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2001 MAGNETEK ANNUAL REPORT

2001 Magnetek Annual Report and Form 10K

Dear Fellow Stockholder:

On June 30th, the last day of our fiscal year, we completed two years of restructuring aimed at transforming Magnetek from a primarily electrical products company into a technology-based company capable of substantial, sustainable value creation. The year's results for continuing operations suggest that we are achieving our objectives.

- While *reported* revenue grew 2% to $298.3 million, *pro forma* revenue* increased 19% year-over-year.
- Gross profit rose 21% to $76.8 million (25.7% of revenue) from $63.2 million (21.5% of revenue) in fiscal 2000.
- Operating profit almost tripled to $21.0 million (7.0% of revenue), up from $6.8 million (2.3% of revenue) in fiscal 2000.
- Income from continuing operations grew nearly seven-fold to $9.1 million or $.39 per diluted share against $1.3 million or $.05 per diluted share in 2000.

As this report goes to press, we mourn for those who lost their lives in the terrorist attacks of September 11th. All of us at Magnetek wish to express our deepest sympathy to their families and our great appreciation and admiration for the heroic efforts of the rescue workers.

Unquestionably, the events of September 11th will affect Magnetek's performance in the near-term, if only due to the disruption of normal business activity and the potential slowing of the anticipated economic recovery.

Whatever the impact and duration of the external factors affecting us, I am certain of one thing. Magnetek's performance going forward will be better than in the past as a result of the fundamental strengths we have built into the Company over the past two years and our action plans for capitalizing on those strengths.

Business Strengths

The restructuring of the company was, to say the least, extensive. It involved the divestiture of businesses and prod-

** Excluding revenues of divested operations.*

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This document contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties which, in many cases, are beyond the control of the Company. These include but are not limited to economic conditions in general, business conditions in electrical and electronic equipment markets, competitive factors such as pricing and technology, risks associated with aquisitions and divestitures, and the risk that the Company's ultimate costs of doing business exceed present estimates. Further information on factors which could affect Magnetek's financial results are described in the Company's filings with the Securities and Exchange Commission.

uct lines aggregating over $1 billion in annual revenues — approximately 80% of the revenues of the company. These divestitures did, however, enable us to accomplish a number of important and desirable objectives.

First, they removed us from commodity businesses in which we were competing with larger firms on a price basis, and where the prospects for strong cash-flow returns were inadequate. Now, all of our operations are anchored in power-electronics technology, our strongest and most valuable suit, where our prospects for cash-flow ROI are excellent.

Second, proceeds from the divestitures enabled us to pay off virtually all of our long-term debt, greatly strengthening our balance sheet and practically eliminating interest expense. This will improve our bottom-line results and provides increased net resources for investment in R&D and the ability to make strategic acquisitions.

The divestiture proceeds were also used to complete the 10-million-share stock repurchase program authorized by the Board in 1999 as an integral part of our total restructuring. Our average cost was $9.44 per share on the open market and achieved our goal of keeping shares outstanding in line with the downsizing of the company while leaving enough "float" for continued market liquidity.

As a further and significant part of the restructuring process, we reduced corporate overhead by over 60% while optimizing the asset base of the continuing operations. Our electronics plants are all ISO-certified facilities and very well equipped, enabling us to keep capital spending at less than depreciation and amortization during the restructuring. We should be able to continue to do this for the foreseeable future. We also began consolidating the purchase of materials and electronic components on a worldwide, just-in-time basis. Because of these accomplishments, we did not find ourselves with excessive overhead, production capacity or inventories when the telecommunications slowdown hit.

Though not part of the original plan, we also decided to divest our standard drives operation, which was primarily a purchase-for-resale business with limited margins and prospects.

Action Plans

Now we must continue to build on our strengths to create greater value for more customers and growing value for our stockholders. We will do so through new product development, marketing initiatives, very selective acquisitions and efficient asset utilization.

Historically, our Power Electronics business has consisted mostly of custom power conversion products for computer and other original equipment manufacturers (OEMs). While these customers should remain a strong and relatively stable source of revenue and income growth, our R&D action plan calls for reduced dependence on individual customer-defined products and increased emphasis on sophisticated, high-value-added product "families" driven by broader market needs and trends.

We increased **R&D** spending 16% during fiscal 2001, and several market-driven product lines already have resulted. One is our new line of high-efficiency DC-to-DC power converters ("bricks" and "tiles") designed for distributed power architectures, which are rapidly becoming the rule in electronic equipment of all kinds. Another is a mobile phone system co-developed with Nokia that allows telecom system operators to monitor and control all their network power stations remotely from the field.

With more than 100 installations totaling over 24-megawatts in operation, Magnetek is by far the leading provider of power conditioners for large fuel cells. We have developed and are now prototyping power conditioners for smaller fuel cells and other "alternative" energy sources, which we think will emerge as important back-up and distributed power generation products.

Magnetek is also in the forefront of medical electronics power technology, the latest example being digital power supplies for Doppler ultrasound equipment that detects plaque deposits in blood vessels with unprecedented precision.

To effectively launch such products, our **marketing** plan calls for expanding and realigning our sales forces. Our factory technical-sales engineers will continue to assist OEMs with custom products, while our field sales forces will sell market-defined product families both directly to OEMs and through value-added resellers and distributors.

Our Industrial Controls business, which accounted for about 24% of *pro forma* revenue in fiscal 2001, primarily serves North American "vertical motion control" markets. While these markets declined throughout the year, we were able to gain substantial market share and remain very profitable by concentrating on new niche products.

As we enter fiscal 2002, we are still facing declining industry demand and increasing competition from overseas in these Magnetek dominated markets. In the overhead crane control business, we continue to introduce new products, such as our *Genesis 7 Series* drives and radio controls. In addition, we are expanding our market shares both north and south of the U.S. border through greater sales emphasis and exploring new markets, such as intermodal cargo container handling. In the elevator control business we are introducing new AC and DC drives, and we have just opened our first European office in the U.K. We believe that these product development and marketing/sales initiatives will help us sustain profitability through fiscal 2002 and enable us to expand our business as the economy recovers.

Regarding **acquisitions**, our strategy is aimed primarily at expanding our existing product lines and adding new channels to market. Two recent acquisitions are excellent examples of both. ADS, Inc., acquired in March, fabricates telecom power systems up to 1,500 amps. J-Tec, Inc., acquired last November, engineers, furnishes and installs power systems up to 10,000 amps for telecom service providers such as the regional "Baby Bell" companies. Both ADS and J-Tec use Magnetek power-electronic converters, rectifiers and inverters in their systems, and J-Tec is a natural channel partner for the smaller ADS systems.

ADS and J-Tec, which now have joined together to form Magnetek Telecom Power, represent the kinds of acquisitions that increase Magnetek's revenues and profit margins while affording us new avenues to potential end-users of our power-electronic subsystems.

During fiscal 2001, our product development, marketing and acquisition strategies began to take hold. Magnetek's gross margin went from 21.5 % in fiscal 2000 to 28% in the final quarter of fiscal 2001, and we expect product mix ultimately to drive gross margins above 30%. Growth in SG&A, if any, will be driven mainly by increased R&D and marketing expenditures, which should result in revenue growth. Operating margins rose significantly in the past year, from 2.3% in fiscal 2000 to 8.5% in the fourth quarter of fiscal 2001, on the way to our target of 10%-plus.

In terms of effective **asset utilization**, we expect capital spending to continue to track depreciation in 2002. The company's growing presence in systems installation and service will require only modest additions to working capital to accommodate normalized growth. While inventories turned approximately four times in fiscal 2001 — and may not improve on anticipated volume in the first half of fiscal 2002 — our target of six or more-times turns is certainly achievable as the economy improves.

Magnetek's cash flow return on investment (CFROI*) entering fiscal 2002 was approximately 3% — about half the recent norms of established

**CFROI is a registered trademark of Holt Value Associates, LP, Chicago, IL.*

players in the digital power industry. However, we should expect positive improvement in CFROI in the current fiscal year, driven initially by higher profit margins. We are acutely aware of the importance that the stock market places on the cash-flow side of the equation, and we are now not only determined but also in a position to optimize it without compromising either the asset side of the equation or opportunities for growth.

Economic and Market Expectations

In last year's annual report we established three basic goals for the company:

- Double-digit revenue growth
- Double-digit operating profit margins
- Double-digit cash flow return on invested capital

On a *pro forma* basis, we achieved the first of these goals, came within two percentage points of the second, and made solid progress toward the third in fiscal 2001. Given economic and market conditions as we begin the new fiscal year, continuing this progress would appear to be very challenging.

We don't have a crystal ball, but pre-September 11th economic forecasts indicated that the earliest the North American economy will rebound will be around mid 2002, which is the end of our current fiscal year. Based on our past experience, we would not expect the European economy, which accounts for nearly half of our revenue, to sink quite as low or rebound quite as fast.

Entering fiscal 2002, several of the markets we address, telecom in particular, remain weak. Although industry inventories have been worked down, a "wait and see" attitude prevails with regard to new capital spending programs.

However, even in the telecom market we see some rays of light. Our new Telecom Power group (ADS and J-Tec) intends to leverage Magnetek's power-electronics technology to gain market share. We are surveying customers to determine future needs, including "final mile" fiber and wireless infrastructure build-out. While telecom equipment purchasing is currently very soft, outside plant construction is expected to approach $40 billion in 2002. Our primary prospects are the regional phone companies, selected long-line carriers and Competitive Local Exchange Carriers (CLECs), who rely largely on outside contractors to do their construction.

Consequently, despite the tragic events of September, the weakness in the general economy and specific softness in some of the markets we serve, if conditions do not deteriorate further we believe we will improve on our fiscal 2001 financial results in 2002

As noted above, emerging successfully from our planned restructuring has put us in an enviable position. We have no debt and improving margins. We are appropriately sized for today's market conditions and anticipated sustainable growth rates. And we have the resources to (1) expand new product development, (2) increase our sales and marketing efforts and (3) make appropriate acquisitions. Most important, as the economy and our markets rebound, we believe we will emerge as a new leader in a new industry – digital power – that will grow increasingly important in the future.

Thank you for coming along with us as we implement our action plans and build on our strengths to create exceptional value in the 2000s.

Andrew G. Galef
Chairman, President & Chief Executive Officer

SELECTED FINANCIAL DATA

Statement of Income Data

For the years ended June 30, (Amounts in thousands, except per share data)	2001	2000	1999	1998	1997
Net sales	$298,260	$293,575	$231,339	$244,040	$240,205
Income (loss):					
Continuing operations	9,083	1,282	(24,318)	344	(6,602)
Discontinued operations	(3,350)	41,170	62,791	37,532	35,353
Extraordinary item	–	–	–	–	(4,676)
Net income	5,733	42,452	38,473	37,876	24,075
Per common share—basic:					
Income (loss) from continuing operations before extraordinary item	$ 0.40	$ 0.05	$ (0.79)	$ 0.01	$ (0.26)
Net income	$ 0.25	$ 1.71	$ 1.25	$ 1.25	$ 0.94
Per common share—diluted:					
Income (loss) from continuing operations before extraordinary item	$ 0.39	$ 0.05	$ (0.79)	$ 0.01	$ (0.26)
Net income	$ 0.25	$ 1.70	$ 1.25	$ 1.25	$ 0.94

In fiscal years 1997 through 1999, the effect of convertible securities and employee stock options are anti-dilutive as to earnings per share and are ignored in the computation of diluted earnings per share in those periods.

Net income for the year ended June 30, 2001 includes a $4,114 after-tax loss on the sale of the Company's Lighting and Transformer business included in discontinued operations.

Net income for the year ended June 30, 2000 includes a $35,125 after-tax gain on the sale of the Company's Motor and European Lighting business included in discontinued operations.

Net income for the year ended June 30, 1999 includes a $50,988 after-tax gain on the sale of the Company's Generator business included in discontinued operations. Continuing and discontinued operations results in fiscal 1999 include charges aggregating $21,564 and $12,836 respectively, relating to downsizing, inventory adjustments, severance costs and other asset-writedowns.

Balance Sheet Data

As of June 30, (Amounts in thousands)	2001	2000	1999	1998	1997
Total assets	$321,754	$400,673	$576,220	$595,534	$498,544
Long-term debt, including current portion	10,134	64,040	179,181	244,714	236,127
Common stockholders' equity	183,707	184,206	204,885	189,558	102,274

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

During fiscal 2001, we successfully completed the objectives laid out in last year's annual report of divesting our remaining discontinued operations (see Note 3), repaying our long-term debt, substantially completing our share repurchase program and selectively acquiring businesses that complement our strength in power electronics (see Note 2). We also sold our Standard Drives product line, which was primarily a purchase-for-resale business with limited future prospects in light of our current strategic direction. These actions have transformed Magnetek into a financially strong manufacturer and service provider of digital power products and services to a variety of applications.

Our financial results reflected the benefits of this transformation. While reported revenues were up 2%, on a pro forma basis (excluding the results of the Standard Drives product line), revenues were up 19%. Gross profits grew by 21% and as a percentage of sales improved to 25.7% from 21.5% in the prior fiscal year.

During our repositioning to a smaller, more focused company, we proactively adjusted our infrastructure. Accordingly, we believe our manufacturing capacity and support costs have been appropriately sized. While current conditions are challenging in many of the markets we address, we believe the strategy we are pursuing will provide future opportunities for growth and improving operating performance. We currently have the financial resources to invest in our business. We intend to expand our portfolio of products through research and development efforts and, where appropriate, through acquisition.

With our technical, productive and financial resources, we believe we are particularly well positioned to respond to the ever-increasing demand for precise, efficient and reliable power.

Magnetek operates in a single business segment, Digital Power Products. Digital Power Products include electronic converters, inverters, rectifiers and systems generally known as power controls primarily used in telecommunications, data processing, industrial, imaging and power generation applications requiring precision power.

RESULTS OF OPERATIONS

Net Sales and Gross Profit

Net sales for the Company increased to $298.3 million in fiscal 2001 from $293.6 million in fiscal 2000 and $231.3 million in fiscal 1999. While reported revenues increased 2% in fiscal 2001, excluding the impact of the Standard Drives product line that was sold in January, revenues increased 19% from fiscal 2000 to fiscal 2001. The 27% increase in revenue levels from fiscal 1999 to fiscal 2000 was primarily due to increased sales of domestic power control products and the effect of the acquisitions of the EMS Group and Mondel ULC. Gross profits increased to $76.8 million (25.7% of net sales) in fiscal 2001 from $63.2 million (21.5% of net sales) in fiscal 2000. Gross profits improved due primarily to a more favorable mix of products sold in both the power control and motion control niches. Gross profits were $40.9 million in fiscal 1999 (17.7% of net sales) and included $7.5 million of repositioning costs (primarily inventory write-downs), which adversely impacted gross profits.

