FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

For the quarterly period ended June 29, 1996

OR

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

For the transition period from ____________ to ____________

Commission file number 0-19768

THE SCOTTS COMPANY
(Exact name of registrant as specified in its charter)

Ohio	31-1199481
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

14111 Scottslawn Road
Marysville, Ohio 43041
(Address of principal executive offices)
(Zip Code)

(513) 644-0011
(Registrant's telephone number, including area code)

No change
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

18,575,021	Outstanding at August 5, 1996
Common Shares, voting, no par value	

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THE SCOTTS COMPANY AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands except per share data)

	Three Months Ended		Nine Months Ended	
	July 1 1995	June 29 1996	July 1 1995	June 29 1996
Net sales	$ 229,028	$ 247,965	$ 563,139	$ 617,117
Cost of sales	120,515	133,122	297,925	332,671
Gross profit	108,513	114,843	265,214	284,446
Marketing	34,627	44,805	95,537	116,530
Distribution	35,714	32,748	80,733	77,939
General and administrative	7,344	7,785	20,308	24,811
Research and development	2,515	2,420	8,243	7,988
Amortization of goodwill and other intangibles	1,571	2,199	3,798	6,607
Other income	(511)	(291)	(185)	(886)
Unusual expenses	--	3,322	--	8,553
Income from operations	27,253	21,855	56,780	42,904
Interest expense	6,838	6,911	20,646	21,630
Income before income taxes	20,415	14,944	36,134	21,274
Income taxes	7,389	7,338	13,912	10,212
Net income	13,026	7,606	22,222	11,062
Preferred stock dividend	1,122	2,438	1,122	7,313
Income available to common shareholders	$ 11,904	$ 5,168	$ 21,100	$ 3,749
Income per common share (Note 7)	$ .55	$ .26	$ 1.09	$ .20
Common shares used in net income per common share computation	23,580	29,352	20,380	19,068

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended July 1 1995	Nine Months Ended June 29 1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 22,222	$ 11,062
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,427	22,067
Equity in income of affiliates	--	(349)
Postretirement benefits	242	135
Unusual charges, net	--	6,734
Net increase (decrease) in certain components of working capital	(15,036)	30,294
Net change in other assets and liabilities and other adjustments	(203)	6,384
Net cash provided by operating activities	25,652	76,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in plant and equipment, net	(15,697)	(10,972)
Investment in Affiliate	(250)	
Cash acquired in merger with Miracle-Gro	6,448	
Net cash used in investing activities	(9,499)	(10,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term debt	113,500	--
Payments on term and other debt	(1,353)	(276)
Revolving lines of credit and bank line of credit, net	(128,121)	(49,657)
Purchase of Common Shares	--	(4,176)
Issuance of Common Shares	--	7,406
Deferred financing costs incurred	(473)	--
Dividends on preferred stock	(1,122)	(7,313)
Net cash used in financing activities	(17,569)	(54,016)
Effect of exchange rate changes on cash	1,393	(1,458)
Net (decrease) increase in cash	(23)	9,881
Cash at beginning of period	10,695	7,028
Cash at end of period	$ 10,672	$ 16,909
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid, net of amount capitalized	$ 17,610	$ 18,158
Income taxes paid	10,855	3,799
Detail of Miracle-Gro merger transactions:		
Fair value of assets acquired	235,564	--
Liabilities assumed	(39,875)	--
Class A Convertible Preferred Stock issued in Miracle-Gro merger transactions	(177,255)	--
Warrants issued in Miracle-Gro merger transactions	(14,434)	--

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS

	July 1 1995	Unaudited June 29 1996	September 30 1995
Current Assets:			
Cash	$ 10,672	$ 16,909	$ 7,028
Accounts receivable, less allowances of $4,313, $5,153 and $3,406, respectively	142,309	124,290	176,525
Inventories, net	155,550	157,495	143,953
Prepaid and other assets	20,838	21,958	23,354
Total current assets	329,369	320,652	350,860
Property, plant and equipment, net	145,721	143,331	148,754
Trademarks	89,469	87,561	89,250
Other intangibles, net	25,932	20,812	24,421
Goodwill	185,810	181,380	179,988
Other assets	20,858	14,244	15,772
Total Assets	$ 797,159	$ 767,980	$ 809,045

