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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 27, 2004

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 1-13292

THE SCOTTS COMPANY
(Exact Name of Registrant as Specified in Its Charter)

OHIO 31-1414921
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

14111 SCOTTSLAWN ROAD, MARYSVILLE, OHIO 43041
(Address of Principal Executive Offices) (Zip Code)

(937) 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 No

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

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

32,653,222 OUTSTANDING AT APRIL 29, 2004
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
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003	MARCH 27, 2004	MARCH 29, 2003
Net sales	\$ 729.2	\$ 676.2	\$ 915.4	\$ 856.9
Cost of sales	439.0	417.6	575.4	556.6
Restructuring and other charges	0.2	0.7	0.7	5.1
Gross profit	290.0	257.9	339.3	295.2
Gross commission earned from marketing agreement	15.3	11.3	15.3	11.3
Costs associated with marketing agreement	7.1	7.1	14.2	14.2
Net commission from marketing agreement	8.2	4.2	1.1	(2.9)
Operating expenses:				
Advertising	39.8	34.9	48.1	43.5
Selling, general and administrative	107.1	91.3	185.1	158.8
Selling, general and administrative - lawn service business	15.2	13.1	27.6	23.1
Stock-based compensation	3.1	1.2	4.4	1.6
Restructuring and other charges	0.2	2.4	0.7	4.3
Amortization of intangibles	2.3	2.1	4.8	4.1
Other income, net	(2.1)	(2.4)	(3.9)	(3.6)
Income from operations	132.6	119.5	73.6	60.5
Interest expense	13.5	18.7	25.4	35.2
Costs related to refinancing	0.6	--	44.3	--
Income before income taxes	118.5	100.8	3.9	25.3
Income taxes	45.4	38.3	1.5	9.6
Net income	\$ 73.1	\$ 62.5	\$ 2.4	\$ 15.7
BASIC EARNINGS PER COMMON SHARE:				
Weighted-average common shares outstanding during the period .	32.2	30.7	32.1	30.5
Basic earnings per common share	\$ 2.27	\$ 2.04	\$ 0.07	\$ 0.52
DILUTED EARNINGS PER COMMON SHARE:				
Weighted-average common shares outstanding during the period .	33.0	32.2	32.9	32.1
Diluted earnings per common share	\$ 2.21	\$ 1.94	\$ 0.07	\$ 0.49

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY
CONDENSED, CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2.4	\$ 15.7
Adjustments to reconcile net income to net cash used in operating activities:		
Costs related to refinancing.....	44.3	--
Stock-based compensation expense	4.4	1.6
Depreciation	21.7	18.8
Amortization	6.5	5.8
Deferred taxes	(0.1)	9.9
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(485.5)	(461.9)
Inventories	(142.5)	(131.1)
Prepaid and other current assets	(13.0)	(13.8)
Accounts payable	130.2	141.5
Accrued taxes and liabilities	38.4	36.1
Restructuring reserves	(2.9)	(3.2)
Other assets	(0.9)	2.0
Other liabilities	7.0	(0.1)
Other, net	(14.5)	(1.9)
	-----	-----
Net cash used in operating activities	(404.5)	(380.6)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment	(10.9)	(31.3)
Investment in acquired businesses, net of cash acquired	(5.3)	(5.2)
Payments on seller notes	(8.9)	(27.0)
	-----	-----
Net cash used in investing activities	(25.1)	(63.5)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under revolving and bank lines of credit	330.7	373.0
Proceeds from issuance of term loans - New Credit Agreement	500.0	--
Repayment of term loans - former Credit Agreement	(326.5)	(25.8)
Issuance of 6 5/8% Senior Subordinated Notes	200.0	--
Redemption of 8 5/8% Senior Subordinated Notes	(418.0)	--
Financing fees, net	(11.5)	(0.5)
Cash received from the exercise of stock options	12.2	9.0
	-----	-----
Net cash provided by financing activities	286.9	355.7
Effect of exchange rate changes on cash	1.0	1.0
	-----	-----
Net decrease in cash	(141.7)	(87.4)
Cash and cash equivalents at beginning of period	155.9	99.7
	-----	-----
Cash and cash equivalents at end of period	\$ 14.2	\$ 12.3
	=====	=====

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY
CONDENSED, CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN MILLIONS)

	MARCH 27, 2004 -----	MARCH 29, 2003 -----	SEPTEMBER 30, 2003 -----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14.2	\$ 12.3	\$ 155.9
Accounts receivable, less allowances of \$22.3, \$26.7 and \$20.0, respectively	776.0	724.3	290.5
Inventories, net	418.6	400.2	276.1
Current deferred tax asset	60.7	72.5	56.9
Prepaid and other assets	46.2	50.8	33.2
	-----	-----	-----
Total current assets	1,315.7	1,260.1	812.6
Property, plant and equipment, net of accumulated depreciation of \$285.6, \$259.3 and \$270.5, respectively	329.5	342.6	338.2
Goodwill	423.3	384.2	406.5
Intangible assets, net	431.7	419.5	429.0
Other assets	41.1	47.5	44.0
	-----	-----	-----
Total assets	\$2,541.3	\$2,453.9	\$2,030.3
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of debt	\$ 27.7	\$ 287.7	\$ 55.4
Accounts payable	279.2	264.2	149.0
Accrued liabilities	263.1	249.1	234.3
Accrued taxes	23.3	27.7	9.5
	-----	-----	-----
Total current liabilities	593.3	828.7	448.2
Long-term debt	1,039.9	873.0	702.2
Other liabilities	162.3	132.2	151.7
	-----	-----	-----
Total liabilities	1,795.5	1,833.9	1,302.1
Commitments and contingencies (notes 3 and 9)			
Shareholders' equity:			
Common Shares, no par value per share, \$.01 stated value per share, 32.3, 31.3, 32.0 shares issued, respectively	0.3	0.3	0.3
Deferred compensation - stock awards	(18.8)	(10.4)	(8.3)
Capital in excess of par value	426.8	398.6	398.4
Retained earnings	401.0	310.5	398.6
Treasury stock, 0.0, 0.5, and 0.0 shares, respectively, at cost	--	(20.7)	--
Accumulated other comprehensive loss	(63.5)	(58.3)	(60.8)
	-----	-----	-----
Total shareholders' equity	745.8	620.0	728.2
	-----	-----	-----
Total liabilities and shareholders' equity	\$2,541.3	\$2,453.9	\$2,030.3
	=====	=====	=====

See notes to condensed, consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Scotts Company and its subsidiaries (collectively "Scotts" or the "Company") are engaged in the manufacture, marketing and sale of lawn and garden care products. The Company's major customers include home improvement centers, mass merchandisers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold primarily in North America and the European Union. We also operate the Scotts LawnService(R) business which provides lawn and tree and shrub fertilization, insect control and other related services in the United States.

ORGANIZATION AND BASIS OF PRESENTATION

The Company's condensed, consolidated financial statements are unaudited; however, in the opinion of management, are presented in accordance with accounting principles generally accepted in the United States of America. The condensed, consolidated financial statements include the accounts of The Scotts Company and all wholly-owned and majority-owned subsidiaries. All material intercompany transactions have been eliminated in consolidation. The Company's criteria for consolidating entities is based on majority ownership (as evidenced by a majority voting interest in the entity) and an objective evaluation and determination of effective management control. 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 and Exchange Commission, and should be read in conjunction with the financial statements and accompanying notes in The Scotts Company's fiscal 2003 Annual Report on Form 10-K.

ADVERTISING

The Company advertises its branded products through national and regional media. Advertising costs incurred during the year are expensed to interim periods in relation to revenues. All advertising costs, except for external production costs, are expensed within the fiscal year in which such costs are incurred. External production costs for advertising programs are deferred until the period in which the advertising is first aired.

Scotts LawnService(R) promotes its service offerings primarily through direct response mail campaigns. The external costs associated with these campaigns are deferred and recognized ratably as advertising expense in proportion to revenues over a period not in excess of one year. The costs deferred at March 27, 2004, March 29, 2003 and September 30, 2003 are \$1.9 million, \$2.2 million and \$1.0 million, respectively.

STOCK-BASED COMPENSATION AWARDS

Beginning in fiscal 2003, the Company began expensing prospective grants of employee stock-based compensation awards in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- an Amendment of SFAS No. 123". Beginning in fiscal 2003, the fair value of new awards is expensed ratably over the vesting period, which has historically been three years, except for grants to members of the Board of Directors, which have a six month vesting period.

On March 31, 2004, the Financial Accounting Standards Board (FASB) issued its Exposure Draft, "Share-Based Payment" which is a proposed amendment to SFAS No. 123. Generally, the approach in the Exposure Draft is similar to the approach described in SFAS No. 123. The Exposure Draft would require all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Companies would no longer have the option to account for their share-based awards to employees using APB Opinion No. 25 (the intrinsic value model) or SFAS No. 123 (the fair value model). As the Company is accounting for its employee stock-based compensation awards in accordance with SFAS No. 123, the issuance of the proposed amendment is not expected to have a significant effect on the Company's results of operations.

In the first quarter of fiscal 2004, the Company granted 44,000 options and 493,000 stock appreciation rights to officers and other

key employees. In the second quarter of fiscal 2004, the Company granted 73,500 options to members of the Company's Board of Directors. In the first half of fiscal 2003, the Company granted 435,000 options and 209,000 stock appreciation rights to officers, key employees and members of the Board of Directors. The exercise price for the option awards and the stated price for the stock appreciation right awards were determined by the closing price of the Company's common shares on the date of grant.