Operating Expenses

Selling, general and administrative expense (including research and development expenditures) was $55.8 million (18.7% of net sales) in fiscal 2001 compared to $56.4 million (19.2% of net sales) in fiscal 2000 and $72.7 million (31.4% of the net sales) in fiscal 1999. SG&A expense declined in fiscal 2001 from fiscal 2000 both in absolute dollars and as a percent of sales due to continued reductions in infrastructure costs. Costs were reduced in fiscal 2001 in sales and marketing, while the Company increased expenditures in research and development. Fiscal 1999 results included approximately $13 million of fourth quarter charges related primarily to severance expense, costs associated with vacating facilities, provisions for accounts receivable and write-offs associated with software assets.

Interest and Other Expenses

Interest expense was $4.3 million in fiscal 2001 compared to $2.9 million in fiscal 2000 and $1.6 million in fiscal 1999. Interest expense for the Company is recorded in conformance with accounting principles that require the allocation of interest expense between continuing and discontinued operations based upon the amount of debt that can be attributed to discontinued operations. Interest expense increased in fiscal 2001 due to the acquisitions of J-Tec, Inc. and ADS Power Resources as well as the share repurchase program. Increased levels of working capital, primarily in discontinued operations, also increased overall interest costs. Other expense was $2.0 million in fiscal 2001, compared to $1.9 million in fiscal 2000 and $2.6 million in fiscal 1999.

Net Income (Loss)

In fiscal 2001, the Company recorded net income of $5.7 million or $.25 per share for both basic and diluted shares outstanding. Results in fiscal 2001 reflect net income of $9.1 million from continuing operations and a $3.4 million loss from discontinued operations (including a $4.1 million loss from the sale of the Lighting and Transformer businesses). Continuing operations earned $.39 per diluted share in 2001 with discontinued operations accounting for a loss of $.14 per diluted share. Results for fiscal year 2000 were net income of $42.5 million or $1.71 per share (basic) and $1.70 on a diluted basis. Results in fiscal 2000 reflect net income of $1.3 million from continuing operations, $6.1 million from discontinued operations and $35.1 million from the gain on sale of discontinued businesses (the Motor and European Lighting businesses of which the Motor business accounted for all of the gain on sale). Comparable net income for the Company for fiscal 1999 reflects a loss of $24.3 million from continuing operations, net income of $11.8 million from discontinued operations and a gain on the sale of discontinued businesses (the Generator business in April of 1999) of $51 million.

Liquidity and Capital Resources

As of June 30, 2001, long-term borrowings (including the current portion) were $10 million, compared to $64 million as of June 30, 2000 and $179 million as of June 30, 1999. The decrease in long-term borrowings in fiscal 2001 from fiscal 2000 resulted primarily from repayment with proceeds received from the sale of the Lighting and Standard Drives businesses aggregating $134 million. While the sale of the Transformer business was effective June 29, 2001, proceeds from the sale of $19 million were not received until July 2, 2001 (fiscal year 2002). In fiscal 2001, the Company also completed the acquisitions of J-Tec, Inc. and ADS Power Resources for an aggregate of $31 million in cash and approximately 600,000 shares of Magnetek stock. In fiscal 2001, the Company continued open market purchases of its common stock, purchasing 1.1 million shares at a cost of $12 million. The decrease in long-term borrowing in fiscal 2000 from fiscal 1999 resulted primarily from proceeds received from the sale of the Motor business that totaled $253 million, offset by the acquisitions of the EMS Group and Mondel ULC with aggregate cash payments of $48 million. In fiscal 2000, the Company also completed the purchase of 7.1 million shares of common stock at a cost of $62 million. The decrease in long-term borrowings in fiscal 1999 from 1998 resulted primarily from the sale of the Generator business, which totaled $115 million.

At June 30, 2001, the Company had an agreement with a group of banks to borrow up to $75 million under a revolving loan facility through June of 2002. With the receipt of proceeds from the sale of the Transformer business on July 2, 2001, the borrowing capacity was reduced from $75 million to $60 million. As of June 30, 2001, the Company had approximately $64 million in available capacity under this agreement. The Company anticipates it will refinance the current Bank Loan Agreement early in fiscal year 2002 to provide funding for future growth. Expected terms and conditions should be similar to the current facility.

We believe that internally generated cash flows, along with the Company's revolving loan facility and access to external capital resources, will be sufficient to fund near-term commitments and plans.

Cash outflow in connection with repositioning reserves established in fiscal 1999 approximated $1 million in fiscal 2001 and is complete. In addition, however, the Company may be subject to certain potential environmental and legal liabilities (see Note 11).

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to market risks in the areas of commodity prices, foreign exchange and interest rates. To mitigate the effect of such risks, the Company selectively utilizes specific financial instruments. Hedging transactions are entered into under Company policies and procedures and are monitored monthly. Company policy clearly prohibits the use of such financial instruments for trading or speculative purposes. A discussion of the Company's accounting policies for derivative financial instruments is included in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements.

Commodity Prices

The Company historically used a significant amount of copper wire in the production of its products within its discontinued operations. The price of copper is subject to fluctuations based upon general economic conditions, labor issues at the producing mines, the capacity of smelting operations and the availability of scrap copper. Due to the relatively large content of copper cost in the Company's product, the Company had entered into forward copper futures positions to act as a hedge against its material purchases. With the divestiture of its discontinued operations complete, the Company has liquidated all futures positions as of June 30, 2001. The fair value of the Company's position in copper is calculated by valuing its futures position at quoted market prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The potential loss in fair value of the Company's copper futures position from a hypothetical 10% decrease in copper prices did not exist at June 30, 2001 and was $1.3 million at June 30, 2000.

Interest Rates

The fair value of the Company's debt was $10 million and $64 million at June 30, 2001 and June 30, 2000, respectively. The fair value of the Company's debt is equal to the borrowings outstanding from domestic and foreign banks and small amounts owed under capital lease arrangements. Prospectively, the Company does not consider there to be material risk due to changes in the interest rate structure of borrowing rates applicable to such debt. For the variable rate debt outstanding at June 30, 2001 and 2000, a hypothetical 10% adverse change in interest rates would have an unfavorable impact of $40 thousand and $500 thousand, respectively, on the Company's pre-tax earnings and cash flows.

Foreign Currency Exchange Rates

The Company enters into foreign exchange contracts to hedge certain balance sheet exposures in Europe and with respect to discontinued operations, operating cost exposures related to manufacturing facilities in Mexico. The Company had no foreign currency contracts outstanding at June 30, 2001 and $30.7 million at June 30, 2000. Assuming a hypothetical 10% adverse change in foreign exchange rates, the potential loss in value of the Company's forward contracts did not exist at June 30, 2001 and would have been $3.1 million at June 30, 2000.

As a condition to the sale of its Lighting business, the Company agreed to provide the buyer, for a period of five months following the sale, a fixed peso to dollar conversion rate for a specified amount of peso denominated costs. The Company included in its loss on sale of the Lighting business the difference between the guaranteed conversion rate and the market rate at the sale date. Assuming a hypothetical 10% adverse change in peso to dollar exchange rates, the Company's incremental pre-tax loss on the sale of its Lighting business would have been $1.8 million at June 30, 2001.

Forward-looking Information

The foregoing risk management discussion and amounts projected, generated from adverse changes that could occur are forward-looking statements of market risks assuming that certain adverse market conditions do occur. Actual results in the future are beyond the control of the Company and may differ materially from those estimated. The analytical methods used to assess and mitigate risks in areas discussed should not be considered projections of future events or losses.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended June 30, *(Amounts in thousands, except per share data*	**2001**	**2000**	**1999**
Net sales	$298,260	$293,575	$231,339
Cost of sales	221,494	230,366	190,451
Gross profit	76,766	63,209	40,888
Research, sales, general and administrative	55,776	56,369	72,679
Income (loss) from operations	20,990	6,840	(31,791)
Interest expense	4,335	2,907	1,571
Other expense, net	1,972	1,851	2,556
Income (loss) from continuing operations before provision (benefit) for income taxes	14,683	2,082	(35,918)
Provision (benefit) for income taxes	5,600	800	(11,600)
Income (loss) from continuing operations	9,083	1,282	(24,318)
Discontinued operations -			
Income from operations (net of taxes)	764	6,045	11,803
Gain (loss) on disposal (net of taxes)	(4,114)	35,125	50,988
Net income	$ 5,733	$ 42,452	$ 38,473
Per common share basic:			
Income (loss) from continuing operations	$ 0.40	$ 0.05	$ (0.79)
Income (loss) from discontinued operations	(0.15)	1.66	2.04
Net income	$ 0.25	$ 1.71	$ 1.25
Per common share diluted:			
Income (loss) from continuing operations	$ 0.39	$ 0.05	$ (0.79)
Income (loss) from discontinued operations	(0.14)	1.65	2.04
Net income	$ 0.25	$ 1.70	$ 1.25

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As of June 30, *(Amounts in thousands, except share and per share data)*	**2001**	**2000**
Assets		
Current assets:		
Cash	$ 5,310	$ 343
Accounts receivable, less allowance for doubtful accounts of $5,235 in 2001 and $3,299 in 2000	51,074	59,468
Inventories	48,907	42,069
Deferred income taxes	8,053	15,644
Prepaids and other assets	3,624	2,243
Total current assets	116,968	119,767
Property, plant and equipment:		
Land	960	1,132
Buildings and improvements	8,665	13,125
Machinery and equipment	66,977	73,705
Less accumulated depreciation and amortization	45,664	47,825
Net property, plant and equipment	30,938	40,137
Net assets of discontinued operations	19,500	115,827
Goodwill, less accumulated amortization of $9,720 in 2001 and $7,537 in 2000	88,784	69,458
Prepaid pension and other assets	65,564	55,484
	$ 321,754	$ 400,673

CONSOLIDATED BALANCE SHEETS

As of June 30, *(Amounts in thousands, except share and per share data)*	**2001**	**2000**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 33,946	$ 47,973
Accrued liabilities	33,743	30,011
Current portion of long-term debt	5,822	1,732
Total current liabilities	73,511	79,716
Long-term debt, net of current portion	4,312	62,308
Other long-term obligations	37,915	41,539
Deferred income taxes	22,309	32,904
Commitments and contingencies		
Stockholders' Equity:		
Common stock, $0.01 par value, 100,000,000 shares authorized 22,717,000 and 23,073,000 shares issued and outstanding in 2001 and 2000	227	231
Additional paid-in capital	97,951	100,399
Retained earnings	114,395	108,662
Accumulated other comprehensive loss	(28,866)	(25,086)
Total stockholders' equity	183,707	184,206
	$321,754	$400,673

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

As of June 30,
(Amounts in thousands, except share data)

	Common stock		Additional paid-in capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance, June 30, 1998	**31,484,000**	**$315**	**$176,462**	**$ 27,737**	**$(14,956)**	**$189,558**
Exercise of stock options	108,000	1	985	–	–	986
Share value trust	–	–	(1,006)	–	–	(1,006)
Unearned employee compensation	–	–	911	–	–	911
Share repurchase/retirement	(1,606,000)	(16)	(16,916)	–	–	(16,932)
Tax benefit for options exercised	–	–	138	–	–	138
Net income	–	–	–	38,473	–	38,473
Translation adjustments	–	–	–	–	(7,243)	(7,243)
Comprehensive income - 1999	–	–	–	–	–	31,230
Balance, June 30, 1999	**29,986,000**	**$300**	**$160,574**	**$ 66,210**	**$(22,199)**	**$ 204,885**
Exercise of stock options	195,000	2	1,730	–	–	1,732
Share value trust	–	–	(303)	–	–	(303)
Unearned employee compensation	–	–	303	–	–	303
Share repurchase/retirement	(7,108,000)	(71)	(62,320)	–	–	(62,391)
Tax benefit for options exercised	–	–	415	–	–	415
Net income	–	–	–	42,452	–	42,452
Translation adjustments	–	–	–	–	(2,887)	(2,887)
Comprehensive income - 2000	–	–	–	–	–	39,565
Balance, June 30, 2000	**23,073,000**	**$231**	**$100,399**	**$108,622**	**$(25,086)**	**$184,206**
Exercise of stock options	301,000	3	2,589	–	–	2,592
Shares retired from trust	(180,000)	(2)	–	–	–	(2)
Shares sold from trust	–	–	216	–	–	216
Shares issued for acquisition	598,000	6	6,658	–	–	6,664
Share repurchase/retirement	(1,075,000)	(11)	(12,342)	–	–	(12,353)
Tax benefit for options exercised	–	–	431	–	–	431
Net income	–	–	–	5,733	–	5,733
Translation adjustments	–	–	–	–	(3,780)	(3,780)
Comprehensive income - 2001	–	–	–	–	–	1,953
Balance, June 30, 2001	**22,717,000**	**$227**	**$97,951**	**$114,395**	**$(28,866)**	**$183,707**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, (Amounts in thousands)	**2001**	**2000**	**1999**
Cash flows from operating activities:			
Income (loss) from continuing operations	$ 9,083	$ 1,282	$(24,318)
Adjustments to reconcile income (loss) from continuing operations to net cash used in operating activities:			
Depreciation	9,442	10,501	11,815
Amortization	2,958	2,837	2,430
Changes in operating assets and liabilities of continuing operations	(41,610)	(21,844)	(10,328)
Total adjustments	(29,210)	(8,506)	3,917
Net cash used in operating activities	(20,127)	(7,224)	(20,401)
Cash flows from investing activities:			
Purchase and investment in companies, net of cash acquired	(33,348)	(48,245)	–
Proceeds from sale of businesses and other assets	133,995	255,445	117,177
Capital expenditures	(9,006)	(8,375)	(13,903)
Other investments	–	–	(499)
Net cash provided by investing activities	91,641	198,825	102,775
Cash flows from financing activities:			
Proceeds from sale of trust shares	214	–	–
Proceeds from issuance of common stock	2,592	1,732	986
Repurchase of common stock	(12,353)	(62,391)	(16,932)
Repayment of bank and other long-term obligations	(53,906)	(115,141)	(65,533)
Increase in deferred financing costs	–	(746)	–
Net cash used in financing activities	(63,453)	(176,546)	(81,479)
Net cash provided by continuing operations	8,061	15,055	895
Cash flows from discontinued operations:			
Income from discontinued operations	764	6,045	11,803
Adjustments to reconcile income to net cash used in discontinued operations:			
Depreciation and amortization	10,608	11,208	22,996
Changes in operating assets and liabilities of discontinued operations	(5,701)	(28,750)	(8,139)
Capital expenditures	(8,765)	(9,105)	(26,929)
Net cash used in discontinued operations	$ (3,094)	$ (20,602)	$ (269)
Net increase (decrease) in cash	4,967	(5,547)	626
Cash at the beginning of the year	343	5,890	5,264
Cash at the end of the year	$ 5,310	$ 343	$ 5,890

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in the notes to consolidated financial statements are expressed in thousands except share and per share data)

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Magnetek, Inc. and its subsidiaries (the "Company" or "Magnetek"). All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

The Company's policy is to record and recognize sales only upon shipment. Amounts billed to customers for shipping costs are reflected in net sales, shipping costs incurred are reflected in cost of sales.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

Additions and improvements are capitalized at cost, whereas expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets principally on the straight-line method (machinery and equipment normally five to ten years, buildings and improvements normally ten to forty years).