LIABILITIES AND SHAREHOLDERS' EQUITY

	July 1 1995	June 29 1996	September 30 1995
Current Liabilities:			
Revolving credit line	$ 14,545	$ 1,811	$ 97
Current portion of term debt	508	--	421
Accounts payable	62,820	54,019	63,207
Accrued liabilities	38,874	47,087	41,409
Accrued taxes	17,925	26,092	18,728
Total current liabilities	134,672	129,009	123,862
Term debt, less current portion	243,041	220,799	272,025
Postretirement benefits other than pensions	27,256	27,324	27,159
Other liabilities	7,929	5,036	5,209
Total Liabilities	412,898	382,168	428,255
Shareholders' Equity:			
Class A Convertible Preferred Stock, no par value	177,255	177,255	177,255
Common Shares, no par value	211	211	211
Capital in excess of par value	207,569	207,572	207,551
Retained earnings	34,975	36,423	32,672
Cumulative translation adjustments	5,692	2,110	4,082
Treasury stock, 2,415 shares on July 1, 1995, 2,184 shares on June 29, 1996 and 2,388 shares on September 30, 1995 at cost	(41,441)	(37,759)	(40,981)
Total Shareholders' Equity	384,261	385,812	380,790
Total Liabilities and Shareholders' Equity	$ 797,159	$ 767,980	$ 809,045

See Notes to Consolidated Financial Statements

THE SCOTTS COMPANY AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

The Scotts Company ("Scotts") and its wholly owned subsidiaries, Hyponex Corporation ("Hyponex"), Republic Tool and Manufacturing Corp. ("Republic"), Scotts-Sierra Horticultural Products Company ("Sierra") and Scotts' Miracle-Gro Products, Inc. ("Miracle-Gro"), (collectively, the "Company"), are engaged in the manufacture and sale of lawn care and garden products. All material intercompany transactions have been eliminated.

The consolidated balance sheets as of July 1, 1995 and June 29, 1996, the related consolidated statements of income for the three and nine month periods ended July 1, 1995 and June 29, 1996 and the related consolidated statements of cash flows for the nine month periods ended July 1, 1995 and June 29, 1996 are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position, results of operations and cash flows. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities Exchange Act of 1934, and should be read in conjunction with the financial statements and accompanying notes in the Company's fiscal 1995 Annual Report on Form 10-K/A.

2. Inventories
(in thousands)

Inventories, net of allowances of $5,736, $6,782 and $6,711, consisted of:

	July 1 1995	June 29 1996	September 30 1995
Raw materials	$ 66,246	$ 51,318	$ 71,431
Finished products	89,304	106,177	72,522
Total Inventories	$155,550	$157,495	$143,953

3. Foreign Exchange Instruments

The Company enters into forward foreign exchange and currency options contracts to hedge its exposure to fluctuations in foreign currency exchange rates. These contracts generally involve the exchange of one currency for a second currency at some future date. Counterparties to these contracts are major financial institutions. Gains and losses on these contracts generally offset gains and losses on the assets, liabilities and transactions being hedged.

Realized and unrealized foreign exchange gains and losses are recognized and offset foreign exchange gains or losses on the underlying exposure. Unrealized gains and losses that are designated and effective as hedges on such transactions are deferred and recognized in income in the same period as the hedged transactions. The net unrealized gain deferred totaled $190,812 at June 29, 1996.

At June 29, 1996, the Company's European operations had foreign exchange risk in various European currencies tied to the Dutch Guilder. These currencies are: the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, Italian Lira, French Franc, British Pound and the U. S. Dollar. The Company's U. S. operations have foreign exchange rate risk in the Canadian Dollar, the Dutch Guilder and the British Pound which are tied to the U. S. Dollar.

As of June 29, 1996, the Company had outstanding forward foreign exchange contracts with a contract value of approximately $12.8 million and outstanding purchased currency options with a contract value of approximately $2.0 million. These contracts have maturity dates ranging from July 3, 1996 to October 2, 1996.

