, Salton®, Carmen®, Tower®, Hi-Tech®, Mountain Breeze® and Haden®, the company's products enjoyed annual sales of approximately \$67 million U.S for the year ended April 30, 2000. At the time of the \$75 million transaction, Pifco had net income of approximately \$5.9 million annually. In October 2001, the name of the company was officially changed to Salton Europe, Limited.

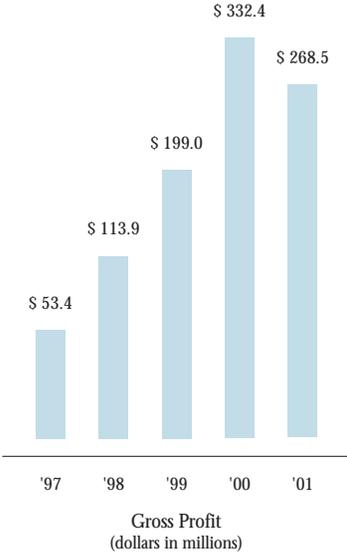
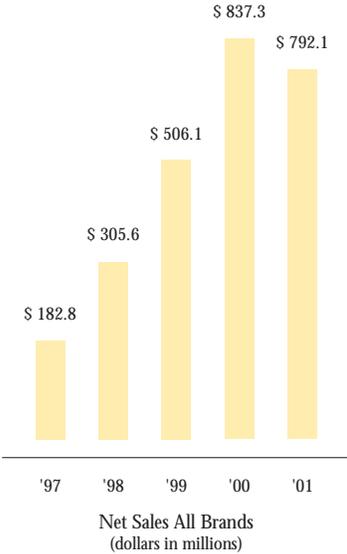
Solidifying its growing leadership in the time products category, the Company acquired worldwide rights for the Westclox®, Big Ben® and Spartus® brands from General Time Corporation, until recently the largest producer and marketer of alarm, wall and occasional clocks in North America. Under the terms of the August 2001 acquisition, Salton purchased all of the trademarks, molds, intellectual property, rights and patents related to these brands for \$9.8 million. In addition, Salton purchased inventory related to these brands in the U.S., Europe and Canada.

Consumer surveys rank Big Ben® and Westclox® second only to the Timex® brand in terms of name recognition and customer satisfaction. With this transaction, Salton controls three of the world's leading timepiece brands. The Company will be marketing this expanding line of time products in North America as well as in Europe, through our newly acquired Salton Europe, Limited.

An overview of other significant acquisitions during fiscal year 2001 reveals the depth and breadth of Salton's current impact on the marketplace. The Company acquired Sonex, manufacturer of the unique ultrasonic dental cleaning system; the Stiffel trademark, an icon of the home furnishing industry; AirCore cookware and Relaxor personal care appliances. In addition, Salton now markets a variety of products under the Welbilt flag for which the Company became exclusive distributor in January 2001.

Product innovation also continues to dominate the Company's development. During fiscal 2001, we bolstered our already expansive product offering of over 8800 SKUs with the introduction of unique products that meet the different needs, tastes, preferences and budgets of millions of consumers. Some of the more well-known products include the micro-fast UltraVection® Oven, the Ultrasonex® toothbrush and lighting products marketed under the Stiffel brand – all the result of smaller acquisitions in fiscal 2001. The Company also introduced a new line of wellness products under the Relaxor name and premiered the AirCore Cookware product line.

Most recently, we welcomed back our extremely popular Rejuvenique® facial toning system. In August 2001, the U.S. Food and Drug Administration (FDA) granted Salton clearance to market Rejuvenique directly to consumers as a class II medical device for cosmetic use.



The clearance was received in response to Salton's pre-market notification to the FDA made under section 510(k) of the Federal Food, Drug and Cosmetic Act. We are very pleased that Rejuvenique is the first device of this kind to be cleared by the FDA for home cosmetic and beauty use.