Accounting For Stock Options

As permitted under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company has elected to follow Accounting Principles Board Opinion (APB) No. 25 "Accounting for Stock Issued to Employees," and related interpretations, in accounting for stock based awards to employees. Under APB 25, the Company recognizes no compensation expense with respect to such awards when the exercise price is equal to or greater than the market price at the date of grant. The Company has adopted the disclosure-only option under SFAS No. 123.

Recent Accounting Pronouncements

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS 138 is required to be adopted in years beginning after June 15, 2000. This Statement requires all derivatives to be recorded on the balance sheet at fair value. This results in the offsetting changes in fair values or cash flows of both the hedge and the hedged item being recognized in earnings or in other comprehensive income in the same period. Changes in fair value of derivatives not meeting the Statement's hedge criteria are included in income. The Company adopted the Statement on July 1, 2000, and the adoption did not have a significant effect on its results of operations or financial position.

In June 2001, SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," were issued and are effective for fiscal years beginning after December 31, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules for accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2002. Application of the nonamortization provision of the statement is expected to result in an increase in net income of $1,400 ($.06 per diluted share) per year. During fiscal year 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of July 1, 2001 and has not yet determined what the effect of these tests will be on the earnings and financial position of the Company.

Research and Development

Expenditures for research and development are charged to expense as incurred and aggregated $9,417, $8,125 and $10,959 for the years ended June 30, 2001, 2000, and 1999, respectively. Research and development costs are classified in the accompanying Consolidated Statements of Income as operating expenses (after Gross profit) for all periods presented.

Derivative Financial Instruments

The Company utilizes derivative financial instruments to reduce commodity and financial market risks. These instruments are used to hedge copper material purchases, foreign currency and interest rate market exposures. The Company does not use derivative financial instruments for speculative or trading purposes. The accounting policies for these instruments are based on the Company's designation of such instruments as hedging transactions. The criteria the Company uses for designating an instrument as a hedge include the instrument's effectiveness in risk reduction and the matching of the derivative to the underlying transaction. The resulting gains or losses are accounted for as part of the transactions being hedged, except that losses not expected to be recovered upon the completion of the hedge transaction are expensed.

Deferred Financing Costs, Intangible and Other Assets

Costs incurred to obtain financing are deferred and amortized over the term of the financing. Amortization expense relating to deferred financing costs was $683, $582 and $708 for the years ended June 30, 2001, 2000 and 1999, respectively. Goodwill is being amortized using the straight-line method over a forty-year period. The Company assesses the recoverability of goodwill based upon several factors, including management's intention with respect to the operations to which the goodwill relates and those operations' projected future income and undiscounted cash flows. Write-downs of goodwill are recognized when it is determined that the value of such asset has been impaired. Amortization expense relating to goodwill was $2,183, $1,768, and $874 for the years ended June 30, 2001, 2000, and 1999, respectively.

Income Taxes

Income taxes are provided based upon the results of operations for financial reporting purposes and include deferred income taxes applicable to timing differences between financial and taxable income.

Federal income taxes are not provided currently on undistributed earnings of foreign subsidiaries since the Company presently intends to reinvest any earnings overseas indefinitely.

Earnings Per Share

The consolidated financial statements are presented in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings per share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per common share incorporate the incremental shares issuable upon the assumed exercise of stock options and upon the assumed conversion of the Company's Convertible Notes in fiscal 1998 as if conversion to common shares had occurred at the beginning of the fiscal year. Earnings have also been adjusted for interest expense on the Convertible Notes in fiscal 1998.

Fiscal Year

The Company uses a fifty-two, fifty-three week fiscal year which ends on Sunday nearest June 30. For clarity of presentation, all periods are presented as if the year ended on June 30. Fiscal year 2001 contained 52 weeks, fiscal year 2000 contained 53 weeks and fiscal year 1999 contained 52 weeks.

2. Acquisitions/Divestitures

On November 13, 2000, the Company purchased all of the outstanding shares of J-Tec, Inc. for approximately $24 million. The Company acquired assets of approximately $13.1 million (including cash balances approximating $2.9 million) and assumed liabilities of $4.6 million. Post closing adjustments were completed in the third quarter of fiscal 2001 based upon the change in net assets acquired at closing versus a contractually agreed upon level of transferred net assets. Subsequent to post closing adjustments, costs in excess of net assets acquired approximated $19.2 million and are being amortized over 40 years. J-Tec, Inc. is a power systems integrator serving the domestic telecommunications industry. On March 2, 2001, the Company acquired ADS Power Resource, Inc., for approximately $8.8 million in cash and 597,691 shares of the Company's stock. The Company acquired assets of approximately $4.7 million (including cash balances approximating $.4 million) and assumed liabilities of $.9 million. Costs in excess of net assets acquired approximated $11.8 million and are being amortized over forty years. Each of the acquisitions have been accounted for under the purchase method of accounting and, accordingly the purchase price has been allocated to the net assets acquired based upon their estimated fair values. All of the cash portion of the purchase prices were financed from the Company's revolving credit facility.

On January 29, 2001, the Company sold its Standard Drive business to Yaskawa Electric of America for approximately $27.6 million in cash, subject to post closing adjustments. The business was part of the Company's Drives and Industrial Controls Division and was responsible for assembling, marketing, selling, servicing and repairing Yaskawa general purpose AC drives and related products. Proceeds from the sale were used for debt repayment.

On July 23, 1999, the Company purchased the assets of Electric Motor Systems, Inc., Electromotive Systems, Inc., and EMS/Rosa Automation Engineering, Inc., (the "EMS Group") for cash of approximately $38.3 million. The Company acquired assets of approximately $19.8 million and assumed liabilities of $8.1 million. Costs in excess of net assets acquired approximated $26.6 million and are being amortized over forty years. The EMS Group manufactures and purchases for re-sale, adjustable speed drives. On December 16, 1999 the Company purchased the shares of Mondel ULC, a Nova Scotia unlimited liability company for approximately $10 million. The Company acquired assets of approximately $2.5 million and assumed liabilities of $.3 million. Costs in excess of net assets acquired approximated $7.8 million and are also being amortized over forty years. Mondel ULC manufactures a variety of industrial brakes for the crane and hoist market. Both acquisitions have been accounted for under the purchase method of accounting and, accordingly the purchase price has been allocated to the net assets acquired based upon their estimated fair market values. Both acquisitions were financed from the Company's revolving credit facility.

Operating results were included, or excluded, for all of the acquisitions and divestitures in the Company's consolidated results effective as of the acquisition or divestiture dates. The following pro forma information includes the operations of the acquired/divested entities for fiscal years 2001, 2000 and 1999 as if the respective transactions had occurred on the first day of the fiscal year immediately preceding the year of acquisition or divestiture.

	(pro forma) 2001	(pro forma) 2000	(pro forma) 1999
Net sales	$ 273,241	$ 255,591	$ 287,448
Income (loss) from continuing operations	10,198	4,988	(25,324)
Net income	$ 6,848	$ 46,158	$ 37,467
Continuing operations			
Basic EPS	$ 0.45	$ 0.20	$ (0.82)
Diluted EPS	$ 0.44	$ 0.20	$ (0.82)
Net income			
Basic EPS	$ 0.30	$ 1.61	$ 1.22
Diluted EPS	$ 0.30	$ 1.61	$ 1.22

The pro forma results of operations do not purport to represent what the Company's results would have been had such transactions occurred at the beginning of the periods presented or to project the Company's results of operations in any future period.

3. Discontinued Operations

The accompanying financial statements have been re-stated to conform to discontinued operations treatment for all historical periods. The results of the Company's electrical products businesses (Generators, Motors, Lighting and Transformers) are included within discontinued operations. As of June 30, 2001, the $19.5 million classified on the balance sheet as net assets of discontinued operations was the receivable value for the sale of the Transformer business on June 29, 2001 and was subsequently collected on July 2, 2001.

On June 15, 2001 the Company sold its Lighting business to Universal Lighting Technologies, Inc., a subsidiary of Littlejohn Fund II, L.P., and on June 29, 2001 sold its Transformer business to American Circuit Breaker Corporation. Pre-tax proceeds received from the sale of the Lighting business were $105 million and were used to repay borrowings under the Bank Loan Agreement and repurchase shares of its common stock in fiscal year 2001. Proceeds from the sale of the Transformer business were received July 2, 2001 and were used to repay borrowings under the Bank Loan Agreement and repurchase shares of its common stock in fiscal year 2002.

In April, 1999 the Company sold its Generator business to Emerson Electric, and in August, 1999 the Company sold its Motor business to A. O. Smith. Pre-tax proceeds received from the sale of the Generator and Motor businesses were $115 million and $253 million respectively. Proceeds from the sales were used to repay borrowings under the Bank loan agreement, repurchase shares of its common stock and fund acquisitions made in fiscal year 2000.

On December 23, 1999, the Company sold its European Magnetic Lighting business to a group including former and current management. Net assets of the Company's German operations and certain inventory and fixed assets located in Milan, Italy were included in the transaction. Net proceeds, including the assumption of debt by the buyers, approximated $2.5 million. In addition, the buyers agreed to indemnify Magnetek for substantially all past, present and future obligations in connection with the business' operations in Germany. In connection with the sale, the Company also announced the closure of its Milan factory.

The operating results of discontinued operations are as follows:

Year ended June 30	**2001**	**2000**	**1999**
Net sales	$353,803	$452,274	$891,341
Income before provision for income taxes	1,164	9,745	17,403
Provision for income taxes	400	3,700	5,600
Income from discontinued operations	$ 764	$ 6,045	$ 11,803

A portion of the Company's interest expense has been allocated to discontinued operations in accordance with EITF 87-24, "Allocation of Interest to Discontinued Operations" (interest expense allocated to discontinued operations was $3.5 million in fiscal 2001, $3.3 million in fiscal 2000 and $17.3 million in fiscal 1999). Taxes have been allocated using the same overall rate incurred by the Company in each of the fiscal years presented.

Net income for the year ended June 30, 2001 includes a $4,114 (including a tax benefit of $2,600) loss on the sale of the Company's Lighting and Transformer business included in discontinued operations.

Net income for the year ended June 30, 2000 includes a $35,125 (including a tax benefit of $3,000) gain on the sale of the Company's Motor and European Lighting business included in discontinued operations. Net income for the year ended June 30, 1999 includes a $50,988 (net of taxes of $24,000) gain on the sale of the Company's Generator business included in discontinued operations.

4. Repositioning Costs

During the year ended June 30, 1999, the Company established repositioning reserves of $34,400 (continuing operations of $21,600 and discontinued operations of $12,800) associated with downsizing, inventory adjustments, severance costs and other asset write-downs. As of June 30, 2000 remaining repositioning reserves approximated $1,000 and all remaining cash payments were made in fiscal 2001.

5. Inventories

Inventories at June 30, consist of the following:

	2001	2000
Raw materials and stock parts	$ 26,186	$ 23,729
Work-in-process	8,839	8,057
Finished goods	13,882	10,283
	$ 48,907	$ 42,069

6. Long-Term Debt and Bank Borrowing Arrangements

Long-term debt at June 30, consists of the following:

	2001	2000
Revolving bank loans	$ 4,900	$ 58,466
Miscellaneous installment notes, capital leases and other obligations at rates ranging from 3.75 percent to 9.60 percent, due through 2006	5,234	5,574
	$ 10,134	$ 64,040
Less current portion	5,822	1,732
	$ 4,312	$ 62,308

Bank Borrowing Arrangements

At June 30, 2001, the Company had an agreement with a group of banks to lend up to $75,000 under a revolving loan facility through June, 2002. Borrowings under the agreement (the "Bank Loan Agreement") bear interest at the bank's prime lending rate plus one-half percent or, at the Company's option, the London Interbank Offered Rate plus two percent. These rates may be reduced or increased based on the level of certain debt-to-cash flow ratios. At June 30, 2001, borrowings under the Bank Loan Agreement bore interest at a weighted average rate of approximately 7.5%. The Company is required to pay a commitment fee of .45 percent on unused commitments.

On July 2, 2001, the Bank Loan Agreement was further reduced from $75 million to $60 million as a result of proceeds received from the sale of its Transformer business. All other terms and conditions remained generally the same. Borrowings under the Bank Loan Agreement are secured by domestic accounts receivable and inventories and by stock of certain of the Company's subsidiaries. The Bank Loan Agreement contains certain provisions and covenants which, among other things, restrict the payment of cash dividends on common stock, limit the amount of future indebtedness and require the Company to maintain specified levels of net worth and cash flow.

The Company's European subsidiary has certain limited local borrowing arrangements to finance working capital needs. The borrowings under these arrangements are secured by accounts receivable and inventories of the subsidiary. The Company has provided parent guarantees to the local banks which provide the related financing.

Aggregate principal maturities on long-term debt outstanding at June 30, 2001 are as follows:

Year ended June 30	
2002	$ 5,822
2003	1,596
2004	728
2005	463
2006	512
Thereafter	1,013

7. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share.

	2001	**2000**	**1999**
Basic earnings per share:			
Income (loss) from continuing operations	$ 9,083	$ 1,282	$(24,318)
Income from discontinued operations	764	6,045	11,803
Gain (loss) on sale of discontinued businesses (net of taxes)	(4,114)	35,125	50,988
Net income	$ 5,733	$42,452	$ 38,473
Weighted average shares for basic earnings per share	22,548	24,862	30,774
Basic earnings per share:			
Income (loss) from continuing operations	$ 0.40	$ 0.05	$ (0.79)
Income from discontinued operations	0.03	0.25	0.38
Gain (loss) on sale of discontinued businesses (net of taxes)	(0.18)	1.41	1.66
Basic earnings per share	$ 0.25	$ 1.71	$ 1.25
Diluted earnings per share:			
Income (loss) from continuing operations	$ 9,083	$ 1,282	$(24,318)
Income from discontinued operations	764	6,045	11,803
Gain (loss) on sale of discontinued businesses (net of taxes)	(4,114)	35,125	50,988
Net income	$ 5,733	$42,452	$ 38,473
Weighted average shares for basic earnings per share	22,548	24,862	30,774
Effect of dilutive stock options	605	85	*
Weighted average shares for diluted earnings per share	23,153	24,947	30,774

	2001	2000	1999
Diluted earnings per share:			
Income (loss) from continuing operations	$ 0.39	$ 0.05	$ (0.79)
Income from discontinued operations	0.03	0.24	0.38
Gain (loss) on sale of discontinued businesses (net of taxes)	(0.17)	1.41	1.66
Diluted earnings per share	$ 0.25	$ 1.70	$ 1.25

* *In fiscal year 1999, the effect of employee stock options are anti-dilutive as to earnings per share and are ignored in the computation of the dilutive earning per share in those periods.*

8. Fair Values of Financial Instruments

The carrying amounts of certain financial instruments such as cash, annuity contracts and borrowings under revolving credit agreements approximate their fair values.