4. Acquisitions

Effective May 19, 1995, the Company completed the merger transactions with Stern's Miracle-Gro Products, Inc. and affiliated companies (the "Miracle-Gro Companies"). The ultimate surviving corporation is now known as Scotts' Miracle-Gro Products, Inc. ("Miracle-Gro"). Miracle-Gro is engaged in the marketing and distribution of plant foods and lawn and garden products primarily in the United States, Canada and Europe.

The following pro forma results of operations give effect to the Miracle-Gro Companies merger transactions as if they had occurred on October 1, 1994.

	(in thousands, except per share amounts)	
	Three Months Ended July 1, 1995	Nine Months Ended July 1, 1995
Net sales	$ 257,874	$ 651,491
Net income	$ 14,992	$ 32,809
Income per common share	$ .51	$ 1.13

For purposes of computing net income per common share, Scotts' Class A Convertible Preferred Stock is considered a common stock equivalent. Pro forma primary net income per common share for the three months and nine months ended July 1, 1995 are calculated using the weighted average common shares outstanding of 29,282,000 and 29,098,000, respectively.

The pro forma information provided does not purport to be indicative of actual results of operations if the merger transactions with the Miracle-Gro Companies had occurred as of October 1, 1994, and is not intended to be indicative of future results or trends.

5. Accounting Issues

In December 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation" which changes the measurement, recognition and disclosure standards for stock-based compensation. Management is currently evaluating the provisions of SFAS No. 123 and at this time, the effects of adoption of SFAS No. 123 and the related disclosures have not been determined.

6. Unusual Items

For the nine months ended June 29, 1996, the Company recorded unusual charges of $8.6 million, of which $4.5 million was related to the closure of idle facilities and asset write-downs, and $4.1 million was employee severance expenses. These non-recurring charges arose as a direct result of management's commitment to reduce costs and achieve more profitable growth. As of June 29, 1996 approximately $2.2 million remained in accrued liabilities related to these charges. It is currently anticipated the remaining balance will be expended by the end of fiscal 1996.

7. Earnings Per Share Computation

The following table presents information necessary to calculate net income per common share.

(in thousands except per share data)	Three Months Ended July 1, 1995	Three Months Ended June 29, 1996	Nine Months Ended July 1, 1995	Nine Months Ended June 29, 1996
Net income	$13,026	$ 7,606	$22,222	$11,062
Class A Convertible Preferred Stock dividend				7,313
Income used in net income per common share calculation	$13,026	$ 7,606	$22,222	$ 3,749
Weighted average common shares outstanding during the period	18,667	18,941	18,667	18,832
Assuming conversion of Class A Convertible Preferred Stock	4,562	10,263	1,520	--
Assuming exercise of options using the Treasury Stock	351	148	193	236
Method				
Weighted average number of common shares outstanding as adjusted	23,580	29,352	20,380	19,068
Income per common share	$ .55	$ .26	$ 1.09	$ .20

The earnings per share computation is based on the weighted average number of common shares and common share equivalents (stock options, Class A Convertible Preferred Stock and warrants) outstanding each period. The shares of Class A Convertible Preferred Stock were issued in connection with the Miracle-Gro merger transactions on May 19, 1995. These shares were not considered in the earnings per share computation for the nine months ended June 29, 1996 because they were antidilutive for such period.

Fully diluted net income per common share is not materially different from primary net income per common share.

8. Common Stock Purchase

In May 1996, the Board of Directors authorized the purchase of up to 550,000 of the Company's common shares in the open market. The common shares will be held as treasury shares and will be used for the exercise of employee stock options. As of June 29, 1996, 227,300 common shares have been repurchased for an aggregate price of $4.2 million. The additional 322,700 common shares were purchased by July 24, 1996.

9. Contingencies

Management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business. In the opinion of management, its assessment of contingencies is reasonable and related reserves, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters. The following details the more significant of the Company's identified contingencies.

In September 1991, the Company was identified by the Ohio Environmental Protection Agency (the "Ohio EPA") as a Potentially Responsible Party ("PRP") with respect to a site in Union County, Ohio (the "Hershberger site") that has allegedly been contaminated by hazardous substances whose transportation, treatment or disposal the Company allegedly arranged. Pursuant to a consent order with the Ohio EPA, the Company, together with four other PRP's identified to date, investigated the extent of contamination in the Hershberger site. The results of the investigation were that the site presents a low degree of risk and that the chemical compounds which contribute to the risk are not compounds used by the Company. As a result of the joint and several liability of PRP's, the Company may be subject to financial participation in the costs of the remediation plan, if any. However, management does not believe any such obligations would have a significant adverse effect on the Company's results of operations or financial condition.