The Black-Scholes value of options granted in fiscal 2002 was \$10.7 million. The Black-Scholes value of all stock-based compensation grants awarded during fiscal 2003 and thus far in fiscal 2004 was \$13.1 million and \$14.0 million, respectively. Had compensation expense been recognized for stock-based compensation awards granted in periods prior to fiscal 2003 in accordance with the recognition provisions of SFAS No. 123, the Company would have recorded net income and net income per share as follows:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003	MARCH 27, 2004	MARCH 29, 2003
	(\$ MILLIONS, EXCEPT PER SHARE DATA)			
Net income	\$ 73.1	\$ 62.5	\$ 2.4	\$ 15.7
Stock-based compensation expense included in reported net income, net of tax	1.9	0.7	2.7	1.0
Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(2.4)	(1.7)	(3.7)	(3.1)
Net income as adjusted	\$ 72.6	\$ 61.5	\$ 1.4	\$ 13.6
Net income per share:				
Basic	\$ 2.27	\$ 2.04	\$ 0.07	\$ 0.52
Diluted	\$ 2.21	\$ 1.94	\$ 0.07	\$ 0.49
Net income per share, as adjusted:				
Basic	\$ 2.25	\$ 2.00	\$ 0.04	\$ 0.45
Diluted	\$ 2.20	\$ 1.91	\$ 0.04	\$ 0.42

The pro forma amounts shown above are not necessarily representative of the impact on net income/loss in future periods.

Prior to fiscal 2003, the Company accounted for stock options under APB 25, "Accounting for Stock Issued to Employees" and, as allowable, adopted only the disclosure provisions of SFAS No. 123.

LONG-LIVED ASSETS

Management assesses the recoverability of property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its future undiscounted cash flows. If it is determined that an impairment has occurred, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value.

Management also assesses the recoverability of goodwill, tradenames and other intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from its discounted future cash flows. Goodwill and unamortizable intangible assets are reviewed for impairment at least annually during the first fiscal quarter. If it is determined that an impairment of intangible assets has occurred, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds its estimated fair value. No impairment charges were recorded during the first half of fiscal 2004 or during fiscal 2003.

EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated including common stock equivalents pertaining to options, stock appreciation rights and warrants where the exercise price was less than the average market price of the common shares. These common stock equivalents equate to 0.8 million common shares for both the three and six month periods ending March

27, 2004, and 1.5 million and 1.6 million common shares for the three and six month periods ending March 29, 2003. Options to purchase 0.1 million shares of common stock for both the three and six month periods ended March 27, 2004, and 0.1 million and 0.3 million shares for the three and six month periods ended March 29, 2003, respectively, were not included in the computation of diluted earnings per share. These options were excluded from the calculation because the exercise price was greater than the average market price of the common shares in the respective periods, and therefore, were anti-dilutive.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

RECLASSIFICATIONS

Certain reclassifications have been made in prior periods' financial statements to conform to fiscal 2004 classifications. In particular, a reclassification of trade program liabilities within our International segment was recorded in order to be consistent with the classification used by our North America segment.

2. DETAIL OF INVENTORIES, NET

Inventories, net of provisions for slow moving and obsolete inventory of \$23.6 million, \$25.5 million, and \$22.0 million, respectively, consisted of:

	MARCH 27, 2004	MARCH 29, 2003	SEPTEMBER 30, 2003
	-----	-----	-----
	(\$ MILLIONS)		
INVENTORIES, NET			
Finished goods .	\$ 335.0	\$ 308.7	\$ 203.7
Raw materials ..	83.6	91.5	72.4
	-----	-----	-----
Total	\$ 418.6	\$ 400.2	\$ 276.1
	=====	=====	=====

3. MARKETING AGREEMENT

Effective September 30, 1998, the Company entered into an agreement with Monsanto Company ("Monsanto") for exclusive domestic and international marketing and agency rights to Monsanto's consumer Roundup(R) herbicide products. Under the terms of the agreement, the Company is entitled to receive an annual commission from Monsanto in consideration for the performance of its duties as agent. The annual commission is calculated as a percentage of the actual earnings before interest and income taxes (EBIT), as defined in the agreement, of the Roundup(R) business. Each year's percentage varies in accordance with the terms of the agreement based on the achievement of two earnings thresholds and on commission rates that vary by threshold and program year.

The agreement also requires the Company to make fixed annual payments to Monsanto as a contribution against the overall expenses of the Roundup(R) business. The annual fixed payment is defined as \$20 million. However, portions of the annual payments for the first three years of the agreement are deferred. No payment was required for the first year (fiscal 1999), a payment of \$5 million was required for the second year and a payment of \$15 million was required for the third year so that a total of \$40 million of the contribution payments were deferred. Beginning in fiscal 2003, the fifth year of the agreement, the annual payments to Monsanto increased to at least \$25 million, which include per annum interest charges at 8%. The annual payments may be increased above \$25 million if certain significant earnings targets are exceeded. If all of the deferred contribution amounts are paid prior to 2018, the annual contribution payments revert to \$20 million. Regardless of whether the deferred contribution amounts are paid, all contribution payments cease entirely in 2018.

The Company is recognizing a charge each year associated with the annual contribution payments equal to the required payment for that year. The Company is not recognizing a charge for the portions of the contribution payments that are deferred until the time those deferred amounts are paid. The Company considers this method of accounting for the contribution payments to be appropriate after consideration of the likely term of the agreement, the Company's ability to terminate the agreement without paying the deferred amounts, and the fact that approximately \$18.6 million of the deferred amount is never paid, even if the agreement is not terminated prior to 2018, unless significant earnings targets are exceeded.

The express terms of the agreement permit the Company to terminate the agreement only upon Material Breach, Material Fraud or Material Willful Misconduct by Monsanto, as such terms are defined in the agreement, or upon the sale of the Roundup(R) business by Monsanto. In such instances, the agreement permits the Company to avoid payment of any deferred contribution and related per annum charge. The Company's basis for not recording a financial liability to Monsanto for the deferred portions of the annual contribution and per annum charge is based on our assessment and consultations with our legal counsel and the Company's independent accountants. In addition, the Company has obtained a legal opinion from The Bayard Firm, P.A., which concluded, subject to certain qualifications, that if the matter were litigated, a Delaware court would likely conclude that the Company is entitled to terminate the agreement at will, with appropriate prior notice, without incurring significant penalty, and avoid paying the unpaid deferred amounts. We have concluded that, should the Company elect to terminate the agreement at any balance sheet date, it will not incur significant economic consequences as a result of such action.

The Bayard Firm was special Delaware counsel retained during fiscal 2000 solely for the limited purpose of providing a legal opinion in support of the contingent liability treatment of the agreement previously adopted by the Company and has neither generally represented or advised the Company nor participated in the preparation or review of the Company's financial statements or any SEC filings. The terms of such opinion specifically limit the parties who are entitled to rely on it.

The Company's conclusion is not free from challenge and, in fact, would likely be challenged if the Company were to terminate the agreement. If it were determined that, upon termination, the Company must pay any remaining deferred contribution amounts and related per annum charges, the resulting charge to earnings could have a material impact on the Company's results of operations and financial position. At March 27, 2004, contribution payments and related per annum charges of approximately \$48.7 million had been deferred under the agreement. This amount is considered a contingent obligation and has not been reflected in the financial statements as of and for the quarter then ended.

Monsanto has disclosed that it is accruing the \$20 million fixed contribution fee per year beginning in the fourth quarter of Monsanto's fiscal year 1998, plus interest on the deferred portion.

The agreement has a term of seven years for all countries within the European Union (at the option of both parties, the agreement can be renewed for up to 20 years for the European Union countries). For countries outside of the European Union, the agreement continues indefinitely unless terminated by either party. The agreement provides Monsanto with the right to terminate the agreement for an event of default (as defined in the agreement) by the Company or a change in control of Monsanto or the sale of the Roundup(R) business. The agreement provides the Company with the right to terminate the agreement in certain circumstances including an event of default by Monsanto or the sale of the Roundup(R) business. Unless Monsanto terminates the agreement for an event of default by the Company, Monsanto is required to pay a termination fee to the Company that varies by program year. The termination fee is \$150 million for each of the first five program years, gradually declines to \$100 million by year ten of the program and then declines to a minimum of \$16 million if the program continues for years 11 through 20.

In consideration for the rights granted to the Company under the agreement for North America, the Company was required to pay a marketing fee of \$32 million to Monsanto. The Company has deferred the expense relating to this amount on the basis that the payment will provide a future benefit through commissions that will be earned under the agreement and is amortizing the balance over ten years, which is the estimated likely term of the agreement.

4. RESTRUCTURING AND OTHER CHARGES

FISCAL 2004 CHARGES

During the three and six month periods ended March 27, 2004, the Company recorded \$0.4 million and \$1.4 million of restructuring and other charges, respectively. These charges, related to our North American distribution restructuring and our International Profit Improvement Plan, were included in cost of sales and selling, general and administrative costs in the amounts of \$0.7 million and \$0.7 million, respectively, for the six months ended March 27, 2004.

FISCAL 2003 CHARGES

During the three and six month periods ended March 29, 2003, the Company recorded \$3.1 million and \$9.4 million of restructuring and other charges, respectively.

During the entire fiscal year 2003, the Company recorded \$17.1 million of restructuring and other charges.

Costs of \$5.3 million for warehouse lease buyouts and relocation of inventory associated with exiting certain warehouses in North America, as part of improvements to the North American supply chain, and \$3.8 million related to a plan to optimize our international supply chain were included in cost of sales. Severance and consulting costs of \$5.3 million for the continued European integration efforts that began in the fourth quarter of fiscal 2002, and \$2.7 million of administrative facility exit costs in North America were charged to selling, general and administrative expense. The severance costs incurred in fiscal 2003 were related to the reduction of 78 administrative and production employees.

The following is a rollforward from September 30, 2003 of the cash portion of the restructuring and other charges. The accrued charges are included in accrued liabilities on the Condensed, Consolidated Balance Sheets. We expect spending against these reserves to be completed by the end of fiscal year 2005.