9. Derivative Financial Instruments

The Company had historically entered into futures contracts to provide an economic hedge against fluctuations in copper prices. Gains and losses are recorded in cost of sales as the related materials are purchased. The Company also uses certain foreign exchange contracts to minimize its risk of loss from fluctuations in exchange rates. These contracts related to hedging peso fluctuations when the Company had significant Mexican manufacturing operations and lira contracts to hedge against positions of significant foreign currency receivables. Gains and losses from these transactions are recorded in cost of sales as the contracts are liquidated. With the sale of all discontinued operations, the Company liquidated all currency, copper and aluminum forward contracts as of June 30, 2001. Due to significantly lower debt levels, the Company had liquidated all interest rate swaps in fiscal year 2000. The Company does not use derivative financial instruments for speculative or trading purposes.

As a condition to the sale of its Lighting business, the Company agreed to provide for a period of five months following the sale, a fixed peso to dollar conversion rate for a specified amount of peso denominated costs. This derivative does not qualify for hedge treatment under SFAS No. 133. As such, the Company has recorded $937 as the fair value of the liability as of June 30, 2001. The Company included in its loss on sale of the Lighting business, the difference between the guaranteed conversion rate and the market rate at the sale date. Changes in fair value will be recorded against the loss on sale of the Lighting business.

		2001	2000
Interest rate swaps	–	–	$
Currency forward contracts		–	30,739
Copper forward contracts		–	12,887
Aluminum forward contracts		–	978

10. Income Taxes

Income tax expense (benefit) is allocated in the financial statements as follows:

Year ended June 30	2001	2000	1999
Income tax expense (benefit) attributable to continuing operations	$ 5,600	$ 800	$(11,600)
Discontinued operations	(2,200)	700	29,600
Total	$ 3,400	$ 1,500	$ 18,000

The expense for income taxes applicable to continuing operations is as follows:

Year ended June 30	**2001**	**2000**	**1999**
Current:			
Federal	$ –	$(7,167)	$(18,766)
State	1,429	855	1,001
Foreign	7,351	2,590	(758)
Deferred:			
Federal	(1,739)	4,765	4,168
State and Foreign	(1,441)	(243)	2,755
	$ 5,600	$ 800	$(11,600)

A reconciliation of the Company's effective tax rate to the statutory Federal tax rate for income from continuing operations is as follows:

	2001		**2000**		**1999**	
Year ended June 30	Amount	%	Amount	%	Amount	%
Provision (benefit) computed at the statutory rate	$ 5,139	35.0	$ 729	35.0	$(12,621)	35.0
State income taxes, net of federal benefit	873	5.9	556	26.4	(16)	–
Foreign tax rates in excess of federal statutory rate	1,077	7.3	(1,607)	(76.4)	3,197	(8.9)
Decrease in valuation allowance for deferred tax assets	–	–	–	–	(18,176)	50.4
Provision for additional taxes	(3,063)	(20.9)	1,056	50.2	15,680	(43.6)
Other—net	1,574	10.7	66	2.8	336	(0.9)
	$ 5,600	38.0	$ 800	38.0	$(11,600)	32.0

Income (loss) before provision for income taxes of the Company's foreign subsidiaries was approximately $14,632, $9,812 and $(1,239) for the years ended June 30, 2001, 2000 and 1999.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets for continuing operations as of June 30, 2001 and 2000 are as follows:

Year ended June 30	**2001**	**2000**
Deferred tax liabilities:		
Depreciation and amortization (including differences in the basis of acquired assets)	$16,224	$33,057
Prepaid pension asset	18,791	13,732
Total deferred tax liabilities	35,015	46,789
Deferred tax assets:		
Postretirement medical benefit obligation	12,706	13,885
Warranty reserves	180	4,072
Inventory and other reserves (including restructuring)	7,873	11,572
Total gross deferred tax assets	20,759	29,529
Net deferred tax liability	$14,256	$17,260

The Company has determined that, as of June 30, 2001, it is more likely than not that the deferred tax asset will be realized. Therefore, no valuation allowance is necessary.

11. Commitments and Contingencies

Leases

The Company leases certain facilities and machinery and equipment primarily under operating lease arrangements. Future minimum rental payments under noncancelable operating leases as of June 30, 2001 total $31,316 and are payable in future fiscal years as follows: $4,333 in 2002; $5,943 in 2003; $5,297 in 2004; $3,960 in 2005; $2,351 in 2006 and $9,432 thereafter.

Rent expense for the years ended June 30, 2001, 2000 and 1999 was $3,055, $3,861 and $3,915, respectively.

Litigation—Product Liability

The Company is defending against a number of product liability lawsuits involving fires allegedly caused by defective ballasts. Management believes that insurance coverage for the alleged claims exists, subject to applicable deductibles, and that none of these proceedings individually or in the aggregate will materially affect the Company. On June 15, 2001, the Company sold the assets, properties and interests of its Lighting business, as reported in Form 8-K filed with the Commission on July 2, 2001. The sale limits the Company's potential exposure to future product liability lawsuits of this type.

Litigation—Patent Infringement

In April 1998, Ole K. Nilssen filed a lawsuit in the U.S. District Court for the Northern District of Illinois alleging infringement by the Company of seven of his patents pertaining to electronic ballast technology. Nilssen seeks unspecified damages and injunctive relief to preclude the Company from making, using or selling products allegedly infringing his patents. The Company denies that any of its products infringe any valid patent and has filed a response asserting its affirmative defenses, as well as a counterclaim for a judicial declaration that its products do not infringe the patents asserted by Nilssen and also that the asserted patents are invalid. The Company intends to vigorously defend against Nilssen's claims and although it cannot predict the outcome of the lawsuit, management does not believe that the financial impact of this matter will be material.

In October 2000, the Company, along with 90 other companies engaged in the power electronics and related industries, was named as a defendant in a patent infringement lawsuit filed in the United States District Court in Arizona by the Lemelson Medical, Education and Research Foundation Limited Partnership ("Lemelson"). The defendants include manufacturers and suppliers of electronic or semiconductor products or products incorporating semiconductor products. Although the Company continues to deny that it makes, uses or sells any product that infringes a valid patent held by Lemelson, in June 2001 a settlement was reached and Lemelson submitted a request for dismissal with prejudice of all claims against the Company.

In March 2001, the Company was named as the defendant in a lawsuit filed by VLT, Inc. and Vicor Corporation in the United States District Court of Massachusetts. Plaintiffs allege that the Company is infringing a reissue patent owned by VLT and assigned and licensed to Vicor. Plaintiffs seek a judgment that the Company willfully infringed the patent, an injunction against further infringement and unspecified damages, as well as attorney's fees. The Company denies that it has or is infringing any valid patent owned by Plaintiff and has filed a response, alleging various affirmative defenses. The Company intends to vigorously defend against this lawsuit and although the outcome of this litigation cannot be predicted, the Company does not believe it will have a material adverse effect on the Company's finances or operations.

Environmental Matters—General

The Company has from time to time discovered contamination by hazardous substances at certain of its facilities. In response, the Company conducts remediation activities to bring its facilities into compliance with applicable laws and regulations. The Company's remediation activities for fiscal 2001 did not involve material expenditures, and the Company does not expect its expenditures for fiscal 2002 to be material. The Company has also been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several facilities and offsite locations. Its remediation activities as a potentially responsible party were not material for fiscal 2001 and are not expected to be material for fiscal 2002. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of the Company's alleged connection to the contaminated property, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, the Company's estimated share of liability, if any, for environmental remediation is not expected to be material.

The Company is frequently named, along with numerous other defendants, in asbestos-related lawsuits. While the outcome of these cases cannot be predicted with certainty, the Company is aggressively seeking to be dismissed from them and does not believe they will have a material adverse effect on its finances or operations, since it has never producd asbestos-containing products and is either contractually indemnified from or believes that it is not liable for these asbestos-related claims, all of which arise from business operations it acquired and no longer owns.

In connection with certain divestitures, the Company has agreed, from time to time, to indemnify buyers with respect to environmental liabilities associated with the divested operations, subject to various conditions and limitations. Expenditures related to the Company's indemnification obligations were not material in fiscal 2001 and are not expected to be material in fiscal 2002. Although future expenditures pursuant to such indemnification obligations could be material, depending upon the extent and nature of subsequently discovered contamination, the Company does not expect its obligations to require material expenditures.

Environmental Matters—McMinnville, Tennessee

Prior to the Company's purchase of Century Electric, Inc. ("Century Electric") in 1986, Century Electric acquired a business from Gould Inc. ("Gould") in May 1983 that included a leasehold interest in a fractional horsepower electric motor manufacturing facility located in McMinnville, Tennessee. In connection with this acquisition, Gould agreed to indemnify Century Electric from and against liabilities and expenses arising out of the handling and cleanup of certain waste materials, including but not limited to cleaning up any polychlorinated biphenyls ("PCBs") at the McMinnville facility (the "1983 Indemnity"). Investigation has revealed the presence of PCBs and other substances, including solvents, in the soil and in the groundwater underlying the facility and in certain offsite soil, sediment and biota samples. Century Electric notified the Tennessee Department of Environment and Conservation, Division of Superfund, of the test results from its investigation and the McMinnville plant is listed as a Tennessee Inactive Hazardous Waste Substance Site. A report on the site was presented to the Tennessee legislature and community officials and plant employees were notified of the presence of contaminants at the McMinnville facility. In 1995, Gould completed an interim remedial excavation and disposal of onsite soil containing PCBs. Gould also conducted a preliminary investigation and cleanup of certain onsite and offsite contamination. The cost of any further investigation and cleanup of onsite and offsite contamination cannot presently be determined, but the Company believes such costs (including ancillary costs) are covered by the 1983 Indemnity. The Company sold its leasehold interest in the McMinnville plant and while the Company believes that Gould will continue to perform substantially under its indemnity obligations, Gould's substantial failure to perform such obligations could have a material adverse effect on the Company.

Environmental Matters — Effect of Fruit of the Loom Bankruptcy

The Company acquired the stock of Universal Manufacturing Company (“Universal”) from a predecessor of Fruit of the Loom (“FOL”), and the predecessor agreed to indemnify the Company against certain environmental liabilities arising from Universal’s pre-acquisition activities. Environmental liabilities covered by the indemnification agreement include completion of additional cleanup activities, if any, at the Bridgeport, Connecticut facility (recently sold in connection with the sale of the Transformer business) and defense and indemnification against liability related to offsite disposal locations where Magnetek may have a share of potential response costs. FOL filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code and the Company filed a proof of claim in the proceeding for obligations related to the environmental indemnification agreement. While the Company believes that FOL has substantially completed the clean-up obligations required by the indemnification agreement, its ability to set aside any remaining obligations through bankruptcy or the discovery of additional environmental contamination at the Bridgeport facility could have an adverse effect on the Company.

Letters of Credit

The Company had approximately $6,292 of outstanding letters of credit as of June 30, 2001. The Company may issue up to $15,000 of letters of credit under the Bank Loan Agreement.

12. Stock Option Agreements

The Company has three stock option plans (the “Plans”), two of which provide for the issuance of both incentive stock options (under Section 422A of the Internal Revenue Code of 1986) and non-qualified stock options at exercise prices not less than the fair market value at the date of grant, and one of which only provides for the issuance of non-qualified stock options at exercise prices not less than the fair market value at the date of grant. One of the Plans also provides for the issuance of stock appreciation rights, restricted stock, unrestricted stock, restricted stock rights and performance units, and one of the Plans also provides for the issuance of incentive bonuses and incentive stock. The total number of shares of the Company’s common stock authorized to be issued upon exercise of the stock options and other stock rights under the Plans is 4,000,000. Options granted under two of the Plans vest in three or four equal annual installments, and options under the third Plan vest in two equal annual installments.

A summary of certain information with respect to options under the Plans follows:

Year ended June 30	**2001**	**2000**	**1999**
Options outstanding, beginning of year	4,638,909	4,729,325	4,346,621
Options granted	1,191,500	1,958,568	1,065,773
Options exercised	(301,488)	(195,528)	(108,129)
Weighted average exercise price	$ 8.60	$ 8.86	$ 9.06
Options cancelled	(545,656)	(1,853,456)	(574,940)
Options outstanding, end of year	4,983,265	4,638,909	4,729,325
Weighted average price	$ 11.59	$ 12.29	$ 14.19
Exercisable options	2,848,374	2,456,295	3,037,261

The following table provides information regarding exercisable and outstanding options as of June 30, 2001.

	Exercisable		Outstanding		
Range of exercise price per share	Options exercisable	Weighted average exercise price per share	Options outstanding	Weighted average exercise price per share	Weighted average remaining contractual life (years)
Under $10.00	884,701	$ 8.86	2,617,406	$ 8.55	8.07
$10.00-$12.50	177,395	10.15	380,395	10.86	6.90
$12.51-$15.00	609,002	13.32	756,521	13.31	5.39
Over $15.00	1,177,276	17.31	1,228,943	17.25	4.66
Total	2,848,374	$13.39	4,983,265	$11.59	6.74

As permitted under Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) in accounting for stock-based awards to employees. Under APB 25, the Company generally recognizes no compensation expense with respect to such awards.

Pro forma information regarding net income (loss) and net income (loss) per share is required by SFAS 123 for awards granted in fiscal years after December 31, 1994 as if the Company had accounted for its stock-based awards to employees under the fair value method of SFAS 123. The fair value of the Company's stock-based awards to employees was estimated using a Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock-based awards to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based awards to employees. The fair value of the Company's stock-based awards to employees was estimated assuming no expected dividends and the following assumptions:

	Options		
	2001	**2000**	**1999**
Expected life (years)	5.9	5.6	5.3
Expected stock price volatility	39.1%	39.1%	38.0%
Risk-free interest rate	5.9%	6.1%	5.4%

For pro forma purposes, the estimated fair value of the Company's stock-based awards to employees is amortized over the options' vesting period. The Company's pro forma information follows:

(Thousands except per share amounts)	**2001**	**2000**	**1999**
Net income—as reported	$ 5,733	$ 42,452	$ 38,473
Net income—pro forma	$ 2,802	$ 41,750	$ 34,644
Basic net income per share—as reported	$ 0.25	$ 1.71	$ 1.25
Basic net income per share—pro forma	$ 0.12	$ 1.68	$ 1.18
Diluted net income per share—as reported	$ 0.25	$ 1.70	$ 1.25
Diluted net income per share—pro forma	$ 0.12	$ 1.67	$ 1.15

In fiscal year 2001, a total of 1,191,500 options were granted with exercise prices equal to the market price of the stock on the grant date. The weighted average exercise price was $8.65 and the average fair value of the options were $4.11. In fiscal year 2000, a total of 1,958,568 options were granted with exercise prices equal to the market price of the stock on the grant date. The weighted average exercise price was $9.07 and the average fair value of these options were $4.02. In fiscal year 1999 a total of 1,605,773 options were granted with exercise prices equal to the market price of the stock on the grant date. The weighted average exercise price was $14.07 and the average fair value of these options were $6.06.