In July 1990, the Philadelphia district of the Army Corps of Engineers directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, and the Company complied. In May 1992, the Department of Justice in the U. S. District Court for the District of New Jersey, filed suit seeking a permanent injunction against such harvesting at that facility and civil penalties. The Philadelphia District of the Corps has taken the position that peat harvesting activities there require a permit under Section 404 of the Clean Water Act. If the Corps' position is upheld, it is possible that further harvesting of peat from this facility would be prohibited. The Company is defending this suit and is asserting a right to recover its economic losses resulting from the government's actions. Management does not believe that the outcome of this case will have a material adverse effect on the Company's operations or its financial condition. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be adversely affected by continued closure of this peat harvesting operation.

Sierra is a defendant in a private cost-recovery action relating to the Novak Sanitary Landfill, located near Allentown, Pennsylvania. By agreement with W. R. Grace-Conn., Sierra's liability is limited to a maximum of $200,000 with respect to this site. The Company's management does not believe that the outcome of this proceeding will have a material adverse effect on its financial condition or results of operations.

On January 30, 1996, the United States Environmental Protection Agency (the "U. S. EPA") served a Complaint and Notice of Opportunity for Hearing upon Sierra's wholly-owned subsidiary, Scotts-Sierra Crop Protection Company ("Crop Protection"). The Complaint alleged labeling violations under the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA") during 1992 and 1993 and proposed penalties totaling $785,000, the maximum allowable under FIFRA according to management's calculations. On April 18, 1996, an EPA Administrative Law judge dismissed the EPA's complaint without prejudice, due to deficiencies in the pleadings. However, on April 30, 1996, the U.S. EPA filed a second amended complaint correcting such deficiencies. Based upon Crop Protection's good faith compliance actions and FIFRA's provisions for "gravity-based" penalty reductions, management believes Crop Protection's maximum liability in this action to be $200,000. The Company does not believe that the outcome of this proceeding will have a material adverse effect on its financial condition or results of operations.

During 1993 and 1994, Stern's Miracle-Gro Products, Inc. ("Miracle-Gro Products") discussed with Pursell Industries, Inc. ("Pursell") the feasibility of forming a joint venture to produce and market a line of slow-release lawn food, and in October 1993, signed a non-binding "heads of agreement." After the merger transactions between the Company and the Miracle-Gro Companies were announced, Pursell demanded that Miracle-Gro Products reimburse it for monies allegedly spent by Pursell in connection with the proposed project. Because Miracle-Gro Products did not believe that any such monies were due or that any such joint venture ever was formed, on February 10, 1995, it instituted an action in the Supreme Court of the State of New York, Stern's Miracle-Gro Products, Inc. v. Pursell Industries, Inc. Index No. 95-004131 (Nassau Co.) (the "New York Action"), seeking declarations that, among other things, Miracle-Gro Products owed no monies to Pursell relating to the proposed project and that no joint venture was formed. Pursell moved to dismiss the New York Action in favor of the Alabama action described below, which motion was granted August 7, 1995.

On March 2, 1995, Pursell instituted an action in the United States District Court for the Northern District of Alabama, Pursell Industries, Inc. v. Stern's Miracle-Gro Products, Inc., CV-95-C-0524-S (the "Alabama Action"), alleging, among other things, that a joint venture was formed, that Miracle-Gro Products breached an alleged joint venture contract, committed fraud, and breached an alleged fiduciary duty owed Pursell by not informing Pursell of negotiations concerning the merger transactions. On December 18, 1995, Pursell filed an amended complaint in the Alabama Action in which Scotts was named as an additional party defendant. The amended complaint contains a number of allegations and seeks compensatory damages in excess of $10 million, punitive damages of $20 million, treble damages as allowed by law and injunctive relief with respect to the advertising and trade dress allegations. The Company does not believe that the amended complaint has any merit and intends to vigorously defend that action.