DESCRIPTION	TYPE	CLASSIFICATION	SEPTEMBER 30, 2003			MARCH 27, 2004
			BALANCE	PAYMENT	ACCRUAL	BALANCE

(\$ MILLIONS)						
Severance	Cash	SG&A	\$ 1.6	\$ (1.5)	\$ 0.5	\$ 0.6
Facility exit costs	Cash	SG&A and COS	0.9	(0.7)	0.8	1.0
Other related costs	Cash	SG&A	2.0	(2.1)	0.1	--
Total cash			\$ 4.5	\$ (4.3)	\$ 1.4	\$ 1.6
			=====	=====	=====	=====

5. LONG-TERM DEBT

	MARCH 27, 2004	MARCH 29, 2003	SEPTEMBER 30, 2003

(\$ MILLIONS)			
Former Credit Agreement:			
Revolving loans	\$ --	\$ 372.0	\$ --
Term loans	--	347.9	326.5
New Credit Agreement:			
Revolving loans	323.2	--	--
Term loans	500.0	--	--
Senior Subordinated Notes:			
8 5/8% Notes	--	392.5	393.1
6 5/8% Notes	200.0	--	--
Notes due to sellers	18.4	23.7	21.6
Foreign bank borrowings and term loans	17.0	13.8	6.3
Capital lease obligations and other ..	9.0	10.8	10.1
	1,067.6	1,160.7	757.6
Less current portions	27.7	287.7	55.4
	\$1,039.9	\$ 873.0	\$ 702.2
	=====	=====	=====

In October 2003, the Company substantially completed a refinancing of the former Credit Agreement ("Credit Agreement") and its \$400 million 8 5/8% Senior Subordinated Notes ("8 5/8% Notes") in a series of transactions. On October 8, 2003, the Company issued \$200 million of 6 5/8% Senior Subordinated Notes due November 15, 2013 ("6 5/8% Notes"). On October 21, 2003, substantially all of the outstanding 8 5/8% Notes were tendered, with the remainder being called on January 15, 2004. Finally, on October 22, 2003, the Company consummated a series of transactions which included the repayment of the term loans outstanding under the former Credit Agreement, the termination of the Credit Agreement, the execution of the Second Amended and Restated Credit Agreement ("New Credit Agreement"), and the borrowing of \$500 million in the form of term loans under the New Credit Agreement. The cost recognized in the first half of fiscal 2004 on the extinguishment of the former Credit Agreement and retirement of the 8 5/8% Notes was \$44.3 million, of which \$19.4 million related to the write-off of deferred costs, \$24.0 million related to premiums paid on the redemption of the 8 5/8% Notes and \$0.9 million related to transaction fees.

The New Credit Agreement was entered into with a syndicate of commercial banks and institutional lenders. The New Credit Agreement consists of a \$700 million multi-currency revolving credit commitment and a \$500 million term loan B facility. Financial covenants consist of a minimum interest coverage ratio and a maximum leverage ratio. There also are negative covenants similar to those in the former Credit Agreement. All such covenants are less restrictive than those contained in the former Credit Agreement. Collateral for the borrowings under the New Credit Agreement consists of pledges by the Company and all of its domestic subsidiaries of

substantially all of their personal, real and intellectual property assets. The Company and its subsidiaries also pledged a majority of the stock in foreign subsidiaries that borrow under the New Credit Agreement. At March 27, 2004, the

Company is in compliance with all applicable covenants. Financing costs approximating \$7.1 million incurred in conjunction with the New Credit Agreement have been deferred and are being amortized over the term of the New Credit Agreement.

The revolving credit facilities under the New Credit Agreement provide for a \$700 million commitment, which can be increased to \$750 million based on the borrowing requirements of the Company, expiring on October 22, 2008. Borrowings may be made in U.S. Dollars and optional currencies including, but not limited to, Euros, British Pounds Sterling, Canadian Dollars and Australian Dollars. The revolving credit facilities provide that up to \$65 million of the \$700 million commitment may be used for letters of credit. Interest rate spreads under the New Credit Agreement will be determined by a pricing grid corresponding to a quarterly calculation of the Company's leverage ratio comprised of averaged components for the most recent four quarters.

The \$500 million term loan B facility expires on September 30, 2010. Repayment of the term loan B commenced on March 31, 2004 with minimum quarterly principal payments of \$500,000 through June 30, 2010 followed by a balloon maturity on September 30, 2010. The term loans carry a variable interest rate based on prime or LIBOR at the Company's election (currently LIBOR) plus a spread. The Company entered into interest rate swap agreements with major financial institutions to effectively convert a portion of the variable rate term loans to a fixed rate. The notional amount and the terms of the swap agreements vary. At March 27, 2004, swap agreements with a total notional amount of \$175 million were in effect. Under the terms of these swap agreements, the Company pays fixed rates ranging from 2.76% to 3.77%, plus a spread based on the pricing grid contained in the New Credit Agreement, and receives payments based on three-month LIBOR in return.

The 6 5/8% Notes were issued in accordance with Rule 144A and Regulation S under the Securities Act of 1933. The 6 5/8% Notes were sold at par, pay interest semi-annually on May 15 and November 15, have a ten-year maturity with a five-year no-call provision, and are guaranteed by certain current and future domestic restricted subsidiaries of the Company (see Note 13). Such guarantees are unsecured senior subordinated obligations of the Company. The covenants contained in the 6 5/8% Notes indenture are less restrictive than those contained in the 8 5/8% Notes indenture. Financing costs approximating \$4.4 million incurred with the issuance of the 6 5/8% Notes have been deferred and are being amortized over the term of the Notes. On May 7, 2004, the Company commenced an offer to exchange its 6 5/8% Notes for an equal principal amount of its 6 5/8% notes which have been registered under the Securities Act of 1933, as amended. The terms of the 6 5/8% notes issued in the exchange offer will be substantially identical to the original 6 5/8% Notes, except that the original 6 5/8% Notes contain transfer restrictions and registration rights that the 6 5/8% notes issued in the exchange offer will not contain.

The Company called the 8 5/8% Notes at 106.05% per \$1,000 Note resulting in a principal tendered amount of \$386.8 million on October 21, 2003. The Company redeemed the remaining \$13.2 million of 8 5/8% Notes, that were not tendered, on the first call date of January 15, 2004 at 104.313% per \$1,000 Note plus accrued interest. Additional costs of \$0.6 million were recognized in conjunction with the redemption during the three month period ended March 27, 2004.

6. STATEMENT OF COMPREHENSIVE INCOME

The components of other comprehensive income and total comprehensive income for the three and six month periods ended March 27, 2004 and March 28, 2003, are as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003	MARCH 27, 2004	MARCH 29, 2003
Net income	\$ 73.1	\$ 62.5	\$ 2.4	\$ 15.7
Other comprehensive income (expense):				
Change in valuation of derivative instruments	(1.3)	0.3	(1.2)	0.3
Foreign currency translation adjustments	(0.7)	--	(1.5)	(0.6)
Comprehensive income (loss).....	\$ 71.1	\$ 62.8	\$ (0.3)	\$ 15.4

7. RETIREMENT AND RETIREE MEDICAL PLANS COST INFORMATION

The Financial Accounting Standards Board has revised Statement 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits" to require disclosure of cost information in interim reports. The following summarizes the net periodic benefit cost for the various plans sponsored by the Company (in millions):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003	MARCH 27, 2004	MARCH 29, 2003
Curtailed defined benefit plan	\$ 0.8	\$ 0.7	\$ 1.6	\$ 1.5
International benefit plans ..	1.8	2.1	3.7	4.2
Retiree medical plan	0.6	0.2	1.2	0.5

8. AIRCRAFT LEASE

In late January 2004, the Company took final delivery of a used aircraft in a synthetic operating lease transaction. The lease agreement provides that the Company pays taxes, insurance and maintenance on the aircraft. The lease term expires in August 2008, but provides for a purchase option and two one-year renewal options at a fair market rental value, as defined in the lease agreement. The Company also has a maximum contingent obligation approximating \$9.3 million based on the provisions of a residual value guarantee.

9. CONTINGENCIES

Management continually evaluates the Company's contingencies, including various lawsuits and claims which arise in the normal course of business, product and general liabilities, worker's compensation, property losses and other fiduciary liabilities for which the Company is self-insured or retains a high exposure limit. Insurance reserves are established within an actuarially determined range. 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 matters are the more significant of the Company's identified contingencies.

ENVIRONMENTAL MATTERS

In June 1997, the Ohio EPA initiated an enforcement action against us with respect to alleged surface water violations and inadequate treatment capabilities at our Marysville, Ohio facility and seeking corrective action under the federal Resource Conservation and Recovery Act. The action related to several discontinued on-site disposal areas which dated back to the early operations of the Marysville facility that we had already been assessing and, in some cases, remediating, on a voluntary basis. On December 3, 2001, an agreed judicial Consent Order was submitted to the Union County Common Pleas Court and was entered by the court on January 25, 2002. Pursuant to the Consent Order, we paid a \$275,000 fine and must satisfactorily remediate the Marysville site. We have continued our remediation activities with the knowledge and oversight of the Ohio EPA.

In addition to the dispute with the Ohio EPA, we are negotiating with the Philadelphia District of the U.S. Army Corps of Engineers regarding the terms of site remediation and the resolution of the Corps' civil penalty demand in connection with our prior peat harvesting operations at our Lafayette, New Jersey facility. We are also addressing remediation concerns raised by the Environment Agency of the United Kingdom with respect to emissions to air and groundwater at our Bramford (Suffolk), United Kingdom facility.

At March 27, 2004, \$5.9 million was accrued for the environmental site remediation and regulatory matters described herein. Most of the costs accrued as of the end of the current fiscal quarter, are expected to be paid in fiscal 2004 and 2005; however, payments could be made for a period thereafter.