The Company has granted stock appreciation rights (SARs) to certain of its directors under director incentive compensation plans. As of June 30, 2001, SARs with respect to 4,000 shares, with a weighted average exercise price of $19.37, were outstanding under these plans.

13. Employee Benefit Plans

Benefit obligations, at year-end, fair value of plan assets and prepaid (accrued) benefit costs for the years ended June 30, 2001 and 2000 are as follows:

	Pension Benefits		Other Benefits	
	2001	**2000**	**2001**	**2000**
Change in Benefit Obligation				
Benefit obligation at beginning of year	$139,188	$169,243	$ 12,704	$ 24,147
Service cost	1,438	2,024	6	9
Interest cost	10,952	10,388	916	1,157
Plan participants' contributions	75	110	409	1,029
Amendments	–	1,490	–	(5,752)
Actuarial (gain)/loss	10,235	(5,894)	1,732	(3,779)
Curtailment (gain)/loss	(3,361)	(84)	(43)	–
Settlement (gain)/loss	–	(29,118)	–	(1,447)
Benefits paid	(10,462)	(8,971)	(2,552)	(2,660)
Benefit obligation at end of year	$148,065	$139,188	$ 13,172	$ 12,704
Change in Plan Assets				
Fair value of plan assets at beginning of year	$148,420	$189,010	–	–
Actual return on plan assets	(3,069)	(3,533)	–	–
Employer contributions	13,500	1,865	2,143	1,631
Plan participants' contributions	75	110	409	1,029
Benefits paid	(10,462)	(8,971)	(2,552)	(2,660)
Settlements	–	(30,061)	–	–
Fair value of plan assets at end of year	$148,464	$148,420	–	–
Funded status	$ 399	$ 9,232	$(13,172)	$(12,704)
Unrecognized transition amount	(263)	(525)	–	–
Unrecognized net actuarial (gain)/loss	47,526	24,955	(14,074)	(16,949)
Unrecognized prior service cost	452	1,638	(5,417)	(6,041)
Prepaid/(accrued) benefit cost	$ 48,114	$ 35,300	$(32,663)	$(35,694)

	Pension Benefits		Other Benefits	
	2001	**2000**	**2001**	**2000**
Weighted-Average Assumptions as of June 30				
Discount rate	7.625%	8.00%	7.625%	8.00%
Expected return on plan assets	9.50%	9.50%	N/A	N/A
Rate of compensation increase	4.50%	5.75%	N/A	N/A

For measurement purposes, a 5.0% annual rate of increase in the per capita cost of covered health benefits was assumed for all participants.

Pension plan assets include $9,375 in Company stock.

Net periodic postretirement benefit costs (income) for pension and other benefits for the years ended June 30, 2001, 2000 and 1999 are as follows:

	Pension Benefits			Other Benefits		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**
Components of Net Periodic Benefit Cost (Income)						
Service cost	$ 1,438	$ 2,024	$ 5,125	$ 6	$ 9	$ 98
Interest cost	10,952	10,388	11,873	916	1,157	1,769
Expected return on plan assets	(13,703)	(14,544)	(18,182)	–	–	–
Amortization of transition amount	(263)	(268)	(322)	–	–	–
Amortization of prior service cost	161	(28)	(315)	(624)	(408)	(917)
Recognized net actuarial (gain)/loss	1,003	208	–	(1,143)	(1,275)	(1,140)
Net periodic benefit cost	(412)	$ (2,220)	$ (1,821)	(845)	$ (517)	$ (190)
Curtailment/settlement (gain)/loss	1,098	1,290	(40)	(43)	(6,705)	(3,882)
Net benefit cost	$ 686	$ (930)	$ (1,861)	$ (888)	$(7,222)	$(4,072)

Magnetek recognized a curtailment/settlement gain or loss in each of the fiscal years resulting from the following:
2001 Fiscal Year: The sale of the Standard Drives, Lighting and Transformer Divisions.
2000 Fiscal Year: The sale of the Motor Division.
1999 Fiscal Year: The sale of the Generator Division.

The health care plans are contributory, with participants' contributions adjusted annually. The life insurance plans are noncontributory. The accounting for the health care plans anticipates future cost-sharing changes.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects for Fiscal Year 2001:

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect of total service and interest cost components		
–based on 8.0% discount rate	$ (62)	$ 0
Effect on postretirement benefit obligation		
–based on 7.625% discount rate	$ (893)	$ 0

The Company has implemented a contribution policy for retiree health coverage effective January 1, 2000 that essentially removes any incremental cost to the Company in the event health insurance trend rates exceed five percent.

In addition to the defined benefit retirement plans and health care plans, the Company contributes to a defined contribution savings plan. Company contributions were $926, $531 and $992 during the plan years ending March 2001, 2000 and 1999, respectively.

14. Related Party Transactions

The Company has an agreement with the Spectrum Group, Inc. whereby Spectrum will provide management services to the Company through fiscal 2002 at an annual fee plus certain allocated and out of pocket expenses. The Company's chairman is also the chairman of Spectrum. The services provided include consultation and direct management assistance with respect to operations, strategic planning and other aspects of the business of the Company. Fees and expenses paid to Spectrum for these services under the agreement amounted to $936, $904 and $805 for the years ended June 30, 2001, 2000 and 1999, respectively.

During the years ended June 30, 2001, 2000 and 1999, the Company paid approximately $32, $36 and $120, respectively in fees to charter an aircraft owned by a company in which the chairman is the principal shareholder. For the year ended June 30, 2001, a performance bonus was awarded in the amount of $408 and paid to Spectrum in July of 2001.

The Company had retained ING Barings to act as its agent in connection with the purchase of stock under its 10 million share repurchase program. Commissions paid to ING Barings in 2001 amounted to $5. The Company also engaged ING Barings to evaluate strategic alternatives for its Lighting business in the fourth quarter of fiscal 2000, pursuant to which ING Barings was paid a retainer of $100. ING Barings was sold to ABN AMRO in January of 2001. The engagement responsibility for the Lighting business initiated by Magnetek with ING Barings transferred to ABN AMRO. Upon the completion of the sale of the Lighting business (see Note 3) in June of fiscal year 2001, fees of $1,020 were paid to ABN AMRO Inc. One of the Company's directors was a principal of ING Barings LLC and is now a principal at ABN AMRO Inc.

15. Accrued Liabilities

Accrued liabilities consist of the following at June 30:

	2001	**2000**
Salaries, wages and related items	$ 11,536	$ 9,513
General insurance	4,631	4,898
Income taxes	2,608	668
Other	14,968	14,932
	$ 33,743	$ 30,011

16. Supplemental Cash Flow Information

Changes in operating assets and liabilities of continuing operations follows:

Year ended June 30,	2001	2000	1999
(Increase) decrease in accounts receivable	$ (1,077)	$ 1,382	$ 6,828
(Increase) decrease in inventories	(8,632)	7,244	(3,953)
(Increase) decrease in prepaids and other current assets	6,284	847	187
(Increase) decrease in other operating assets	(13,020)	(1,364)	3,177
Increase (decrease) in accounts payable	(8,120)	(5,783)	(1,550)
Increase (decrease) in accrued liabilities	(6,400)	(29,033)	4,689
Increase (decrease) in deferred income taxes	(10,683)	7,658	(16,104)
Increase (decrease) in other operating liabilities	38	(2,795)	(3,602)
	$ (41,610)	$(21,844)	$ (10,328)
CASH PAID FOR INTEREST AND INCOME TAXES FOLLOWS:			
Interest	$ 8,348	$ 6,171	$ 18,241
Income taxes	$ 695	$ 6,967	$ 5,931

17. Business Segment and Geographic Information

The Company currently operates within a single business segment termed Digital Power Products. Within the segment there exist two product lines, power control products and motion control products. The Company sells its products primarily to large original equipment manufacturers and distributors. The Company performs ongoing credit evaluations of its customers' financial conditions and generally requires no collateral. The Company has a single customer whose revenues represented 13%, 16% and 18% of the Company's total revenues in fiscal years 2001, 2000 and 1999, respectively. Outstanding receivables with the Company's largest customer were 6%, 12% and 18% of the total receivables of the Company as of the year-end in fiscal years 2001, 2000 and 1999, respectively. Beyond the Company's single largest customer there is no significant concentration of credit risk.

During the year ended June 30, 2001, sales of power control products were $192,253 and sales of motion control products were $106,007 as compared to power control products of $158,950 and motion and control products of $134,625 for the year ended June 30, 2000. During the year ended June 30, 1999, sales of power control products were $150,727 and sales of motion control products were $80,612.

Information with respect to the Company's foreign subsidiaries follows:

For the year ended June 30	2001	2000	1999
Sales	$ 81,690	$ 75,685	$ 81,349
Operating income	9,764	5,727	4,433
Identifiable assets	89,782	90,322	113,029
Capital expenditures	6,208	5,644	9,734
Depreciation and amortization	7,029	7,731	8,732

Operating income for the foreign subsidiaries does not include any allocation of corporate costs incurred in the United States. Sales by foreign subsidiaries include only sales of products that are made to customers outside of the U.S.

The Company's foreign operations outside of Europe are not material. Export sales from the United States were $10,655, $5,580 and $5,152 in 2001, 2000 and 1999, respectively.

18. Quarterly Results (unaudited)

2001 quarter ended	Sept. 30	Dec. 31	Mar. 31	June 30

Net sales	$ 71,870	$ 81,868	$ 78,956	$ 65,566
Gross profit	16,946	20,177	21,254	18,389
Provision for income taxes	612	1,290	2,015	1,683
Income from continuing operations	$ 998	$ 2,090	$ 3,282	$ 2,713
Net income (loss)	$ 2,803	$ 3,913	$ 2,191	$ (3,174)
Per common share:				
Basic:				
Income from continuing operations	$ 0.04	$ 0.09	$ 0.15	$ 0.12
Net income (loss)	$ 0.12	$ 0.17	$ 0.10	$ (0.14)
Diluted:				
Income from continuing operations	$ 0.04	$ 0.09	$ 0.14	$ 0.12
Net income (loss)	$ 0.12	$ 0.17	$ 0.10	$ (0.14)

2000 quarter ended	**Sept. 30**	**Dec. 31**	**Mar. 31**	**June 30**
Net sales	$ 71,172	$ 66,681	$ 78,260	$ 77,462
Gross profit	14,470	16,406	17,266	15,067
Provision (benefit) for income taxes	267	339	769	(575)
Income (loss) from continuing operations	$ 434	$ 556	$ 1,254	$ (962)
Net income (loss)	$ 38,008	$ 4,095	$ 3,664	$ (3,315)
Per common share:				
Basic:				
Income (loss) from continuing operations	$ 0.01	$ 0.02	$ 0.05	$ (0.04)
Net income (loss)	$ 1.29	$ 0.17	$ 0.16	$ (0.14)
Diluted:				
Income (loss)from continuing operations	$ 0.01	$ 0.02	$ 0.05	$ (0.04)
Net income (loss)	$ 1.29	$ 0.17	$ 0.16	$ (0.14)

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Magnetek, Inc.

We have audited the accompanying consolidated balance sheets of Magnetek, Inc. as of June 30, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Magnetek, Inc. at June 30, 2001 and 2000 and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Nashville, Tennessee
August 10, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended July 1, 2001

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10233

MAGNETEK, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**95-3917584** (I.R.S. Employer Identification No.)
10900 Wilshire Boulevard, Suite 850 **Los Angeles, California** (Address of Principal Executive Offices)	**90024** (Zip Code)

Registrant's telephone number, including area code: (310) 208-1980
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant (based on the closing price of such stock, as reported by the New York Stock Exchange, on September 21, 2001) was $200,904,189.

The number of shares outstanding of the Registrant's Common Stock, as of September 21, 2001 was 22,627,047 shares, including 100,000 treasury shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Magnetek, Inc. 2001 Annual Report for the year ended July 1, 2001 are incorporated by reference into Part II of this Form 10-K. With the exception of those portions which are expressly incorporated by reference in the Annual Report on Form 10-K, the Magnetek, Inc. 2001 Annual Report is not deemed filed as part of this Report.

Portions of the Magnetek, Inc. definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended July 1, 2001 are incorporated by reference into Part III hereof.

MAGNETEK, INC.

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 30, 2001[1]

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[1] The Company uses a 52-53 week fiscal year which ends on the Sunday nearest June 30. For clarity of presentation, all periods are presented as if the year ended on June 30. Fiscal year 2001 contained 52 weeks, fiscal year 2000 contained 53 weeks and fiscal year 1999 contained 52 weeks.

PART I

ITEM 1. BUSINESS.

GENERAL

Magnetek, Inc. ("Magnetek" or the "Company") supplies digital power products used in information technology and industrial/instrumentation markets. These products usually take the form of sub-systems. They are sold directly or through agents to original equipment manufacturers ("OEMs") for incorporation into their products, to system integrators and value-added resellers ("VARs") for assembly and installation in telecommunications and other end-user systems, and to distributors for resale to OEMs, contractors and end users for repair and replacement purposes. Founded in 1984 and listed on the New York Stock Exchange in 1989 (NYSE: MAG), Magnetek operates five factories in North America and two in Europe and employs approximately 1,800 people worldwide. The Company operates in a single segment called Digital Power Products, which includes two broad product lines, Power Controls and Motion Controls.

Digital Power Products

General. Magnetek ranks among the world's 15 largest independent makers of OEM power supplies. It is an acknowledged innovator in analog-to-digital power electronic sub-system design, heat reduction technology and the application of microprocessors and micro-controllers in digital power products. International sales accounted for 33% of net sales in fiscal 2001. IBM accounted for 13% of the Company's sales in fiscal 2001.

Power Controls. Power control products accounted for 64% of the Company's net sales in fiscal 2001. They include: AC-to-DC switching power supplies; AC-to-DC rectifiers/battery chargers; DC-to-DC power converters; DC-to-AC power inverters; peripheral component interconnects ("PCIs"); and voltage regulator modules ("VRMs"). These power controls are used primarily in telecommunications, data-processing, data-communications, data-storage, networking, imaging, laser processing, and power generation equipment, as well as medical instrumentation and home appliances. The Company's power control products also include engineering, furnishing and installation of telecommunications power systems and accessories built by J-Tec, Inc. and ADS Power Resources, acquired by the Company in November 2000 and March 2001, respectively. Principal customers include IBM, Siemens, ItalTel, Qwest, Alcatel, Nokia, United Technologies, Kodak, Xerox, Ericsson, International Fuel Cell and LeRoy Somer.