On April 14, 1996, in response to discussions with Scotts regarding the possible infringement upon certain Scotts' patents by one or several of Pursell's controlled-release fertilizers, Pursell instituted a second action in the United States District Court for the Northern District of Alabama, Pursell Industries, Inc. v. The Scotts Company, CV-96-AR-931-S (the "Patent Action"). Pursell has alleged, among other things, that Scotts' marking of its Poly-S fertilizers with Scotts' patents constitutes false marking under 35 U.S.C. Sec. 292 and that Scotts' conduct constitutes unfair competition. The complaint seeks declarations that, among other things, Scotts' patents are invalid and that Pursell has not infringed any of Scotts' patents. It further seeks that Scotts be enjoined from bringing a patent infringement suit against Pursell and requests that Pursell be awarded its costs of the action and such other relief as deemed proper. The Company does not believe that this action has merit and intends to vigorously defend it and to possibly bring counterclaims against Pursell.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company included elsewhere in this report.

NET SALES BY BUSINESS GROUP

(in thousands)

	Three Months Ended		
	July 1,1995	June 29, 1996	% Change
Consumer Lawn	$ 152,326	$ 143,796	(5.6)%
Consumer Garden	20,761	47,819	130.3 %
Professional	39,265	36,903	(6.0)%
International	16,676	19,447	16.6 %
Consolidated	$ 229,028	$ 247,965	8.3 %

(in thousands)

	Nine Months Ended		
	July 1,1995	June 29, 1996	% Change
Consumer Lawn	$ 380,139	$ 355,277	(6.5)%
Consumer Garden	29,891	107,136	258.4 %
Professional	101,244	98,234	(3.0)%
International	51,865	56,470	8.9 %
Consolidated	$ 563,139	$ 617,117	9.6 %

Results of Operations

Three Months Ended June 29, 1996, versus Three Months Ended July 1, 1995

Net sales increased 8.3% to $248.0 million. The increase is primarily attributable to the inclusion of Miracle-Gro, partially offset by the unfavorable impact of a cool, wet spring on all Business Groups and a Consumer Lawn Business Group promotion program incentivizing retailers to purchase their spring 1996 requirements in the latter part of 1995 and the first quarter of 1996. On a pro forma basis, assuming the Miracle-Gro merger transactions occurred October 1, 1994, net sales decreased by $9.9 million or 3.8%.

The Consumer Lawn Business Group had net sales of $143.8 million, a decrease of 5.6%. The decrease is attributable to the cool, wet spring and the retailer promotion program incentivizing early purchases. The retailer promotion resulted in large trade inventories entering the 1996 selling season. Sales decreases in fertilizers and organics were partially offset by increased seed sales. The Consumer Garden Business Group had net sales of $47.8 million, an increase of 130.3% due principally to the inclusion of Miracle-Gro for the full period in 1996. Professional Business Group net sales decreased 6.0% to $36.9 million due to poor weather in its major markets, resulting in decreased volume. International sales increased 16.6% to $19.4 million, primarily from increased volume.

Cost of sales represented 53.7% of net sales, up 1.1% compared to 52.6% of net sales last year. The increase was attributable to higher raw material costs and higher manufacturing unit costs resulting from lower sales volumes.

Operating expenses increased approximately 14.4% due partially to the inclusion of Miracle-Gro. Marketing expenses increased 29.4% as a result of the inclusion of Miracle-Gro, increased national brand advertising and additional investment in the International business, partially offset by lower retailer promotions. Distribution expenses decreased 8.3% as a result of a sales mix including Miracle-Gro, which has a proportionately lower distribution cost. General and administrative expenses increased 6% due to the inclusion of Miracle-Gro. Other income decreased 43.1% principally due to net foreign exchange losses. Amortization of goodwill and other intangibles increased as a result of the merger with Miracle-Gro. Unusual expenses of $3.3 million were recorded for facility closings and asset write-downs.

The Company's effective tax rate increased from 36.2% to 49.1%. This resulted from the combination of lower income before taxes and an increase in nondeductible amortization of goodwill and intangible assets in 1996. Additionally, the prior year's tax rate included a one-time benefit associated with the disposition of the Peter's consumer water soluble fertilizer business in 1995.