Reinforcing our philosophy of providing cutting-edge products and technologies that promote healthy living, the consistently successful George Foreman® line continued to perform as the key brand of the Company. In fiscal year 2001, the George Foreman® brand expanded with the introduction of a line of electric and propane-powered outdoor grills. To sustain this growth and heightened brand awareness, plans are underway to take select George Foreman products to the European market.

This past year also saw the introduction of the new George Foreman® Champ indoor grill, featuring a bun warmer and five translucent colors. Showcased during a thirty-second commercial during Super Bowl XXXV on January 28, 2001, the Champ is targeted toward teens and college students. The commercial aired during the highly anticipated half-time show, ensuring maximum exposure of the new grill to its intended target market.

This type of aggressive, tactical promotion is indicative of the Company's focused direction as a marketing company, first and foremost. It also reflects recent efforts to reframe marketing strategies to address current economic conditions. In April 2001, the Company appointed J. Walter Thompson USA/Chicago as lead ad agency. One of the top advertising agencies in the world,

J. Walter Thompson has helped and will continue to assist the Company with the launch of new products via national television broadcast spots. Though this new ad strategy will result in fewer infomercials, it is expected to support our products with increased consumer awareness, heightened demand and stronger brand identification.

All of these initiatives serve to prepare Salton for what lies ahead – expanding into promising global markets. To assist the Company's growth as it concentrates on becoming the leading international small appliance and housewares company, Salton made two key management additions during fiscal year 2001. Dr. Bruce Walker, currently Dean and Professor of Marketing at the University of Missouri-Columbia College of Business and a recognized author and researcher, joins the Board with years of educational and business experience related to marketing, branding, distribution, customer service and sourcing.

New Salton Europe Chief Executive Martin Burns most recently served as Managing Director of Morphy Richards, Ltd., a part of the Glen Dimplex Group, a leading worldwide manufacturer of domestic electrical heating and small electric appliances. Both appointments provide our senior management team with valuable resources, impressive skill sets and new strengths in the area of international operations.

This globally-focused management team has already begun extending our reach. We continue to expand our distribution network and our presence around the world. Current efforts include our ongoing involvement with Amalgamated Appliance Holdings, Ltd. in South Africa,

establishing sales organizations in Australia and New Zealand and expansion of our operations in Hong Kong and China.

The same strategic initiatives that started Salton on its course prevail. They have never changed. Our objective has always been building market share with products that foster steady growth, provide reasonable profits and support our goal of developing critical mass in the industry. We continue to be committed to this strategy, just as consumers continue to be committed to our brands. As we take this objective to the next level in 2002, we are energized by the challenges of a global marketplace and prepared not only to survive, but also to thrive and seek out more opportunities to turn our efforts into profitable earnings for you, our shareholders.

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.

Frank Devine* **
President
Bachmann-Devine, Incorporated

Bert Doornmalen* **
Foreign Trade Consultant
Doornmalen Associates

Robert A. Bergmann
Principal
Centre Partners Management, LLC

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

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

*Audit Committee member

**Compensation Committee member

SENIOR EXECUTIVE STAFF

Leonhard Dreimann
Chief Executive Officer

David C. Sabin
Chairman, Secretary

William B. Rue
President, Chief Operating Officer

John E. Thompson
*Senior Vice President,
Chief Financial Officer*

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

This table is adjusted for the 3 for 2 stock split effected on July 28, 1999.

	High	Low
Fiscal 2001		
First Quarter	\$ 41.50	\$ 28.63
Second Quarter	\$ 33.38	\$ 16.56
Third Quarter	\$ 23.00	\$ 14.96
Fourth Quarter	\$ 21.80	\$ 12.85
Fiscal 2000		
First Quarter	\$ 50.00	\$ 21.69
Second Quarter	\$ 39.44	\$ 24.25
Third Quarter	\$ 60.88	\$ 27.69
Fourth Quarter	\$ 49.81	\$ 26.88



1955 Field Court
Lake Forest, Illinois 60045
847.803.4600