Motion Controls. Motion control products accounted for 36% of the Company's net sales in fiscal 2001, including sales of the Company's Standard Drives product line, which was divested in January 2001. Magnetek's motion control products consist primarily of programmable power supplies that control motor speed. They include alternating ("AC") and direct current ("DC") variable-frequency motor drives ("VFDs"), reduced-voltage motor starters, and related software products. VFDs are utilized in a wide range of applications, including industrial automation and materials handling, commercial heating, ventilating and air conditioning. In addition, the Company supplies VFDs and related software and accessories for controlling overhead cranes and hoists. Principal customers include American Standard, Joy Manufacturing and Morris Material Handling, as well as the world's leading elevator builders and most of the industrial crane and hoist companies in North America.

Backlog. Backlog as of June 30, 2001 was $75.2 million versus $94.1 million at the end of fiscal 2000. The decreased backlog reflects the Company's sale of its Standard Drives business and generally slower demand within telecommunications markets.

Competition. Magnetek's primary competitors include Delta Electronics, Emerson/Astec/APS, Artesyn Technologies, Invensys/Lambda, Power-One, Celestica, Peco II, Vicor, Basler and Toshiba. Some of these companies have substantially greater resources than Magnetek.

Competitive Strengths

Management believes that Magnetek benefits most from competitive advantages in the following areas:

Technological Capabilities. Magnetek emphasizes and leverages its ability to provide custom-designed and customized solutions for power and motion control applications through power-electronic (digital) technology. The Company recruits top talent from universities that stress power electronics in their curricula, and its technical personnel possess substantial exper-

tise in disciplines central to digital power systems. These include: mixed-signal (analog-to-digital) design; heat reduction technology; and the application of microprocessors and micro-controllers to power products.

Customer Relationships. Magnetek has established long-term relationships with major manufacturers of data-processing and telecommunications equipment and systems, business machines, medical electronics, power generators and fuel cells, cranes and hoist, mining equipment and elevators, among others. The Company believes that these long-term relationships have resulted from: its responsiveness, its readiness to meet special customer needs, based on innovative technology; the quality and cost-effectiveness of its products; its commitment to stand behind its products; and its after-sale service. Maintenance and development of close relationships with OEMs, VARs and distributors are important strategic priorities of the Company.

State-of-the-Art Manufacturing. Magnetek competes as a high-quality, cost-effective supplier of digital power subsystems that are incorporated into customers' products and systems. The Company has taken steps to enhance its competitive position by locating new production facilities in low-cost labor areas, implementing demand-flow and cellular manufacturing techniques, and investing in state-of-the-art manufacturing capabilities, such as surface-mount machinery and advanced electronic test equipment, to enhance its product quality and reliability.

Market Channels and Product Breadth. Magnetek's North American and European networks of agents, distributors and VARs have been developed over many years, would be difficult and expensive to duplicate, and constitute a valuable asset. Magnetek provides a broad diversity of products in each of its product lines. Since product scope is an important consideration of customers in their selection of suppliers, the Company's breadth of product offerings has been an advantage in penetrating and maintaining both OEM relationships and channel partnerships.

Restructuring and Current Strategy

Since the mid-1990s, Magnetek has undertaken a series of strategic initiatives to strengthen its financial position and improve its competitiveness. A number of businesses have been divested (Standard Drives, Lighting and Transformers in 2001, Motors and Generators in 1999), resulting in total gross proceeds over the last five years of more than $650 million, which were applied to reduce indebtedness, repurchase Company stock, and make selective product-line acquisitions. The Company will continue to expand its portfolio of products through research and development as well as acquisitions in niche areas that complement existing technologies.

Major achievements and goals of Magnetek's restructuring and current business strategy are as follows:

Reduction of Balance Sheet Leverage. From the end of fiscal 1994 to the end of fiscal 2001, Magnetek reduced its Debt-to-Shareholders' Equity ratio from 4.6:1 to essentially becoming debt-free by using proceeds from business divestitures and internally generated cash flow and forcing conversion of outstanding convertible debt securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Company's 2001 Annual Report.

Increased Emphasis on Digital Power Products. In coming periods Magnetek seeks to: improve the profitability and cash flow generating capability of its operations under delivered conditions; strengthen its product offerings through internal development and selected product line additions; and concurrently, grow and diversify in the digital power products business. Magnetek believes that attractive growth opportunities exist in the digital power products industry in North America, especially in applications where Magnetek has achieved substantial market positions in Europe.

International Operations

International sales accounted for 33% of Magnetek's net revenues in fiscal 2001. The Company defines international sales as sales of products manufactured by its facilities outside the U.S. that are sold outside of the U.S., as well as sales of products manufactured in the U.S. to purchasers outside of the U.S. In Europe the Company operates two manufacturing facilities, one in Italy and one in Hungary, and employs approximately 1,100 people.

Suppliers and Raw Materials

Virtually all materials and components purchased by the Company are available from multiple suppliers. During fiscal 2001, raw materials purchases accounted for approximately 68% of the Company's cost of sales. Production of digital power products depends heavily on various electronic components. The Company seeks to obtain competitive pricing on these raw materials by utilizing multiple suppliers available to its North American and European operations, leveraging its combined purchasing requirements, and utilizing internet sources when appropriate.

Based on analyses of the costs and benefits of its level of vertical integration, Magnetek is continuing to increase its outsourcing of certain materials and component parts that were previously produced internally.

Research and Development

Magnetek's Research and Development activities, which are conducted primarily at advanced development centers in Valdarno, Italy, Chatsworth, California and Menomonee Falls, Wisconsin, are directed toward developing new products, improving existing products and customizing or modifying products to meet customers' specific needs. Total research and development expenditures were approximately $9.4 million, $8.1 million and $11.0 million, respectively, for the 2001, 2000 and 1999 fiscal years.

Trademarks and Patents

The Company holds numerous patents and believes that it holds all of the patent, trademark and other intellectual property rights necessary to conduct its business.

Employees

As of September 1, 2001, the Company had approximately 600 salaried employees and approximately 1,200 hourly employees, of whom approximately 800 were covered by collective bargaining agreements with various unions. The Company believes that its relationships with its employees are favorable.

Environmental Matters

General. The Company has from time to time discovered contamination by hazardous substances at certain of its facilities. In response, the Company conducts remediation activities to bring its facilities into compliance with applicable laws and regulations. The Company's remediation activities for fiscal 2001 did not involve material expenditures, and the Company does not expect its expenditures for fiscal 2002 to be material. The Company has also been identified by the United States Environmental Protection Agency and certain state agencies as a potentially responsible party for cleanup costs associated with alleged past waste disposal practices at several facilities and offsite locations. Its remediation activities as a potentially responsible party were not material for fiscal 2001 and are not expected to be material for fiscal 2002. Although the materiality of future expenditures for environmental activities may be affected by the level and type of contamination, the extent and nature of cleanup activities required by governmental authorities, the nature of the Company's alleged connection to the contaminated property, the number and financial resources of other potentially responsible parties, the availability of indemnification rights against third parties and the identification of additional contaminated sites, the Company's estimated share of liability, if any, for environmental remediation is not expected to be material.

The Company is frequently named, along with numerous other defendants, in asbestos-related lawsuits. While the outcome of these cases cannot be predicted with certainty, the Company is aggressively seeking to be dismissed from them and does not believe they will have a material adverse effect on its finances or operations, since it has never produced asbestos-containing products and is either contractually indemnified from or believes that it is not liable for these asbestos-related claims, all of which arise from business operations it acquired and no longer owns.

In connection with certain divestitures, the Company has agreed, from time to time, to indemnify buyers with respect to environmental liabilities associated with the divested operations, subject to various conditions and limitations. Expenditures related to the Company's indemnification obligations were not material in fiscal 2001 and are not expected to be material in fiscal 2002. Although future expenditures pursuant to such indemnification obligations could be material, depending upon the extent and nature of subsequently discovered contamination, the Company does not expect its obligations to require material expenditures.

Century Electric (McMinnville, Tennessee). Prior to the Company's purchase of Century Electric, Inc. ("Century Electric") in 1986, Century Electric acquired a business from Gould Inc. ("Gould")in May 1983 that included a leasehold interest in a fractional horsepower electric motor manufacturing facility located in McMinnville, Tennessee. In connection with this acquisition, Gould agreed to indemnify Century Electric from and against liabilities and expenses arising out of the handling and cleanup of certain waste materials, including but not limited to cleaning up any polychlorinated biphenyls ("PCBs") at the McMinnville facility (the "1983 Indemnity"). Investigation has revealed the presence of PCBs and other substances, including solvents, in the soil and in the groundwater underlying the facility and in certain offsite soil, sediment and biota samples.

Century Electric notified the Tennessee Department of Environment and Conservation, Division of Superfund, of the test results from its investigation and the McMinnville plant is listed as a Tennessee Inactive Hazardous Waste Substance Site. A report on the site was presented to the Tennessee legislature and community officials and plant employees were notified of the presence of contaminants at the McMinnville facility. In 1995, Gould completed an interim remedial excavation and disposal of onsite soil containing PCBs. Gould also conducted a preliminary investigation and cleanup of certain onsite and offsite contamination. The cost of any further investigation and cleanup of onsite and offsite contamination cannot presently be determined, but the Company believes such costs (including ancillary costs) are covered by the 1983 Indemnity. The Company sold its leasehold interest in the McMinnville plant and while the Company believes that Gould will continue to perform substantially under its indemnity obligations, Gould's substantial failure to perform such obligations could have a material adverse effect on the Company.

Effect of Fruit of the Loom Bankruptcy. The Company acquired the stock of Universal Manufacturing Company ("Universal") from a predecessor of Fruit of the Loom ("FOL"), and the predecessor agreed to indemnify the Company against certain environmental liabilities arising from Universal's pre-acquisition activities. Environmental liabilities covered by the indemnification agreement include completion of additional cleanup activities, if any, at the Bridgeport, Connecticut facility (recently sold in connection with the sale of the Transformer business)and defense and indemnification against liability related to offsite disposal locations where Magnetek may have a share of potential response costs. FOL filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code and the Company filed a proof of claim in the proceeding for obligations related to the environmental indemnification agreement. While the Company believes that FOL has substantially completed the clean-up obligations required by the indemnification agreement, its ability to set aside any remaining obligations through bankruptcy or the discovery of additional environmental contamination at the Bridgeport facility could have an adverse effect on the Company.

Cautionary Statement

This document contains "forward-looking statements," as defined on the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties which, in many cases, are beyond the control of the Company. These include but are not limited to economic conditions in general, business conditions in telecommunications and electronic equipment markets, competitive factors such as pricing and technology, and the risk that the Company's ultimate costs of doing business exceed present estimates.

In addition, the Company's results of operations could be adversely affected by general business and legal risks, as well as the following specific risks.

Competition and Pricing Pressures. Magnetek operates in an intensely competitive environment, and certain of its competitors are significantly larger and have substantially greater resources than the Company. Certain of such companies are seeking to employ competitive and management strategies similar to those of Magnetek. As a result, Magnetek's competitive standing may be expected to vary from time to time and among different markets.

Dependence on Significant Customers. Magnetek's sales to its top five customers represented approximately 25% of its net sales in fiscal 2001. The loss of any such customers or significant decreases in any such customer's levels of purchases from Magnetek could have a material adverse effect on the Company's business.

Sensitivity to General Economic and Industry Conditions. Magnetek's markets are cyclical in nature and subject to general trends in the economy. Profitability and cash flow availability could be adversely affected by any prolonged economic downturn.

International Sales and Operations; Foreign Currency Exposure. International sales, including sales from domestic operations, accounted for approximately 33% of Magnetek's net sales in fiscal 2001. As a result of its international sales and operations, the Company is subject to the risk of fluctuation in currency exchange rates. Further, Magnetek's international operations are subject to risks associated with changes in local economic and political conditions, currency exchange restrictions, regulatory requirements and taxes.

Environmental Matters. Magnetek has from time to time discovered contamination by hazardous substances at certain of its facilities and in selling certain business operations. The Company has agreed, in some instances, to provide indemnification against environmental liabilities associated with divested operations.

Raw Materials. Magnetek's raw material costs represented approximately 51% of its net sales in fiscal 2001. The principal materials used by the Company are electronic components. Unanticipated increases in raw material requirements or price increases would increase production costs and adversely affect profitability.

Acquisitions. Magnetek's business strategy calls for growth and diversification in the digital power products business. Pursuing acquisition opportunities and attempting to integrate and manage acquired businesses requires significant resources, including management time and skill, and these efforts may detract from the management or operation of other businesses. Additionally, acquired businesses may not perform as expected, thereby causing Magnetek's actual growth or operating results to suffer.

ITEM 2. PROPERTIES.

Magnetek's headquarters and each of its manufacturing facilities for the continuing operations of the Company are listed below, each of which is leased, except for Valdarno, Italy.`

Location	Lease Term	Approximate Size (Sq. Ft.)	Principal Use
Chatsworth, California	2003	48,000	Power supply manufacturing
Dallas, Texas	2005	101,000	Telecom systems manufacturing
Greenville, Ohio	2003	16,000	Telecom systems manufacturing
Los Angeles, California	2005	5,000	Corporate headquarters
Menomonee Falls, Wisconsin	2004	74,000	Industrial controls manufacturing
New Berlin, Wisconsin	2002	38,000	Industrial controls manufacturing
Pomaz, Hungary	2006, 2007	44,000	Power supply and ballast manufacturing
Valdarno, Italy	—	183,000	Power supply manufacturing

The Company believes its facilities are in satisfactory condition and are adequate for its present operations.

ITEM 3. LEGAL PROCEEDINGS.

Product Liability

The Company is a party to a number of product liability lawsuits, many of which involve fires allegedly caused by defective ballasts. All of these cases are being defended by the Company, and management believes that its insurers will bear all liability, except for applicable deductibles, and that none of these proceedings individually or in the aggregate will have a material effect on the Company.

Patent

In April 1998, Ole K. Nilssen filed a lawsuit in the U.S. District Court for the Northern District of Illinois alleging infringement by the Company of seven of his patents pertaining to electronic ballast technology. Nilssen seeks unspecified damages and injunctive relief to preclude the Company from making, using or selling products allegedly infringing his patents. The Company denies that any of its products infringe any valid patent and has filed a response asserting its affirmative defenses, as well as a counterclaim for a judicial declaration that its products do not infringe the patents asserted by Nilssen and also that the asserted patents are invalid. The Company intends to vigorously defend against Nilssen's claims and although it cannot predict the outcome of the lawsuit, management does not believe that the financial impact of this matter will be material.

In October 2000, the Company, along with 90 other companies engaged in the power electronics and related industries, was named as a defendant in a patent infringement lawsuit filed in the United States District Court in Arizona by the Lemelson Medical, Education and Research Foundation Limited Partnership ("Lemelson"). The defendants include manufacturers and suppliers of electronic or semiconductor products or products incorporating semiconductor products. Although the Company continues to deny that it makes, uses or sells any product that infringes a valid patent held by Lemelson, in June 2001 a settlement was reached and Lemelson submitted a request for dismissal with prejudice of all claims against the Company.