Net income of $7.6 million decreased $5.4 million from 1995. Among the significant items impacting 1996 results were the positive impact of Miracle-Gro, offset by lower Consumer Lawn and Professional sales volumes, $3.3 million of charges for the facility closing and asset write-downs and higher effective tax rate.

Nine Months Ended June 29, 1996 versus Nine Months Ended July 1, 1995

Net sales increased to $617.1 million, up 9.6%. The increase is primarily attributable to the inclusion of Miracle-Gro, partially offset by the unfavorable impact of the extended cool, wet spring on all Business Groups, a Consumer Lawn Business Group promotion program which incentivized retailers to purchase spring requirements in the latter part of 1995 and the first quarter of 1996, and the divestiture of the Peter's U.S. consumer water soluble fertilizer business. On a pro forma basis, net sales decreased by $34.4 million or 5.3%.

Consumer Lawn Business Group had net sales of $355.3 million, a decrease of 6.5%. The decrease is attributable to the retailer promotion program which resulted in unusually large trade inventories entering the 1996 selling season and unfavorable spring weather in most parts of the country. Sales decreases in fertilizers, spreaders and organics were partially offset by sales increases in seed. The Consumer Garden Business Group had net sales of $107.1 million, an increase of 258.4% due to the inclusion of Miracle-Gro, partially offset by the divestiture of the Peter's U.S. consumer water soluble fertilizer business. Professional Business Group net sales decreased 3.0% due to lower volume as a result of the poor weather in its major markets. International sales increased 8.9% to $56.5 million, primarily from increased volume.

Cost of sales represented 53.9% of net sales, up 1% compared to 52.9% of net sales last year. The increase was principally attributable to higher raw material costs and higher manufacturing unit costs resulting from lower sales volumes.

Operating expenses increased 15.9% partially due to the inclusion of Miracle-Gro. Marketing expenses increased 22.0% due to the inclusion of Miracle-Gro, increased national advertising and additional investment in the International business, partially offset by lower promotions to retailers. Distribution costs decreased 3.5% as a result of a sales mix, including Miracle-Gro, which has a proportionately lower distribution cost. General and administrative costs increased 22.2% due to the inclusion of Miracle-Gro and increased bad debt expense. Other income increased 378.9% principally due to an increase in income of unconsolidated businesses. Amortization of goodwill and other intangibles increased as a result of the merger transactions with Miracle-Gro. Unusual expenses of $8.6 million were recorded for restructuring charges related to personnel reductions, facilities closings and asset write-downs.

Interest expense increased 4.8%. The increase was caused primarily by an increase in borrowing levels in the first quarter.

The Company's effective tax rate increased from 38.5% to 48.0% in 1996. This resulted from the combination of lower income before taxes and an increase in nondeductible amortization of goodwill and intangible assets, and the one-time benefit in 1995 of the sale of the Peter's consumer water soluble fertilizer business.

Net income of $11.1 million decreased by $11.2 million from 1995. Among the significant items impacting the 1996 results were the positive impact from Miracle-Gro, offset by lower sales volumes in the Consumer Lawn and Professional Business Groups, a $8.6 million charge for unusual items and the higher effective tax rate.

Financial Position as of June 29, 1996

Current assets of $320.7 million decreased by $30.2 million compared with current assets at September 30, 1995 and by $8.7 million compared with current assets at July 1, 1995. At September 30, 1995 receivables were higher than normal due to the promotional program which incentivized retailers to purchase their spring 1996 requirements early. As of June 29, 1996 the majority of those receivables had been collected. Compared to September 30, 1995, inventories as of June 30, 1996 were higher due to the seasonal nature of the Company's business. Compared to July 1, 1995, current assets decreased principally as a result of the impact of the unfavorable spring weather on sales and receivables.

Current liabilities of $129.0 increased by $5.1 million from September 30, 1995 and decreased by $5.7 million as compared with current liabilities at July 1, 1995. The increase compared with September 30, 1995 is due to higher accrued expenses resulting from accrued severance and higher seasonal average borrowings which increased accrued interest. Accrued taxes increased as a result of the higher effective tax rate and the timing of tax payments. The increases were partially offset by lower trade payables. The decrease compared with July 1, 1995 is caused by decreased short-term borrowings and trade payables partially offset by increased accrued expenses and taxes.