We believe that the amounts accrued as of the end of the current fiscal quarter are adequate to cover our known environmental exposures based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

- that we have identified all of the significant sites that must be remediated;
- that there are no significant conditions of potential contamination that are unknown to us; and
- that with respect to the agreed judicial Consent Order in Ohio, that potentially contaminated soil can be remediated in place rather than having to be removed and only specific stream segments will require remediation as opposed to the entire stream.

If there is a significant change in the facts and circumstances surrounding these assumptions, it could have a material impact on the ultimate outcome of these matters and our results of operations, financial position and cash flows.

During the first six months of fiscal 2004, we have expended approximately \$0.9 million related to environmental matters, compared with approximately \$1.5 million in environmental expenditures for all of fiscal 2003.

LEGAL PROCEEDINGS

As noted in the discussion above under "Environmental Matters," we are involved in several pending environmental matters. We believe that our assessment of contingencies is reasonable and that related reserves, in the aggregate, are adequate; however, there can be no assurance that the final resolution of these matters will not have a material adverse affect on our results of operations, financial position and cash flows.

Pending material legal proceedings are as follows:

AGREVO ENVIRONMENTAL HEALTH, INC.

On June 3, 1999, AgrEvo Environmental Health, Inc. ("AgrEvo") (which subsequently changed its name to Aventis Environmental Health Science USA LP) filed a complaint in the U.S. District Court for the Southern District of New York (the "New York Action"), against The Scotts Company, a subsidiary of The Scotts Company and Monsanto seeking damages and injunctive relief for alleged antitrust violations and breach of contract by The Scotts Company and its subsidiary and antitrust violations and tortious interference with contract by Monsanto. The Scotts Company purchased a consumer herbicide business from AgrEvo in May 1998. AgrEvo claims in the suit that The Scotts Company's subsequent agreement to become Monsanto's exclusive sales and marketing agent for Monsanto's consumer Roundup(R) business violated the federal antitrust laws. AgrEvo contends that Monsanto attempted to or did monopolize the market for non-selective herbicides and conspired with The Scotts Company to eliminate the herbicide The Scotts Company previously purchased from AgrEvo, which competed with Monsanto's Roundup(R). AgrEvo also contends that The Scotts Company's execution of various agreements with Monsanto, including the Roundup(R) marketing agreement, as well as The Scotts Company's subsequent actions, violated agreements between AgrEvo and The Scotts Company.

AgrEvo is requesting unspecified damages as well as affirmative injunctive relief, and seeking to have the court invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and The Scotts Company each have requested that the other indemnify against any losses arising from this lawsuit.

On June 29, 1999, AgrEvo also filed a complaint in the Superior Court of the State of Delaware against two of The Scotts Company's subsidiaries seeking damages for alleged breach of contract. AgrEvo alleges that, under the contracts by which a subsidiary of The Scotts Company purchased a herbicide business from AgrEvo in May 1998, two of The Scotts Company's subsidiaries have failed to pay AgrEvo approximately \$0.6 million. AgrEvo is requesting damages in this amount, as well as pre- and post-judgment interest and attorneys' fees and costs. The Scotts Company's subsidiaries have moved to dismiss or stay this action. On January 31, 2000, the Delaware court stayed AgrEvo's action pending the resolution of a motion to amend the New York Action, and the resolution of the New York Action.

On January 10, 2003, The Scotts Company filed a supplemental counterclaim against AgrEvo for breach of contract. The Scotts Company alleges that AgrEvo owes The Scotts Company for amounts that The Scotts Company overpaid to AgrEvo. The Scotts

Company's counterclaim is now part of the underlying litigation. The parties are in the process of preparing summary judgment motions. A trial date has been set for November 1, 2004.

The Scotts Company believes that AgrEvo's claims in these matters are without merit and is vigorously defending against them. If the above actions are determined adversely to The Scotts Company, the result could have a material adverse effect on The Scotts Company's results of operations, financial position and cash flows. Any potential exposure that The Scotts Company may face cannot be reasonably estimated. Therefore, no accrual has been established related to these matters.

CENTRAL GARDEN & PET COMPANY

THE SCOTTS COMPANY V. CENTRAL GARDEN, SOUTHERN DISTRICT OF OHIO

On June 30, 2000, The Scotts Company filed suit against Central Garden & Pet Company ("Central Garden") in the U.S. District Court for the Southern District of Ohio (the "Ohio Action") to recover approximately \$24 million in accounts receivable and additional damages for other breaches of duty.

Central Garden filed counterclaims including allegations that The Scotts Company and Central Garden had entered into an oral agreement in April 1998 whereby The Scotts Company would allegedly share with Central Garden the benefits and liabilities of any future business integration between The Scotts Company and Monsanto. The court dismissed a number of Central Garden's counterclaims as well as The Scotts Company's claims that Central Garden breached other duties owed to The Scotts Company. On April 22, 2002, a jury returned a verdict in favor of The Scotts Company of \$22.5 million and for Central Garden on its remaining counterclaims in an amount of approximately \$12.1 million. Various post-trial motions were filed. As a result of those motions, the trial court has reduced Central Garden's verdict by \$750,000, denied Central Garden's motion for a new trial on two of its counterclaims and granted the parties pre-judgment interest on their respective verdicts. On September 22, 2003, the court entered a final judgment, which provided for a net award to The Scotts Company of approximately \$14 million, together with interest at 2.31% through the date of payment. Central Garden has appealed and The Scotts Company has cross-appealed from that final judgment.

Two counterclaims that the court permitted Central Garden to add on the eve of trial were subsequently settled.

CENTRAL GARDEN V. THE SCOTTS COMPANY & PHARMACIA, NORTHERN DISTRICT OF CALIFORNIA

On July 7, 2000, Central Garden filed suit against The Scotts Company and Pharmacia in the U.S. District Court for the Northern District of California (San Francisco Division) alleging various claims, including breach of contract and violations of federal antitrust laws, and seeking an unspecified amount of damages and injunctive relief. On April 15, 2002, The Scotts Company and Central Garden each filed summary judgment motions in this action. On June 26, 2002, the court granted summary judgment in favor of The Scotts Company and dismissed all of Central Garden's then remaining claims. That judgment has been affirmed by the United States Court of Appeals.

CENTRAL GARDEN V. THE SCOTTS COMPANY & PHARMACIA, CONTRA COSTA SUPERIOR COURT

On October 31, 2000, Central Garden filed a complaint against The Scotts Company and Pharmacia in the California Superior Court for Contra Costa County. That complaint sought to assert breach of contract claims and claims under Section 17200 of the California Business and Professions Code. On December 4, 2000, The Scotts Company and Pharmacia jointly filed a motion to stay this action based on the pendency of prior lawsuits that involved the same subject matter. By order dated February 23, 2001, the Superior Court stayed the action pending before it. Central Garden and Pharmacia later settled their claims relating to this action. Recently, Central Garden voluntarily dismissed its claims against The Scotts Company.

Although The Scotts Company has prevailed consistently and extensively in the litigation with Central Garden, some of the decisions in The Scotts Company's favor are subject to appeal and possible further proceedings. If, upon appeal or otherwise, the above actions are determined adversely to The Scotts Company, the result could have a material adverse affect on The Scotts Company's results of operations, financial position and cash flows. The Scotts Company believes that it will continue to prevail in the Central Garden matters and that any potential exposure that The Scotts Company may face cannot be reasonably estimated. Therefore, no accrual has been established related to the claims brought against The Scotts Company by Central Garden, except for amounts ordered paid to Central Garden in the Ohio Action. The Scotts Company believes it has adequate reserves recorded for the amounts it may ultimately be required to pay.

On February 7, 2003, U.S. Horticultural Supply filed suit against The Scotts Company in the U.S. District Court for the Eastern District of Pennsylvania. U.S. Horticultural Supply alleges claims of breach of contract, promissory estoppel and a violation of federal antitrust laws, and seeks an unspecified amount of damages.

On March 14, 2003, The Scotts Company filed a motion to dismiss the antitrust claim, and a motion to dismiss, or in the alternative stay, the promissory estoppel claims pending arbitration. The motion is pending. Discovery has commenced. No trial date has been set.

The Scotts Company believes that U.S. Horticultural Supply's claims are without merit and intends to vigorously defend against them. If the above action is determined adversely to The Scotts Company, the result could have a material adverse effect on The Scotts Company's results of operations, financial position and cash flows. Any potential exposure that The Scotts Company may face cannot be reasonably estimated. Therefore, no accrual has been established related to this matter.

OTHER

The Scotts Company recently has been named a defendant in a number of cases alleging injuries that the lawsuits claim resulted from exposure to asbestos-containing products. The complaints in these cases, most of which are in their preliminary stages, are not specific about the plaintiffs' contacts with The Scotts Company or its products. The Scotts Company in each case is one of numerous defendants and none of the claims seeks damages from The Scotts Company alone. The Scotts Company is vigorously defending the cases and does not believe they are material to The Scotts Company's results of operations, financial position or cash flows.

It is not currently possible to reasonably estimate a probable loss, if any, associated with the cases and, accordingly, no accrual or reserves have been recorded in The Scotts Company's consolidated financial statements. There can be no assurance that these cases, whether as a result of adverse outcomes or as a result of significant defense costs, will not have a material adverse effect on The Scotts Company, its financial condition or its results of operations. The Scotts Company is reviewing agreements and policies that may provide insurance coverage or indemnity as to these claims and is pursuing coverage under some of these agreements.

We are involved in other lawsuits and claims which arise in the normal course of our business. In our opinion, these claims individually and in the aggregate are not expected to result in a material adverse effect on our results of operations, financial position or cash flows.

10. NEW ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability company, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46 requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns (if no party absorbs a majority of the VIE's losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on

majority voting interest. FIN 46 also requires disclosures about VIEs that the variable interest holder is not required to consolidate but in which it has a significant variable interest.