In March 2001, the Company was named as the defendant in a lawsuit filed by VLT, Inc. and Vicor Corporation in the United States District Court of Massachusetts. Plaintiffs allege that the Company is infringing a reissue patent owned by VLT and assigned and licensed to Vicor. Plaintiffs seek a judgment that the Company willfully infringed the patent, an injunction against further infringement and unspecified damages, as well as attorney's fees. The Company denies that it has or is infringing any valid patent owned by Plaintiff and has filed a response, alleging various affirmative defenses. The Company intends to vigorously defend against this lawsuit and although the outcome of this litigation cannot be predicted, the Company does not believe it will have a material adverse effect on the Company's finances or operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to the stockholders of the Company during the quarter ended June 30, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The following table sets forth the high and low sales prices of the Company's Common Stock during each quarter of fiscal 2000 and 2001:

Quarter Ending	High	Low
September 30, 2000	11 7/8	7 9/16
December 31, 2000	14 7/8	9 15/16
March 31, 2001	13 3/5	9
June 30, 2001	13 1/5	8 9/20
September 30, 1999	11 5/8	8 13/16
December 31, 1999	9 3/8	6 1/8
March 31, 2000	9 7/8	7 1/4
June 30, 2000	9 1/8	7 3/16

The Company's Common Stock is traded on the New York Stock Exchange under the ticker symbol "MAG." As of September 21, 2001 there were 246 record holders of its Common Stock. No cash dividends have been paid on the Common Stock.

Magnetek has not paid any cash dividends on its Common Stock and does not anticipate paying cash dividends in the near future. The ability of the Company to pay dividends on its Common Stock is restricted by provisions in the Company's 1997 bank loan agreement, which provides that the Company may not declare or pay any dividend or make any distribution with respect to its capital stock except for the repurchase of up to a specified dollar amount of the Company's Common Stock so long as no event of default exists. On September 17, 2001, the Board of Directors approved the repurchase of up to 2.26 million shares of the Company's Common Stock.

On March 2, 2001, the Company issued an aggregate of 597,691 shares of the Company's Common Stock to the shareholders of ADS Power Resource, Inc. ("ADS") in a privately negotiated transaction involving fewer than 35 persons as part of the merger consideration in connection with the acquisition by Magnetek of ADS. The Company's Common Stock issued in the merger are "restricted securities" for purposes of Rule 144 under the Securities Act and each certificate representing any of such shares states on its face that it represents stock that has not been registered under the Securities Act and is not freely transferable.

ITEM 6. SELECTED FINANCIAL DATA.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information called for by Part II, Items 6, 7 and 8 is hereby incorporated by reference to the Management's Discussion and Analysis of Financial Condition and Results of Operations, the Financial Statements and the Report of Ernst & Young LLP, Independent Auditors, of the Company's 2001 Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Executive Officers of the Registrant

The following table sets forth certain information regarding the current executive officers of the Company.

Name	Age	Position
Andrew G. Galef	68	Chairman of the Board of Directors, President and Chief Executive Officer
Antonio Canova, Ph.D.	59	Executive Vice President
Alfred T. Champion	54	Executive Vice President
Alexander Levran, Ph.D.	51	Senior Vice President, Technology
Richard L. Pratt	46	Executive Vice President
David P. Reiland	47	Senior Vice President and Chief Financial Officer
John P. Colling, Jr.	45	Vice President and Treasurer
Thomas R. Kmak	51	Vice President and Controller
Tina D. McKnight	43	Vice President, General Counsel and Secretary

Mr. Galef has been the Chairman of the Board of Directors since July 1984 and the President and Chief Executive Officer since May 4, 1999, and also served as Chief Executive Officer of the Company from September 1993 until June 1996. He has been President of The Spectrum Group, Inc. ("Spectrum"), a private investment and management firm, since its incorporation in California in 1978 and has served as Chairman and Chief Executive Officer of Spectrum since 1987. Prior to the formation of Spectrum, Mr. Galef was engaged in providing professional interim management services to companies with serious operating and financial problems. Mr. Galef was formerly a director of Warnaco Group, Inc., a diversified apparel manufacturer, and its parent, The Warnaco Group, Inc., and was formerly Chairman of Aviall, Inc., a company providing aircraft engine refurbishment and related products and services, and Exide Corporation, a manufacturer of automotive and industrial batteries. Mr. Galef is also a former director and Chairman of Petco Animal Supplies, Inc. In addition, Mr. Galef serves as a chairman or a director of other privately held Spectrum portfolio companies.

Dr. Canova has been Executive Vice President, with responsibility for the Company's power electronics business since October 1993. He has served as Managing Director of Magnetek S.p.A. in Italy since March 1991. Prior to that, Dr. Canova was the Managing Director of Plessey S.p.A. from 1988 until March 1991 when Plessey S.p.A. was acquired by the Company. From 1969 to 1988, Dr. Canova served as General Manager of Plessey S.p.A.

Mr. Champion joined the Company in October 2000 as Executive Vice President of Marketing and Strategy. Prior to joining the Company, Mr. Champion was the Director of Business Development with Teleflex, Inc., from 1994 until October 2000 and Director of Strategic Business Development for the Communications Systems Division of GTE from 1991 to 1993. Mr Champion has also

served as Manager of Strategic Business Development for Raytheon Company and Raytheon Engineering from 1985 to 1991 and prior to that was a Senior Management Consultant with Arthur D. Little, Inc. Mr. Champion holds an MBA with a specialty in International Business and Marketing from the University of Cape Town, South Africa, as well as an MS degree from the University of Natal, South Africa.

Dr. Levran has been Senior Vice President, Technology since January 1995 and was Vice President, Technology from July 1993 until January 1995. Prior to joining the Company, Dr. Levran was Vice President of Engineering and Technology for EPE Technologies, Inc., a subsidiary of Groupe Schneider, from 1991 to June 1993. From 1981 to 1991, Dr. Levran held various engineering management positions with Teledyne Inet, a subsidiary of Teledyne, Inc., most recently as Vice President of Engineering. Dr. Levran received his Ph.D. in electrical engineering from the Polytechnic Institute of New York in 1981.

Mr. Pratt has been Executive Vice President of the Industrial Automation business since November of 2000 and has been responsible for the Company's telecom business divisions since the acquisitions of J-Tec during the second quarter of fiscal 2001 and ADS Power Resource Inc. during the third quarter of fiscal 2001. He joined the Company in 1999 with the acquisition of the EMS group of companies, which he founded in 1985 and where he served as Chairman of the Board and Chief Executive Officer. Mr. Pratt was named Vice President of Sales and Marketing for the Company's consolidated Drives & Systems group in 2000 and later that year became President and General Manager of the Company's Drives & Systems group based in New Berlin, Wisconsin.

Mr. Reiland has been Senior Vice President since July 1996 and Chief Financial Officer of the Company since July 1988. Mr. Reiland was also an Executive Vice President of the Company from July 1993 until July 1996 and Senior Vice President from July 1989 until July 1993. He was Controller of the Company from August 1986 to October 1993, and was Vice President, Finance from July 1987 to July 1989. Prior to joining the Company, Mr. Reiland was an Audit Manager with Arthur Andersen & Co. where he served in various capacities since 1980.

Mr. Colling has been Vice President of the Company since July 1990, Treasurer of the Company since June 1989 and was Assistant Treasurer of the Company from July 1987 to June 1989. Prior to that, Mr. Colling was the Assistant Treasurer of Century Electric, where he served in various capacities since August 1981.

Mr. Kmak has been Vice President of the Company since October 1993, Controller since November 1994 and Operations Controller from October 1993 to November 1994. Mr. Kmak was the Vice President, Finance of the Company's Motors and Controls business from November 1986 until July 1992 and served as Vice President, Operational Finance of the Company's Motors and Controls business from July 1992 until October 1993. Prior to the that, Mr. Kmak was with Century Electric, which was acquired by the Company in 1986, serving in various capacities.

Ms. McKnight joined the Company in September 2000 as Vice President, General Counsel and Secretary. Prior to joining the Company, Ms. McKnight was Vice President and Assistant General Counsel of creditcards.com from 1999 to 2000 and Vice President, Senior Counsel and Assistant Secretary of Great Western Bank from 1990 to 1999. Ms. McKnight was an attorney with the law firms of Brobeck, Phleger & Harrison in Los Angeles, California from 1987 until 1990 and with Peterson, Ross, Schloerb & Seidel in Los Angeles, California from 1985 until 1987.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information called for by Part III, Items 10, 11, 12 and 13, is hereby incorporated by reference to the Company's definitive Proxy Statement to be mailed to Stockholders in October 2001, except for information regarding the Executive Officers of the Company, which is provided in response to Item 10, above.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) Index to Consolidated Financial Statements, Consolidated Financial Statement Schedules and Exhibits:

	EDGARized Form 10-K Page	Annual Report to Stockholders Page
1. Consolidated Financial Statements		
Consolidated Statements of Income for Years Ended June 30, 2001, 2000 and 1999	–	10
Consolidated Balance Sheets at June 30, 2001 and 2000	–	11
Consolidated Statements of Stockholders' Equity for Years Ended June 30, 2001, 2000 and 1999	–	13
Consolidated Statements of Cash Flows for Years Ended June 30, 2001, 2000 and 1999	–	14
Notes to Consolidated Financial Statements	–	15
Report of Ernst & Young LLP, Independent Auditors	–	32
2. Consolidated Financial Statement Schedule		
Report of Ernst & Young LLP, Independent Auditors	S-1	51
Schedule II — Valuation and Qualifying Accounts	S-2	52

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and related notes.

EDGARized Form 10-K Page	Annual Report to Stockholders Page
10	43

3. Exhibit Index

The following exhibits are filed as part of this Annual Report Form 10-K, or are incorporated herein by reference. Where an exhibit is incorporated by reference, the number which precedes the description of the exhibit indicates the documents to which the cross-reference is made.

Exhibit Number		Description of Exhibit
3.1	(1)	Restated Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on November 21, 1989.
3.2	(2)	By-laws of the Company, as amended and restated.
4.1	(3)	Specimen Common Stock Certificate.
10.1	(4)	1987 Stock Option Plan of Magnetek, Inc. (“1987 Plan”).
10.2	(5)	Amendments No. 1 and 2 to 1987 Plan.
10.3	(6)	Amendments No. 3 and 4 to 1987 Plan.
10.4	(7)	Amendment No. 5 to 1987 Plan.
10.5	(8)	Second Amended and Restated 1989 Incentive Stock Compensation Plan of Magnetek, Inc. (“1989 Plan”).
10.6	(7)	Amendment No. 1 to 1989 Plan.
10.7	(7)	Standard Terms and Conditions Relating to Non-Qualified Stock Options, revised as of July 24, 1996, pertaining to the 1987 Plan and the 1989 Plan.
10.8	(7)	Form of Non-Qualified Stock Option Agreement Pursuant to the Second Amended and Restated 1989 Incentive Stock Compensation Plan of the Company.
10.9	(9)	Magnetek, Inc. 1997 Non-Employee Director Stock Option Plan (the “DSOP”).
10.10	(10)	First Amendment to the DSOP dated as of July 26, 2000.
10.11	(6)	1991 Discretionary Director Incentive Compensation Plan of the Company.
10.12	(11)	1999 Stock Incentive Plan of the Company (the “1999 Plan”).
10.13	(11)	2000 Employee Stock Plan of the Company (the “2000 Plan”).
10.14	(7)	Form of Restricted Stock Agreement Pursuant to the Second Amended and Restated 1989 Incentive Stock Compensation Plan of the Company.
10.15	(11)	Standard Terms and Conditions Relating to Non-Qualified Stock Options, effective as of October 19, 1999, pertaining to the 1999 Plan and the 2000 Plan.

Exhibit Number		Description of Exhibit
10.16	(12)	Form of Rights Agreement dated as of March 4, 1997 by and between the Company and The Bank of New York, as Rights Agent, as amended and restated as of February 2, 2000.
10.17	(13)	Magnetek, Inc. Amended and Restated Director Compensation and Deferral Investment Plan.
10.18	(14)	Non-Qualified Stock Option Agreement between the Company and David P. Reiland.
10.19	(5)	Registration Rights Agreement dated as of April 29, 1991 among the Company, Andrew G. Galef, Frank Perna, Jr. and the other entities named therein.
10.20	(7)	Registration Rights Agreement dated as of June 28, 1996 by and between the Company and U.S. Trust Company of California, N.A.
10.21	(15)	Executive Management Agreement dated as of July 1, 1994, by and between the Company and The Spectrum Group, Inc.
10.22	(16)	Amendment dated as of January 25, 1995 to the Executive Management Agreement between the Company and The Spectrum Group, Inc.
10.23	(17)	Amendment No. 1 to the Executive Management Agreement dated as of June 30, 2000 between the Company and The Spectrum Group, Inc.
10.24	(18)	Change of Control Agreement dated October 20, 1998 between Antonio Canova and the Company.
10.25	(18)	Change of Control Agreement dated October 20, 1998 between Brian R. Dundon and the Company.
10.26	(18)	Change of Control Agreement dated October 20, 1998 between Alexander Levran and the Company.
10.27	(18)	Change of Control Agreement dated October 20, 1998 between David P. Reiland and the Company.
10.28	(18)	Change of Control Agreement dated October 20, 1998 between John P. Colling, Jr. and the Company.
10.29	(18)	Change of Control Agreement dated October 20, 1998 between Thomas R. Kmak and the Company.
10.30	(10)	Change of Control Agreement dated November 1, 2000 between Timothy Champion and the Company.
10.31	(19)	Change of Control Agreement dated November 1, 2000 between Tina McKnight and the Company.
10.32	(20)	Environmental Agreement among the Company, Universal Manufacturing Corporation and Farley Northwest Industries, Inc., as amended.