Long-term debt decreased by $51.2 million compared with long-term debt at September 30, 1995 and by $22.2 million compared with long-term debt at July 1, 1995. The decrease compared with September 30, 1995 is principally the result of cash generated from operations during the first nine months of 1996 offset by capital expenditures and preferred stock dividends.

Shareholders' equity at June 29, 1996 increased by $5.0 million compared with shareholders' equity at September 30, 1995 and by $1.6 million compared with shareholders' equity at July 1, 1995. The increase compared with September 30, 1995 reflects net income for the nine months of $11.1 million and the issuance of treasury stock for options exercised of $7.4 million, offset by Class A Convertible Preferred Stock dividends of $7.3 million, repurchase of treasury stock of $4.2 million and the change in the cumulative foreign currency adjustment of $2.0 million. The increase compared with July 1, 1995 reflects net income for the twelve months ended June 29, 1996 of $11.2 million and the issuance of treasury stock for options exercised of $7.8 million, offset by Class A Convertible Preferred Stock dividends of $9.8 million, repurchase of treasury stock of $4.2 million and the change in the cumulative foreign currency adjustment of $3.6 million.

Capital expenditures for the year ended September 30, 1996 are expected to be approximately $20.0 million. The Company's Credit Agreement restricts the amount the Company may spend on capital expenditures to $50 million per year for fiscal 1996 and each year thereafter. Fiscal 1996 capital expenditures are expected to be financed with cash provided by operations and utilization of available credit facilities.

The Company has foreign exchange rate risk related to international earnings and cash flows. During fiscal 1995, a management program was designed to minimize the exposure to adverse currency impacts on the cash value of the Company's non-local currency receivables and payables, as well as the associated earnings impact. The Company has entered into forward foreign exchange contracts and purchased currency options tied to the economic value of receivables, payables and expected cash flows denominated in non-local foreign currencies. Management anticipates that these financial instruments will act as an effective hedge against the potential adverse impact of exchange rate fluctuations on the Company's results of operations, financial condition and liquidity. It is recognized, however, that the program is intended to minimize but cannot completely eliminate the Company's exposure to adverse foreign currency movements.

As of June 29, 1996, the Company's European operations had foreign exchange risk in various currencies tied to the Dutch Guilder. These currencies include the Australian Dollar, Belgian Franc, German Mark, Spanish Peseta, Italian Lira, French Franc, British Pound and the U.S. Dollar. The Company's U.S. operations had foreign exchange rate risk in the Canadian Dollar, Dutch Guilder and the British Pound which are tied to the U.S. Dollar. As of June 29, 1996, outstanding foreign exchange forward contracts had a contract value of approximately $12.8 million and outstanding purchased currency options had a contract value of approximately $2.0 million. These contracts have maturity dates ranging from July 3, 1996 to October 2, 1996.

The primary sources of liquidity for the Company are funds generated by operations and borrowings under the Company's Credit Agreement. As amended, the Credit Agreement provides, up to $375 million through March 31, 2000, and does not contain a term loan facility.

In the opinion of the Company's management, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during the 1996 fiscal year.

Inflation

The Company is subject to the effect of changing prices. The Company has, however, generally been able to pass along inflationary increases in its costs by increasing the prices of its products.

Selective price increases for products which contain urea became effective at the beginning of 1996. The price increases offset higher urea prices experienced by the Company. In addition, the Company has entered into a supply agreement through the year 2000, under which the Company is required to purchase set tonnage of urea at a set price.

Accounting Issues

In December 1995, the Financial Accounting Standards Board issued SFAS No. 123 "Accounting for Stock-Based Compensation" which changes the measurement, recognition and disclosure standards for stock-based compensation. Management is currently evaluating the provisions of SFAS No. 123 and at this time, the effect of adopting SFAS No. 123 on the results of operations and the method of disclosure has not been determined.

Contingencies

The Company's management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business. In the opinion of management, its assessment of contingencies is reasonable and the related reserves, in the aggregate, are adequate; however, there can be no assurance that future quarterly or annual operating results will not be materially affected by final resolution of these matters. Additional information with respect to the more significant of these matters is described in footnote number 9 to the Company's Consolidated Financial Statements.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

Please see the information provided in Footnote 9 to the Company's Consolidated Financial Statements on pages 9 and 10 of this Report, which information is incorporated herein by reference.