The Company has evaluated FIN 46 and believes that as of March 27, 2004, the only entities for which it may be the primary beneficiary are certain of the Company's Scotts LawnService(R) franchises. The Company has evaluated the potential significance of its interest in the franchises for which it may be the primary beneficiary from a consolidation perspective as well as from a maximum exposure to loss perspective. Based on the results of the evaluation process, the Company has concluded that the effect of consolidating certain franchises where the Company may be the primary beneficiary would be immaterial to both the statement of operations and balance sheet.

11. MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT

As disclosed in Note 8 to our consolidated financial statements for the year ended September 30, 2003, the Company provides comprehensive major medical benefits to certain of its retired associates and their dependents. These benefits include prescription drug coverage. On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act (the "Act") became law. The Act provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit established by the Act. The Company has evaluated the Act and believes it will be eligible for the federal subsidy.

Specific authoritative guidance governing the accounting requirements pertaining to any federal subsidy the Company might receive has not yet been issued by the FASB. Pending the issuance of authoritative guidance, the FASB has issued FSP No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," that provides a one-time election to defer accounting for the effects of the Act. The Company has not completed the analysis necessary to estimate the effect, if any, that any such subsidy will have on its accumulated postretirement benefit obligation or net periodic postretirement benefit cost. Accordingly, the Company has elected to defer accounting for the effects of the Act until authoritative guidance is issued by the FASB.

12. SEGMENT INFORMATION

For fiscal 2004, the Company is divided into three reportable segments - North America, Scotts LawnService(R) and International. The North America segment primarily consists of the Lawns, Gardening Products, Ortho(R), Canada and North American Professional business groups. These segments differ from those used in the prior year due to the absorption of the Global Professional segment into the North America and International segments based on geography. This new division of reportable segments is consistent with how the segments report to and are managed by senior management of the Company. The prior year amounts have been reclassified to conform with the fiscal 2004 segments.

The North America segment manufactures, markets and sells dry, granular slow-release lawn fertilizers, combination lawn fertilizer and control products, grass seed, spreaders, water-soluble and controlled-release garden and indoor plant foods, plant care products, potting soils, pottery, barks, mulches and other growing media products, pesticide products and a full line of horticulture products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, nurseries and gardens centers and specialty crop growers in the United States, Canada, Latin America and South America.

The Scotts LawnService(R) segment provides lawn fertilization, insect control and other related services such as core aeration primarily to residential consumers through company-owned branches and franchises. In most Company markets, Scotts LawnService(R) also offers tree and shrub fertilization, disease and insect control treatments and, in our larger branches, an exterior barrier pest control service.

The International segment provides products similar to those described above for the North America segment to consumers outside of the United States, Canada, Latin America and South America.

The following table presents segment financial information in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". Pursuant to that statement, the presentation of the segment financial information is consistent with the basis used by management (i.e., certain costs not allocated to business segments for internal management reporting purposes are not allocated for purposes of this presentation).

	NORTH AMERICA	SCOTTS LAWNSERVICE (R)	INTERNATIONAL	OTHER/ CORPORATE	TOTAL
	(IN MILLIONS, EXCEPT OPERATING PERCENTAGES)				
Net sales:					
YTD 2004	\$ 660.5	\$ 34.9	\$ 220.0	\$ --	\$ 915.4
YTD 2003	\$ 625.6	\$ 26.8	\$ 204.5	\$ --	\$ 856.9
Q2 2004	\$ 557.8	\$ 16.3	\$ 155.1	\$ --	\$ 729.2
Q2 2003	\$ 521.0	\$ 11.5	\$ 143.7	\$ --	\$ 676.2
Operating income (loss):					
YTD 2004	\$ 116.9	\$ (19.2)	\$ 22.8	\$ (42.1)	\$ 78.4
YTD 2003	\$ 98.7	\$ (17.1)	\$ 20.8	\$ (37.8)	\$ 64.6
Q2 2004	\$ 145.6	\$ (12.7)	\$ 25.1	\$ (23.1)	\$ 134.9
Q2 2003	\$ 128.4	\$ (12.3)	\$ 22.5	\$ (17.0)	\$ 121.6
Operating margin:					
YTD 2004	17.7%	(55.0)%	10.4%	nm	8.6%
YTD 2003	15.8%	(63.8)%	10.2%	nm	7.5%
Q2 2004	26.1%	(77.9)%	16.2%	nm	18.5%
Q2 2003	24.6%	(107.0)%	15.7%	nm	18.0%
Goodwill:					
Q2 2004	\$ 207.6	\$ 97.5	\$ 118.2	\$ --	\$ 423.3
Q2 2003	\$ 199.4	\$ 77.9	\$ 106.9	\$ --	\$ 384.2
Total assets:					
Q2 2004	\$ 1,708.0	\$ 112.7	\$ 611.1	\$ 109.5	\$ 2,541.3
Q2 2003	\$ 1,661.8	\$ 94.2	\$ 568.9	\$ 129.0	\$ 2,453.9

nm Not meaningful.

Operating income reported for Scotts' three reportable segments represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, the corporate operating loss for the three and six month periods ended March 27, 2004 and March 29, 2003 includes amortization of certain intangible assets, unallocated corporate general and administrative expenses, North America restructuring charges and certain "other" income (expense) items not allocated to the reportable segments.

Goodwill reported as of March 27, 2004 is \$423.3 million, an increase of \$16.8 million from \$406.5 million at September 30, 2003. The increases in both the North America and Scotts LawnService(R) reported segments were due to the purchasing of remaining minority interest shares in two majority-owned consolidated entities, increasing goodwill by \$9.0 million. The International segment was impacted by changes in foreign exchange rates, resulting in an increase of \$6.6 million to goodwill for the six months ended March 27, 2004.

Total assets reported for Scotts' reportable segments include the intangible assets for the acquired businesses within those segments. Corporate assets primarily include deferred financing and debt issuance costs, corporate intangible assets and deferred tax assets.

13. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

The 6 5/8% Senior Subordinated Notes are general obligations of The Scotts Company and are guaranteed by all of the existing wholly-owned, domestic subsidiaries and all future wholly-owned, significant (as defined in Regulation S-X of the Securities and Exchange Commission) domestic subsidiaries of The Scotts Company. These subsidiary guarantors jointly and severally guarantee The Scotts Company's obligations under the Notes. The guarantees represent full and unconditional general obligations of each subsidiary that are subordinated in right of payment to all existing and future senior debt of that subsidiary but are senior in right of payment to any future junior subordinated debt of that subsidiary.

The following unaudited information presents consolidated Statements of Operations for the three and six month periods ended March 27, 2004 and March 29, 2003, Statements of Cash Flows for the six month periods ended March 27, 2004 and March 29, 2003 and Balance Sheets as of March 27, 2004, March 29, 2003 and September 30, 2003. Separate unaudited financial statements of the individual guarantor subsidiaries have not been provided because management does not believe they would be meaningful to investors.