Exhibit Number		Description of Exhibit
10.33	(20)	Letter of Agreement dated as of January 9, 1986 between the Company and Farley Northwest Industries, Inc., pursuant to Stock Purchase Agreement.
10.34	(20)	Tax Agreement dated as of February 12, 1986 between the Company and Farley Northwest Industries, Inc.
10.35	(20)	Agreement dated as of January 9, 1986 between the Company and Farley/Northwest Industries, Inc. relating to the Totowa facility.
10.36	(21)	Restated Credit Agreement dated as of June 20, 1997 between the Company, as Borrower, NationsBank of Texas, N.A., as Agent, CIBC Inc., The First National Bank of Chicago, The Long-Term Credit Bank of Japan, Ltd., Bankers Trust Company, Credit Lyonnais — New York Branch, and Union Bank of California, N.A., as Co-Agents, and Certain Lenders (the “Restated Credit Agreement”).
10.37	(21)	Guaranty dated as of December 29, 1996 by Magnetek Financial Services, Inc., as Guarantor, for the benefit of NationsBank, in its capacity as Agent for the Lenders now or in the future party to the Credit Agreement dated as of March 31, 1995 between the Company, certain lenders and NationsBank (the “1995 Credit Agreement”).
10.38	(21)	Security Agreement dated as of December 29, 1996 by the Company and Magnetek Financial Services, Inc. for the benefit of NationsBank, in its capacity as Agent for the Lenders now or in the future party to the 1995 Credit Agreement.
10.39	(21)	Security Agreement dated of March 31, 1995 by the Company and the other debtors party thereto for the benefit of NationsBank, in its capacity as Agent for the Lenders now or in the future party to the 1995 Credit Agreement (the “1995 Security Agreement”).
10.40	(21)	Supplement to Security Agreement dated as of March 31, 1995 between the Company and NationsBank, in its capacity as Agent for the Lenders now or in the future party to the 1995 Credit Agreement, with reference to the 1995 Security Agreement.
10.41	(22)	First Amendment dated as of March 27, 1998 to the Restated Credit Agreement.
10.42	(17)	Second Amendment dated as of March 26, 1999 to the Restated Credit Agreement.
10.43	(17)	Third Agreement dated as of July 30, 1999 to the Restated Credit Agreement.
10.44	(11)	Fourth Amendment dated as of September 28, 1999 to the Restated Credit Agreement.
10.45	(23)	Fifth Amendment dated as of May 15, 2000 to the Restated Credit Agreement.
10.46	(23)	Sixth Amendment dated as of January 29, 2001 to the Restated Credit Agreement.
10.47	(23)	Seventh Amendment dated as of May 25, 2001 to the Restated Credit Agreement.

STOCKHOLDER INFORMATION

10-K Report

Magnetek's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, is available upon request without charge. To receive a copy, direct your request to:

Investor Relations Department

Magnetek, Inc.
26 Century Blvd.
Suite 600
Nashville TN, 37214-4602
Telephone: 1-615-316-5261
Web Site Address: http://www.magnetek.com

Annual Stockholders' Meeting

Magnetek's fiscal 2001 stockholders' meeting will be held on Wednesday, October 31st at 10:00 a.m. Eastern Standard Time at The Financial Relations Board, 640 Fifth Avenue, New York City. Meeting audio and visuals will be Webcast simultaneously on StreetFusion <http://www.streetfusion.com>; those without access to internet audio can listen to the proceedings by phoning 303/224-6999.

Stockholders' Information

The following table sets forth the high and low sales prices of the Company's Common Stock on the New York Stock Exchange during each quarter of fiscal 2001.

Quarter Ending	High	Low
September 30, 2000	11 7/8	7 9/16
December 31, 2000	14 7/8	9 15/16
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June 30, 2001	13 1/5	8 9/20

The Company's Common Stock is listed on the New York Stock Exchange under the ticker symbol "MAG." As of the date of this Annual Report there were approximately 246 direct accounts holding Common Stock. No dividends have been paid on the Common Stock. The Registrar and Transfer Agent for the Common Stock is The Bank of New York. Telephone inquiries: 1-800-524-4458.

Magnetek, Inc.
10900 Wilshire Boulevard, Suite 850
Los Angeles, CA 90024

Exhibit Number		Description of Exhibit
10.48	(23)	Eighth Amendment dated as of May 25, 2001 to the Restated Credit Agreement.
10.49	(17)	Lease on Chatsworth, California facility dated May 22, 1997.
10.50	(17)	Lease on Los Angeles, California facility dated June 5, 2000.
10.51	(17)	Lease on Pomaz, Hungary facility.
10.52	(24)	Lease on Menomonee Falls, Wisconsin facility dated as of July 23, 1999.
10.53	(25)	Asset Purchase Agreement dated as of April 26, 1999 between the Company and Emerson Electric Co.
10.54	(26)	Asset Purchase Agreement dated as of June 28, 1999 by and among the Company, Magnetek Service (U.K.), Limited and A.O. Smith Corporation.
10.55	(24)	Asset Purchase Agreement dated July 23, 1999 among the Company, Electric Motor Systems, Inc., Electromotive Systems, Inc., EMS/Rosa Automation Engineering, Inc., Robert G. Friedrich and Steven J. Badhinghaus.
10.56	(27)	Stock Purchase Agreement dated as of October 31, 2000 by and among the Company, J-Tec, Inc. and Ted W. Abney.
10.57	(27)	Escrow Agreement dated as of November 13, 2000 among the Company, Ted W. Abney and First Tennessee Bank National Association.
10.58	(19)	Asset Purchase Agreement dated as of January 29, 2001 by and among the Company and Yaskawa Electric America, Inc.
10.59	(28)	Agreement and Plan of Merger dated as of March 2, 2001 by and among the Company, ADS Acquisition Company, Inc., ADS Power Resource, Inc. ("ADS") and the ADS shareholders.
10.60	(28)	Registration Rights Agreement dated as of March 2, 2001 by and between the Company and each ADS shareholder.
10.61	(29)	Asset Purchase Agreement dated as of June 15, 2001 by and between the Company and Universal Lighting Technologies, Inc. ("ULT").
10.62	(29)	Stock Purchase Agreement dated as of June 15, 2001 by and among the Company, certain other persons listed as sellers, ULT and certain other persons listed as buyers.
10.63	(29)	Stock and Interest Purchase Agreement dated as of June 15, 2001 by and among the Company, certain other persons listed as sellers, ULT and certain other persons listed as buyers.
10.64	(23)	Asset Purchase Agreement dated as of June 29, 2001 between the Company and American Circuit Breaker Corporation.
13	(23)	2001 Annual Report (pp. 1-32).
23	(23)	Consent of Ernst & Young LLP, independent auditors.

(1) Previously filed with the Registration Statement on Form S-3 filed on August 1, 1991, Commission File No. 33-41854, and incorporated herein by this reference.

(2) Previously filed with Form 10-K for Fiscal Year ended July 2, 1995 and incorporated herein by this reference.

(3) Previously filed with Amendment No. 1 to Registration Statement filed on May 10, 1989 and incorporated herein by this reference.

(4) Previously filed with Form 10-K for Fiscal Year ended June 30, 1987 and incorporated herein by this reference.

(5) Previously filed with Form 10-K for Fiscal Year ended June 30, 1991 and incorporated herein by this reference.

(6) Previously filed with Form 10-K for Fiscal Year ended June 30, 1992 and incorporated herein by this reference.

(7) Previously filed with Form 10-K for Fiscal Year ended June 30, 1996 and incorporated herein by this reference.

(8) Previously filed with Form 10-Q for quarter ended December 31, 1994 and incorporated herein by this reference.

(9) Previously filed with the Registration Statement on Form S-8 filed on February 10, 1998, Commission File No. 333-45935, and incorporated herein by this reference.

(10) Previously filed with Form 10-Q for quarter ended September 30, 2000 and incorporated herein by this reference.

(11) Previously filed with Form 10-Q/A for quarter ended September 30, 1999 and incorporated herein by this reference.

(12) Previously filed with Form 8A/A dated March 7, 2000 and incorporated herein by this reference.

(13) Previously filed with the Registration Statement on Form S-8 filed on February 10, 1998, Commission File No.333-45939, and incorporated herein by this reference.

(14) Previously filed with Form 10-Q for quarter ended March 31, 1997 and incorporated herein by this reference.

(15) Previously filed with Form 10-Q for quarter ended March 31, 1994 and incorporated herein by this reference.

(16) Previously filed with Form 10-Q for quarter ended March 31, 1995 and incorporated herein by this reference.

(17) Previously filed with Form 10-K for fiscal year ended July 2, 2000 and incorporated herein by this reference.

(18) Previously filed with Form 10-Q for quarter ended December 31, 1998 and incorporated herein by this reference.

(19) Previously filed with Form 10-Q for quarter ended December 31, 2000 and incorporated herein by this reference.

(20) Previously filed with Amendment No. 1 to Registration Statement filed on February 14, 1986 and incorporated herein by this reference.

(21) Previously filed with Form 10-K for Fiscal Year ended June 30, 1997 and incorporated herein by this reference.

(22) Previously filed with Form 10-K for Fiscal Year ended June 30, 1998 and incorporated herein by this reference.

(23) Filed herewith.

(24) Previously filed with Form 10-K for Fiscal Year ended June 27, 1999 and incorporated herein by this reference.

(25) Previously filed with Form 8-K dated April 26, 1999 and incorporated herein by this reference.

(26) Previously filed with Form 8-K dated August 2, 1999 and incorporated herein by this reference.

(27) Previously filed with Form 8-K dated November 27, 2000 and incorporated herein by this reference.

(28) Previously filed with Form 8-K dated March 19, 2001 and incorporated herein by this reference.

(29) Previously filed with Form 8-K dated July 2, 2001 and incorporated herein by this reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 in the City of Nashville, State of Tennessee, on the 1st day of October, 2001.

Magnetek, Inc.
(Registrant)

/s/ ANDREW G. GALEF
Andrew G. Galef
Chairman of the Board of Directors,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ ANDREW G. GALEF Andrew G. Galef	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	October 1 2001
/s/ THOMAS G. BOREN Thomas G. Boren	Director	October 1, 2001
/s/ DEWAIN K. CROSS Dewain K. Cross	Director	October 1, 2001
/s/ PAUL J. KOFMEHL Paul J. Kofmehl	Director	October 1, 2001
/s/ FREDERICK D. LAWRENCE Frederick D. Lawrence	Director	October 1, 2001
/s/ MITCHELL I. QUAIN Mitchell I. Quain	Director	October 1, 2001
/s/ ROBERT E. WYCOFF Robert E. Wycoff	Director	October 1, 2001
/s/ DAVID P. REILAND David P. Reiland	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	October 1, 2001
/s/ THOMAS R. KMAK Thomas R. Kmak	Vice President and Controller (Principal Accounting Officer)	October 1, 2001

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We have audited the consolidated financial statements of Magnetek, Inc. as of June 30, 2001, and 2000 for each of the three years in the period ended June 30, 2001, and have issued our report thereon dated August 10, 2001 (incorporated by reference elsewhere in this Annual Report on Form 10-K). Our audits also included the financial statement schedule listed in Item 14(a) of this Annual Report on Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Nashville, Tennessee
August 10, 2001

SCHEDULE II

MAGNETEK, INC.
VALUATION AND QUALIFYING ACCOUNTS
Years ended June 30, 1999, 2000 and 2001

(amounts in thousands)

June 30, 1999	Balance at beginning of year	Additions charged to earnings	Deductions from Allowance	Other(a)	Balance at end of year
Allowance for doubtful receivables	$1,057	$3,062	($2,549)	($6)	$1,564
June 30, 2000					
Allowance for doubtful receivables	$1,564	$8,452	($7,132)	$415	$3,299
June 30, 2001					
Allowance for doubtful receivables	$3,299	$5,088	($2,172)	($980)	$5,235

(a) Represents primarily opening allowances for doubtful accounts balances of acquired/divested companies and foreign translation adjustments for the Company's foreign subsidiaries.

Board of Directors

Andrew G. Galef	*Chairman of the Board, President and Chief Executive Officer Magnetek, Inc.*
Thomas G. Boren	*Executive Vice President PG&E Corporation, and President and Chief Executive Officer, PG&E National Energy Group*
Dewain K. Cross	*Retired Senior Vice President, Finance Cooper Industries, Inc.*
Paul J. Kofmehl	*Retired Vice President and Group Executive, IBM*
Frederick D. Lawrence	*Retired*
Mitchell I. Quain	*Vice Chairman, ABN, AMRO*
Robert E. Wycoff	*Retired President, Altantic Richfield Company*

Corporate Officers

Andrew G. Galef	*Chairman of the Board of Directors, President and Chief Executive Officer*
Antonio Canova	*Executive Vice President*
Timothy Champion	*Executive Vice President, Marketing and Strategy*
Alexander Levran, Ph.D.	*Senior Vice President, Technology*
Richard Pratt	*Executive Vice President*
David P. Reiland	*Senior Vice President and Chief Financial Officer*
John P. Colling, Jr.	*Vice President and Treasurer*
Thomas R. Kmak	*Vice President and Controller*
Tina D. McKnight	*Vice President, General Counsel and Secretary*

STOCKHOLDER INFORMATION

10-K Report

Magnetek's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, is available upon request without charge. To receive a copy, direct your request to:

Investor Relations Department

Magnetek, Inc.
26 Century Blvd.
Suite 600
Nashville TN, 37214-4602
Telephone: 1-615-316-5261
Web Site Address: http://www.magnetek.com

Annual Stockholders' Meeting

Magnetek's fiscal 2001 stockholders' meeting will be held on Wednesday, October 31st at 10:00 a.m. Eastern Standard Time at The Financial Relations Board, 640 Fifth Avenue, New York City. Meeting audio and visuals will be Webcast simultaneously on StreetFusion <http://www.streetfusion.com>; those without access to internet audio can listen to the proceedings by phoning 303/224-6999.

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Los Angeles, CA 90024

GENERATING POWER

Sophisticated power inverters are required to turn DC power generated by fuel cells and other alternative energy sources into useful AC power. With nearly two million operating hours in the field, Magnetek is the world's leading developer and manufacturer of fuel cell power conditioners, such as this 200 kVA unit.

POWER IN THE HOME

"Smart Appliance Modules" are specialized power conditioners developed by Magnetek to save energy in appliances. As stand-alone units or integrated with appliance controls and sensors, they drive standard, single-speed AC motors at variable speeds in response to load, cutting energy consumption dramatically.

COMPUTING POWER

DC-DC converters, often called "bricks" or "tiles", are used in "distributed power architectures" to change DC power from one level to another. Board-mounted near points of load in computers and other electronic equipment, they convert output power from "front-end" converters or rectifiers to lower voltages.

MANUFACTURING POWER

Peripheral Component Interconnects, known as "PCI"s, provide multiple DC outputs from either AC or DC inputs. They are used to supply power for both function and logic in computerized and digitally controlled systems. Compact PCIs (cPCIs) are often ruggedized for use in industrial applications.

POWER IN MOTION

Based on advanced digital power technology, Magnetek's motion control family includes AC and DC elevator drives such as this, direct and remotely controlled drives and braking systems, for overhead cranes and hoists, mining machinery drives, and other specialized motor speed control systems.

COMMUNICATING POWER

Telecom power systems, like this 10,000-amp unit, incorporate modular rectifiers, controllers, circuit breakers and batteries designed to provide all the power needs of a particular system. They are prefabricated and well suited for central offices, enterprise networks or remote, stand-alone installations.

NETWORKING POWER

Switch-mode (or "switching") power supplies and rectifiers convert utility-grade AC into DC, usually 48-volt or 24-volt, which is conducted to points of use within electronic systems such as telecom switchers and routers. These modular "front end" power supplies feature the highest power density in the 600-1750 watt range.

IMAGING POWER

Magnetek develops custom power supplies for many applications, including business machines such as copiers and LCD projectors, and this unit for medical imaging. They are usually built into the equipment they energize and may provide multiple outputs of processed power to energize different functions.