Items 2-3

Not applicable.

Item 4

Not applicable.

Item 5 - Other Information

On August 7, 1996, the Company issued a press release, attached hereto as Exhibit 99, regarding the election of Charles M. Berger as the Company's Chairman of the Board, President and Chief Executive Officer. Mr. Berger succeeds Tadd C. Seitz as Chairman and filled the President and CEO position that Mr. Seitz had resumed on an interim basis, at the Board's request, in February 1996.

Item 6 - Exhibits and Reports on Form 8-K.

(a) See Exhibit Index at page 17 for a list of the exhibits included herewith.

(b) No reports on Form 8-K were filed during the fiscal quarter ended June 29, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE SCOTTS COMPANY

Date August 9, 1996

/s/ Paul D. Yeager

Paul D. Yeager
Executive Vice President
Chief Financial Officer
Principal Accounting Officer

THE SCOTTS COMPANY
QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED JUNE 29, 1996
EXHIBIT INDEX

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This schedule contains summary financial information extracted from the consolidated balance sheet at June 29, 1996 and statement of income for the nine months ended June 29, 1996 of The Scotts Company and its subsidiaries and is qualified in its entirety by reference to such financial statements.

1000
U.S. DOLLARS

9-MOS
SEP-30-1996
OCT-01-1995
JUN-29-1996
1
16,909
0
129,443
5,153
157,495
320,652
236,446
93,115
767,980
129,009
0
0
177,255
211
208,346
767,980
617,117
617,533
332,671
575,099
(470)
0
21,630
21,274
10,212
11,062
0
0
0
11,062
.20
.20

Scotts Names Charles M. Berger

New Chairman, President and CEO

Marysville, Ohio, August 7,1996 - The Scotts Company (NYSE; SMG) announced that its Board of Directors has elected Charles M. Berger as the Company's Chairman of the Board, President and Chief Executive Officer, effective today, August 7. Berger succeeds Tadd C. Seitz as Chairman as well as filling the President and CEO position that Seitz had resumed on an interim basis in February at the Board's request.

Seitz, who had been Scotts' President and CEO from 1983 to April 1995 and Chairman since 1989, said, "The Board of Directors was diligent in its search for the right person to lead The Scotts Company. We found that person in Chuck Berger."

Berger comes to Scotts from H. J. Heinz Company where he served as Chairman, President and CEO of Weight Watchers International. During his term as the Heinz affiliate's CEO from 1978 to 1991, he grew primary and franchisee sales from $200 million to $1 billion. Berger was most recently Chairman and CEO of Heinz India Pvt. Ltd. (Bombay) and previously served as Director of Corporate Planning at Heinz World Headquarters. During his 32-year career at Heinz, he also held the positions of Product Manager for Heinz Ketchup; General Manager, Marketing, for all Heinz grocery products; and Managing Director of Heinz Italy, the largest Heinz affiliate in Europe. He is also a former Director of Stern's Miracle-Gro Products, Inc., which merged with Scotts in May 1995.

"Chuck Berger brings to The Scotts Company an ideal combination of consumer brand experience - both domestic and international - and a clear understanding of shareholder value," noted Horace Hagedorn, founder of Miracle-Gro and Vice Chairman of The Scotts Board.

Berger stated that he is "eager to build on the solid foundation of the Scotts and Miracle-Gro brands as well as the legacy that Tadd Seitz and Horace Hagedorn have created in the merger of these two great companies."

Headquartered in Marysville, Ohio, for more than 125 years, The Scotts Company is the world's leading producer and marketer of products for do-it-yourself lawn care and gardening, professional turf care and horticulture. The Company's industry-leading brands include Scotts(R), Turf Builder(R), Miracle-Gro(R) and Osmocote(R). Scotts products are sold in the United States, Canada, the United Kingdom, Continental Europe, Southeast Asia, the Middle East, Australia, New Zealand and several Latin American countries.

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For more information, please contact

Kerry Bierman
THE SCOTTS COMPANY
513/644-0011