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 27, 2004 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
Net sales	\$ 418.7	\$ 137.7	\$ 172.8	\$	\$ 729.2
Cost of sales	257.7	76.7	104.6		439.0
Restructuring and other charges			0.2		0.2
	-----	-----	-----	-----	-----
Gross profit	161.0	61.0	68.0	--	290.0
Gross commission earned from marketing agreement	13.8		1.5		15.3
Costs associated with marketing agreement	7.1				7.1
	-----	-----	-----	-----	-----
Net commission from marketing agreement	6.7	--	1.5	--	8.2
Operating expenses:					
Advertising	28.4	1.2	10.2		39.8
Selling, general and administrative ...	81.0	13.7	30.7		125.4
Restructuring and other charges			0.2		0.2
Amortization of intangible assets	0.1	1.0	1.2		2.3
Equity income in subsidiaries	(40.7)			40.7	
Intracompany allocations	(4.3)	(4.1)	8.4		
Other income, net	(0.3)	(0.5)	(1.3)		(2.1)
	-----	-----	-----	-----	-----
Income (loss) from operations	103.5	49.7	20.1	(40.7)	132.6
Interest expense	9.7		3.8		13.5
Costs related to refinancing	0.6				0.6
	-----	-----	-----	-----	-----
Income (loss) before income taxes	93.2	49.7	16.3	(40.7)	118.5
Income tax expense	20.1	19.0	6.3		45.4
	-----	-----	-----	-----	-----
Net income (loss)	\$ 73.1	\$ 30.7	\$ 10.0	\$ (40.7)	\$ 73.1
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 27, 2004 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
Net sales	\$ 479.4	\$ 196.9	\$ 239.1	\$	\$ 915.4
Cost of sales	294.4	136.0	145.0		575.4
Restructuring and other charges	0.3		0.4		0.7
	-----	-----	-----	-----	-----
Gross profit	184.7	60.9	93.7	--	339.3
Gross commission earned from marketing agreement	13.4		1.9		15.3
Costs associated with marketing agreement	14.2				14.2
	-----	-----	-----	-----	-----
Net commission from marketing agreement	(0.8)	--	1.9	--	1.1
Operating expenses:					
Advertising	32.6	2.3	13.2		48.1
Selling, general and administrative ...	137.3	24.4	55.4		217.1
Restructuring and other charges		0.1	0.6		0.7
Amortization of intangible assets	0.2	2.2	2.4		4.8
Equity income in subsidiaries	(25.7)			25.7	
Intracompany allocations	(12.4)	2.1	10.3		
Other income, net	(0.6)	(1.3)	(2.0)		(3.9)
	-----	-----	-----	-----	-----
Income (loss) from operations	52.5	31.1	15.7	(25.7)	73.6
Interest expense	20.2		5.2		25.4
Costs related to refinancing	44.3				44.3
	-----	-----	-----	-----	-----
Income (loss) before income taxes	(12.0)	31.1	10.5	(25.7)	3.9
Income tax expense (benefit)	(14.4)	11.9	4.0		1.5
	-----	-----	-----	-----	-----
Net income (loss)	\$ 2.4	\$ 19.2	\$ 6.5	\$ (25.7)	\$ 2.4
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED MARCH 27, 2004 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	\$ 2.4	\$ 19.2	\$ 6.5	\$ (25.7)	\$ 2.4
Adjustments to reconcile net loss to net cash used in operating activities:					
Costs related to refinancing	44.3				44.3
Stock-based compensation expense	4.4				4.4
Depreciation	13.2	5.7	2.8		21.7
Amortization	1.8	2.4	2.3		6.5
Deferred Taxes	(0.1)				(0.1)
Equity (income) loss in subsidiaries	(25.7)			25.7	
Net change in certain components of working capital	(317.0)	(32.9)	(125.4)		(475.3)
Net changes in other assets and liabilities and other adjustments	(15.0)	(0.3)	6.9		(8.4)
	-----	-----	-----	-----	-----
Net cash used in operating activities	(291.7)	(5.9)	(106.9)	--	(404.5)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(2.1)	(4.6)	(4.2)		(10.9)
Investment in acquired businesses, net of cash acquired	(0.3)	(1.8)	(3.2)		(5.3)
Payments on seller notes	(2.0)	(6.9)			(8.9)
	-----	-----	-----	-----	-----
Net cash used in investing activities	(4.4)	(13.3)	(7.4)	--	(25.1)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	2.8		327.9		330.7
Gross borrowings under term loans	500.0				500.0
Gross repayments under term loans	(240.5)		(86.0)		(326.5)
Issuance of 6 5/8% Notes	200.0				200.0
Redemption of 8 5/8% Notes	(418.0)				(418.0)
Financing fees	(11.5)				(11.5)
Cash received from the exercise of stock options	12.2				12.2
Intracompany financing	123.6	19.5	(143.1)		
	-----	-----	-----	-----	-----
Net cash provided by financing activities	168.6	19.5	98.8	--	286.9
Effect of exchange rate changes on cash			1.0		1.0
	-----	-----	-----	-----	-----
Net increase (decrease) in cash	(127.5)	0.3	(14.5)	--	(141.7)
Cash and cash equivalents, beginning of period .	132.1	1.2	22.6		155.9
	-----	-----	-----	-----	-----
Cash and cash equivalents, end of period	\$ 4.6	\$ 1.5	\$ 8.1	\$ --	\$ 14.2
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
BALANCE SHEET
AS OF MARCH 27, 2004 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 4.6	\$ 1.5	\$ 8.1	\$	\$ 14.2
Accounts receivable, net	355.1	169.9	251.0		776.0
Inventories, net	226.4	85.4	106.8		418.6
Current deferred tax asset	58.8	0.5	1.4		60.7
Prepaid and other assets	28.5	5.3	12.4		46.2
	-----	-----	-----	-----	-----
Total current assets	673.4	262.6	379.7	--	1,315.7
Property, plant and equipment, net	196.2	89.3	44.0		329.5
Goodwill	21.5	274.1	127.7		423.3
Intangible assets, net	4.9	279.9	146.9		431.7
Other assets	41.2	1.5	(1.6)		41.1
Investment in affiliates	1,071.1			(1,071.1)	
Intracompany assets		225.1		(225.1)	
	-----	-----	-----	-----	-----
Total assets	\$ 2,008.3	\$ 1,132.5	\$ 696.7	\$ (1,296.2)	\$ 2,541.3
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	\$ 2.5	\$ 7.9	\$ 17.3	\$	\$ 27.7
Accounts payable	130.0	46.6	102.6		279.2
Accrued liabilities	130.7	36.6	95.8		263.1
Accrued taxes	20.0	2.4	0.9		23.3
	-----	-----	-----	-----	-----
Total current liabilities	283.2	93.5	216.6	--	593.3
Long-term debt	711.7	4.9	323.3		1,039.9
Other liabilities	144.3	0.7	17.3		162.3
Intracompany liabilities	123.3		101.8	(225.1)	
	-----	-----	-----	-----	-----
Total liabilities	1,262.5	99.1	659.0	(225.1)	1,795.5
	-----	-----	-----	-----	-----
Shareholders' equity:					
Investment from parent		501.2	55.6	(556.8)	
Common shares, no par value per share, \$.01 stated value per share	0.8				0.8
Deferred compensation-stock awards	(18.8)				(18.8)
Capital in excess of par value	426.3				426.3
Retained earnings	401.0	534.0	9.3	(543.3)	401.0
Accumulated other comprehensive expense	(63.5)	(1.8)	(27.2)	29.0	(63.5)
	-----	-----	-----	-----	-----
Total shareholders' equity	745.8	1,033.4	37.7	(1,071.1)	745.8
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 2,008.3	\$ 1,132.5	\$ 696.7	\$ (1,296.2)	\$ 2,541.3
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 29, 2003 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
Net sales	\$ 389.9	\$ 128.8	\$ 157.5	\$	\$ 676.2
Cost of sales	248.0	71.3	98.3		417.6
Restructuring and other charges	0.4		0.3		0.7
	-----	-----	-----	-----	-----
Gross profit	141.5	57.5	58.9	--	257.9
Gross commission earned from marketing agreement	10.3		1.0		11.3
Costs associated with marketing agreement	7.1				7.1
	-----	-----	-----	-----	-----
Net commission from marketing agreement	3.2	--	1.0	--	4.2
Operating expenses:					
Advertising	25.6	1.0	8.3		34.9
Selling, general and administrative ...	66.1	13.4	26.1		105.6
Restructuring and other charges	1.0	0.1	1.3		2.4
Amortization of intangible assets	0.1	1.0	1.0		2.1
Equity income in subsidiaries	(40.1)			40.1	
Intracompany allocations	(1.8)	(2.1)	3.9		
Other income, net	(0.2)	(1.2)	(1.0)		(2.4)
	-----	-----	-----	-----	-----
Income (loss) from operations	94.0	45.3	20.3	(40.1)	119.5
Interest expense	17.9	(3.8)	4.6		18.7
	-----	-----	-----	-----	-----
Income (loss) before income taxes	76.1	49.1	15.7	(40.1)	100.8
Income tax expense	13.6	18.7	6.0		38.3
	-----	-----	-----	-----	-----
Net income (loss)	\$ 62.5	\$ 30.4	\$ 9.7	\$ (40.1)	\$ 62.5
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 29, 2003 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
Net sales	\$ 449.8	\$ 188.7	\$ 218.4	\$	\$ 856.9
Cost of sales	286.9	131.3	138.4		556.6
Restructuring and other charges	4.7		0.4		5.1
	-----	-----	-----	-----	-----
Gross profit	158.2	57.4	79.6	--	295.2
Gross commission earned from marketing agreement	10.1		1.2		11.3
Costs associated with marketing agreement	14.2				14.2
	-----	-----	-----	-----	-----
Net commission from marketing agreement	(4.1)	--	1.2	--	(2.9)
Operating expenses:					
Advertising	30.4	1.7	11.4		43.5
Selling, general and administrative ...	113.4	23.4	46.7		183.5
Restructuring and other charges	1.3	0.3	2.7		4.3
Amortization of intangible assets	0.2	1.9	2.0		4.1
Equity income in subsidiaries	(25.2)			25.2	
Intracompany allocations	(10.9)	4.6	6.3		
Other income, net	(0.3)	(1.8)	(1.5)		(3.6)
	-----	-----	-----	-----	-----
Income (loss) from operations	45.2	27.3	13.2	(25.2)	60.5
Interest expense	35.2	(7.7)	7.7		35.2
	-----	-----	-----	-----	-----
Income (loss) before income taxes	10.0	35.0	5.5	(25.2)	25.3
Income tax expense (benefit)	(5.7)	13.3	2.0		9.6
	-----	-----	-----	-----	-----
Net income (loss)	\$ 15.7	\$ 21.7	\$ 3.5	\$ (25.2)	\$ 15.7
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED MARCH 29, 2003 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	\$ 15.7	\$ 21.7	\$ 3.5	\$ (25.2)	\$ 15.7
Adjustments to reconcile net loss to net cash used in operating activities:					
Stock-based compensation expense	1.6				1.6
Depreciation	10.8	5.0	3.0		18.8
Amortization	1.9	1.9	2.0		5.8
Deferred taxes	9.9				9.9
Equity (income) loss in non-guarantors	(25.2)			25.2	
Net change in certain components of working capital	(248.0)	(62.8)	(121.6)		(432.4)
Net changes in other assets and liabilities and other adjustments	13.0	23.0	(36.0)		--
Net cash used in operating activities	(220.3)	(11.2)	(149.1)	--	(380.6)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment ..	(13.8)	(14.4)	(3.1)		(31.3)
Investment in acquired businesses, net of cash acquired		(5.2)			(5.2)
Payments on seller notes	(3.8)	(8.7)	(14.5)		(27.0)
Net cash used in investing activities	(17.6)	(28.3)	(17.6)	--	(63.5)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	104.8		268.2		373.0
Gross repayments under term loans	(17.3)		(8.5)		(25.8)
Financing fees	(0.5)				(0.5)
Cash received from the exercise of stock options	9.0				9.0
Intracompany financing	89.0	39.5	(128.5)		
Net cash provided by financing activities	185.0	39.5	131.2	--	355.7
Effect of exchange rate changes on cash			1.0		1.0
Net increase (decrease) in cash	(52.9)	--	(34.5)	--	(87.4)
Cash and cash equivalents, beginning of period	54.7	2.0	43.0		99.7
Cash and cash equivalents, end of period	\$ 1.8	\$ 2.0	\$ 8.5	\$ --	\$ 12.3

THE SCOTTS COMPANY
BALANCE SHEET
AS OF MARCH 29, 2003 (IN MILLIONS)
(UNAUDITED)

	PARENT -----	SUBSIDIARY GUARANTORS -----	NON- GUARANTORS -----	ELIMINATIONS -----	CONSOLIDATED -----
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1.8	\$ 2.0	\$ 8.5	\$	\$ 12.3
Accounts receivable, net	330.0	148.6	245.7		724.3
Inventories, net	229.8	73.8	96.6		400.2
Current deferred tax asset	72.1	0.5	(0.1)		72.5
Prepaid and other assets	24.2	6.0	20.6		50.8
	-----	-----	-----	-----	-----
Total current assets	657.9	230.9	371.3	--	1,260.1
Property, plant and equipment, net	215.6	92.2	34.8		342.6
Goodwill	16.6	280.7	86.9		384.2
Intangible assets, net	4.4	281.0	134.1		419.5
Other assets	46.9	2.8	(2.2)		47.5
Investment in affiliates	965.1			(965.1)	
Intracompany assets		130.4	23.1	(153.5)	
	-----	-----	-----	-----	-----
Total assets	\$ 1,906.5	\$ 1,018.0	\$ 648.0	\$ (1,118.6)	\$ 2,453.9
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	\$ 265.8	\$ 7.9	\$ 14.0	\$	\$ 287.7
Accounts payable	125.5	41.2	97.5		264.2
Accrued liabilities	119.5	30.8	98.8		249.1
Accrued taxes	18.5	2.0	7.2		27.7
	-----	-----	-----	-----	-----
Total current liabilities	529.3	81.9	217.5	--	828.7
Long-term debt	489.7	6.3	377.0		873.0
Other liabilities	114.0	0.4	17.8		132.2
Intracompany liabilities	153.5			(153.5)	
	-----	-----	-----	-----	-----
Total liabilities	1,286.5	88.6	612.3	(153.5)	1,833.9
	-----	-----	-----	-----	-----
Shareholders' equity:					
Investment from parent		496.5	51.9	(548.4)	
Common shares, no par value per share, \$.01 stated value per share	0.3				0.3
Deferred compensation-stock awards	(10.4)				(10.4)
Capital in excess of par value	398.6				398.6
Retained earnings	310.5	435.5	7.2	(442.7)	310.5
Treasury stock, 1.0 shares at cost	(20.7)				(20.7)
Accumulated other comprehensive expense	(58.3)	(2.6)	(23.4)	26.0	(58.3)
	-----	-----	-----	-----	-----
Total shareholders' equity	620.0	929.4	35.7	(965.1)	620.0
	-----	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 1,906.5	\$ 1,018.0	\$ 648.0	\$ (1,118.6)	\$ 2,453.9
	=====	=====	=====	=====	=====

THE SCOTTS COMPANY
BALANCE SHEET
AS OF SEPTEMBER 30, 2003
(IN MILLIONS)

	PARENT	SUBSIDIARY GUARANTORS	NON- GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 132.1	\$ 1.2	\$ 22.6	\$	\$ 155.9
Accounts receivable, net	103.3	99.8	87.4		290.5
Inventories, net	143.6	50.4	82.1		276.1
Current deferred tax asset	56.8	0.4	(0.3)		56.9
Prepaid and other assets	16.2	3.2	13.8		33.2
Total current assets	452.0	155.0	205.6	--	812.6
Property, plant and equipment, net	206.8	90.6	40.8		338.2
Goodwill	20.5	294.3	91.7		406.5
Intangible assets, net	5.8	281.8	141.4		429.0
Other assets	44.8	1.5	(2.3)		44.0
Investment in affiliates	1,066.3			(1,066.3)	
Intracompany assets		275.2		(275.2)	
Total assets	\$1,796.2	\$ 1,098.4	\$ 477.2	\$ (1,341.5)	\$ 2,030.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Current portion of debt	\$ 38.9	\$ 9.9	\$ 6.6	\$	\$ 55.4
Accounts payable	70.0	27.0	52.0		149.0
Accrued liabilities	111.4	25.8	97.1		234.3
Accrued taxes	7.6	2.3	(0.4)		9.5
Total current liabilities	227.9	65.0	155.3	--	448.2
Long-term debt	603.8	9.7	88.7		702.2
Other liabilities	137.2		14.5		151.7
Intracompany liabilities	99.1		176.1	(275.2)	
Total liabilities	1,068.0	74.7	434.6	(275.2)	1,302.1
Shareholders' Equity:					
Investment from parent		510.7	65.3	(576.0)	
Common shares, no par value per share, \$.01 stated value per share, 32.0 shares issued in 2003	0.3				0.3
Deferred compensation-stock awards	(8.3)				(8.3)
Capital in excess of stated value	398.4				398.4
Retained earnings	398.6	514.8	2.8	(517.6)	398.6
Accumulated other comprehensive income	(60.8)	(1.8)	(25.5)	27.3	(60.8)
Total shareholders' equity	728.2	1,023.7	42.6	(1,066.3)	728.2
Total liabilities and shareholders' equity	\$1,796.2	\$ 1,098.4	\$ 477.2	\$ (1,341.5)	\$ 2,030.3

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

OVERVIEW

Scotts is a leading manufacturer and marketer of consumer branded products for lawn and garden care and professional horticulture in the United States and Europe. We also have a presence in Australia, the Far East, Latin America and South America. Also, in the United States, we operate the second largest residential lawn service business, Scotts LawnService(R). In fiscal 2004, our operations are divided into three reportable segments: North America, Scotts LawnService(R) and International.

As a leading consumer branded lawn and garden company, we focus our consumer marketing efforts, including advertising and consumer research, on creating consumer demand to pull products through retail distribution channels. In the past three years, we have spent approximately 5% of our net sales annually on media advertising to support and promote our products and brands. We have applied this consumer marketing focus for the past several years, and we believe that Scotts receives a significant return on these marketing expenditures. We expect that we will continue to focus our marketing efforts toward the consumer and make additional investments in consumer marketing expenditures in the future to continue to drive category growth and increased market share. In fiscal 2004, we have increased advertising spending as we deliver a new media message for the Ortho(R) line, increase our advertising on selected brands in Europe and continue to have the largest share of voice in our lawn and garden categories in North America.

Our sales are susceptible to global weather conditions. For instance, periods of wet weather like we experienced in the spring of 2003 in the United States adversely impacted fertilizer sales, but increased demand for certain pesticide products. We believe that our past acquisitions have somewhat diversified both our product line risk and geographic risk to weather conditions.

Historically, the majority of our shipments to retailers have occurred in the second and third fiscal quarters. However, over the past three years, retailers have reduced their pre-season inventories by relying on vendors to deliver products "in season" when consumers seek to buy our products. This change in retailer purchasing patterns and the increasing importance of Scotts LawnService(R) revenues have caused a sales shift from our second fiscal quarter to the third and fourth fiscal quarters. Fiscal 2003 net sales by quarter were 9.5%, 35.4%, 37.2%, and 17.9%, respectively. Concurrent with this sales shift, and because of the expansion of Scotts LawnService(R), the Company has experienced a shift in profitability from the second to third and fourth fiscal quarters, with the third fiscal quarter now more profitable than the second fiscal quarter. Results for the Company's fourth fiscal quarter, historically a loss making quarter, improved substantially in fiscal 2003. We expect the trend towards stronger third and fourth fiscal quarter sales and profits to continue in fiscal 2004.

In fiscal 2002, we announced the International Profit Improvement Plan to improve the operations and profitability of our European-based consumer and professional businesses. We have expended approximately \$33 million through March 27, 2004, of which approximately 25% have been capital expenditures, primarily technology related. The remaining 75% of the total spending relates to the reorganization and rationalization of our European supply chain, increased sales force productivity and a shift to Pan-European category management of our product portfolio. By the end of 2005, we anticipate a cumulative total of \$45 million to \$55 million will have been spent on various projects related to this plan.

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46 provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its consolidated financial statements. Reference should be made to Note 10 to the Condensed, Consolidated Financial Statements (unaudited) included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information as to the Company's assessment of FIN 46.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of the consolidated financial position and results of operations should be read in conjunction with our Condensed, Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q. Our Annual Report on Form 10-K for the fiscal year ended September 30, 2003 includes additional information about the Company, our operations and our financial position, and should be read in conjunction with this Quarterly Report on Form 10-Q.

Our discussion and analysis of our financial condition and results of operations is based upon our Condensed, Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to customer programs and incentives, product returns, bad debts,

inventories, intangible assets, income taxes, restructuring, environmental matters, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The estimates that we believe are most critical to our reporting of results of operations and financial position are as follows:

- - We have significant investments in property and equipment, intangible assets and goodwill. Whenever changing conditions warrant, we review the realizability of the assets that may be impacted. At least annually, we review indefinite-lived intangible assets for impairment. The review for impairment of long-lived assets, intangibles and goodwill takes into account estimates of future cash flows. Our estimates of future cash flows are based upon budgets and longer-range plans. These budgets and plans are used for internal purposes and are also the basis for communication with outside parties about future business trends. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. As a result, impairment charges that possibly should have been recognized in earlier periods may not be recognized until later periods if actual results deviate unfavorably from earlier estimates.
- - We continually assess the adequacy of our reserves for uncollectible accounts due from customers. However, future changes in our customers' operating performance and cash flows or in general economic conditions could have an impact on their ability to fully pay these amounts which could have a material impact on our results of operations or financial position.
- - Reserves for product returns are based upon historical data and current program terms and conditions with our customers. Changes in economic conditions, regulatory actions or defective products could result in actual returns being materially different than the amounts provided for in our interim or annual results of operations or financial position.
- - Reserves for excess and obsolete inventory are based on a variety of factors, including product changes and improvements, changes in active ingredient availability and regulatory acceptance, new product introductions and estimated future demand. The adequacy of our reserves could be materially affected by changes in the demand for our products or by regulatory or competitive actions.
- - As described more fully in the notes to the Consolidated Financial Statements for the year ended September 30, 2003, and in the notes to the unaudited, Condensed, Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, we are involved in significant environmental and legal matters which have a high degree of uncertainty associated with them. We continually assess the likely outcomes of these matters and the adequacy of amounts, if any, provided for these matters. There can be no assurance that the ultimate outcomes will not differ materially from our assessment of them. There can also be no assurance that all matters that may be brought against us or that we may bring against other parties are known to us at any point in time.
- - We accrue for the estimated costs of customer volume rebates, cooperative advertising, consumer coupons and other trade programs as the related sales occur during the year. These accruals involve the use of estimates as to the total expected program costs and the expected sales levels. Historical results are also used to evaluate the accuracy and adequacy of amounts provided at interim dates and year end. There can be no assurance that actual amounts paid for these trade programs will not differ from estimated amounts accrued. However, we believe any such differences would not be material to our financial position or results of operations.
- - We record income tax liabilities utilizing known obligations and estimates of potential obligations. A deferred tax asset or liability is recognized whenever there are future tax effects from existing temporary differences and operating loss and tax credit carryforwards. Valuation allowances are used to reduce deferred tax assets to the balance that is more likely than not to be realized. We must make estimates and judgments on future taxable income, considering feasible tax planning strategies and taking into account existing facts and circumstances, to determine the proper valuation allowance. When we determine that deferred tax assets could be realized in greater or lesser amounts than recorded, the asset balance and income statement reflects the change in the period such determination is made. Due to changes in facts and circumstances and the estimates and judgments that are involved in determining the proper valuation allowance, differences between actual future events and prior estimates and judgments could result in adjustments to this valuation allowance. The Company uses an estimate of its annual effective tax rate at each interim period based on the facts and circumstances available at that time, while the actual effective tax rate is calculated at year-end.

RESULTS OF OPERATIONS

The following table sets forth net sales by business segment for the three and six month periods ended March 27, 2004 and March 29, 2003:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003	MARCH 27, 2004	MARCH 29, 2003
	(UNAUDITED) (\$ MILLIONS)			
North America	\$ 557.8	\$ 521.0	\$ 660.5	\$ 625.6
Scotts LawnService(R)	16.3	11.5	34.9	26.8
International	155.1	143.7	220.0	204.5
Consolidated	\$ 729.2	\$ 676.2	\$ 915.4	\$ 856.9

The following table sets forth the components of income and expense as a percentage of net sales for the three and six month periods ended March 27, 2004 and March 29, 2003:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	MARCH 27, 2004	MARCH 29, 2003	MARCH 27, 2004	MARCH 29, 2003
	(UNAUDITED)			
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.2	61.7	62.8	65.0
Restructuring and other charges	--	0.2	0.1	0.6
Gross profit	39.8	38.1	37.1	34.4
Net commission (expense) from marketing agreement	1.1	0.6	0.1	(0.3)
Operating expenses:				
Advertising	5.5	5.2	5.3	5.0
Selling, general and administrative	14.7	13.5	20.2	18.5
Selling, general and administrative - lawn service business	2.1	1.9	3.0	2.7
Stock-based compensation	0.4	0.1	0.5	0.2
Restructuring and other charges	--	0.4	0.1	0.5
Amortization of intangibles	0.3	0.3	0.5	0.5
Other expense (income), net	(0.3)	(0.4)	(0.4)	(0.4)
Income from operations	18.2	17.7	8.0	7.1
Interest expense	1.9	2.8	2.8	4.1
Costs related to refinancing	0.1	--	4.8	--
Income before income taxes	16.2	14.9	0.4	3.0
Income tax expense	6.2	5.7	0.1	1.1
Net income	10.0%	9.2%	0.3%	1.9%

THREE MONTHS ENDED MARCH 27, 2004 COMPARED TO THREE MONTHS ENDED MARCH 29, 2003

Net sales for the three months ended March 27, 2004 were \$729.2 million, an increase of 7.8% from net sales of \$676.2 million for the three months ended March 29, 2003. Excluding the effect of exchange rates, sales for the second quarter of fiscal 2004 were \$707.0 million, or 4.6% above the second quarter of fiscal 2003. Price increases are not material to the discussion of net sales in total or by reportable segment for either fiscal period presented.

The North America segment net sales were \$557.8 million in the second quarter of fiscal 2004, an increase of 7.1% from net sales of \$521.0 million for the second quarter of fiscal 2003. Every product group within the North America segment finished the second quarter with strong sales. This increase was driven primarily by sales within our Lawns and Gardening Products groups as a result of increased listings, primarily at our top three retail accounts.

Scotts LawnService(R) revenues increased 41.7% from \$11.5 million in the second quarter of fiscal 2003 to \$16.3 million in the second quarter of fiscal 2004. Approximately one half of the growth reflects an increase in the number of operating locations primarily due to acquisitions in new markets in late fiscal 2003, with the remainder of the increase due to more favorable weather conditions and increased demand for additional services in the second quarter of fiscal 2004.

Net sales for the International segment in the second quarter of fiscal 2004 were \$155.1 million, an increase of \$11.4 million, or 7.9%, versus the second quarter of fiscal 2003. Excluding the effect of exchange rates, net sales declined by 6.1%. Poor weather in most of Europe has delayed the lawn and garden season and is the primary contributor to the sales decline. In addition, our decision to exit a very low gross margin line within our professional business and continued drought conditions in Australia also decreased net sales in the International segment.

Gross profit was \$290.0 million in the second quarter of fiscal 2004, an increase of \$32.1 million from gross profit of \$257.9 million in the second quarter of fiscal 2003. As a percentage of net sales, gross profit was 39.8% of sales in the second quarter of fiscal 2004 compared to 38.1% in the second quarter of fiscal 2003. North America gross profit margin in the second quarter of fiscal 2004 improved primarily due to favorable product mix. The International segment realized improved margins due to the exit of the low margin professional line described above.

The net commission from the marketing agreement was \$8.2 million in the second quarter of fiscal 2004 and \$4.2 million in the second quarter of fiscal 2003. This increase from the prior year's comparable period is driven by increased sales volume and the favorable timing of media spending. Per the terms of our agreement with Monsanto, we account for media expense consistently with Monsanto's accounting policies. This results in media expense being recorded as incurred.

Advertising expenses in the second quarter of fiscal 2004 were \$39.8 million, an increase of 14.0% from \$34.9 million in the second quarter of fiscal 2003. As a percentage of net sales, advertising expenses were 5.5% in the second quarter of fiscal 2004 compared to 5.2% in the second quarter of fiscal 2003.

Selling, general and administrative expenses ("SG&A"), excluding Scotts LawnService(R), stock-based compensation and restructuring and other charges, increased to \$107.1 million in the second quarter of fiscal 2004 from \$91.3 million in the second quarter of fiscal 2003. This increase in SG&A was due primarily to increased legal costs, severance and incentives, and increases in worker's compensation and insurance in fiscal 2004.

SG&A in the Scotts LawnService(R) business increased from \$13.1 million in the second quarter of fiscal 2003 to \$15.2 million in the second quarter of fiscal 2004, reflecting the increased number of locations added over the past year from acquisitions, primarily in new markets, and the resulting support of increased customer count.

Stock-based compensation expense increased to \$3.1 million in the second quarter of fiscal 2004, compared to \$1.2 million in the second quarter of fiscal 2003, primarily reflecting amortization of grants issued in fiscal 2003 coupled with amortization associated with grants issued in fiscal 2004. The full year charges for stock-based compensation are expected to increase by \$4.0 to \$5.0 million in fiscal 2004 compared to fiscal 2003.

Restructuring and other charges included in SG&A decreased from \$2.4 million in fiscal 2003's second quarter to \$0.2 million in fiscal 2004's second quarter due primarily to reduced North American distribution restructuring costs and reduced International plant closure costs.

Other income was \$2.1 million for the second quarter of fiscal 2004, compared to other income of \$2.4 million in the second quarter of fiscal 2003.

For segment reporting purposes, the Company defines operating income as earnings before interest, taxes and amortization of intangible assets ("EBITA"), as this is the measure used by management to assess earnings performance. Segment performance for the second quarter of fiscal 2004 compared to the second quarter of fiscal 2003 was as follows:

- North America's operating income increased from \$128.4 million in fiscal 2003 to \$145.6 million in fiscal 2004, as improved sales and gross margins, previously described above, more than offset current year SG&A increases in severance, incentives, selling and research and development costs;
- Scotts LawnService(R) reported higher net sales, but a larger operating loss, \$12.7 million compared to \$12.3 million. As this highly seasonal business grows and adds fixed infrastructure costs, it will have larger losses in the first and second quarters of the fiscal year due to seasonally low revenues. Conversely, the second half of the fiscal year will provide higher revenues, margins and operating income;
- International's operating income increased to \$25.1 million from \$22.5 million. Although net sales declined \$8.8 million,

excluding the effect of exchange rates, this was more than offset by improved gross margin, decreased SG&A spending and the favorable impact of foreign exchange on operating income.

Interest expense for the second quarter of fiscal 2004 was \$13.5 million, compared to \$18.7 million for the second quarter of fiscal 2003. The decrease in interest expense was due to a reduction in average borrowings as compared to the prior year coupled with a reduction in the weighted average interest rate as a result of lower rates under our New Credit Agreement and the 6 5/8% Notes, which replaced the 8 5/8% Notes which were tendered in October 2003.

The income tax expense was calculated assuming an effective tax rate of 38.3% for the second quarter of fiscal 2004 versus 38.0% for the comparable quarter in fiscal 2003. The effective tax rate used for interim reporting purposes is based on management's best estimate of factors impacting the effective tax rate for the fiscal year. Factors affecting the estimated rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits, the existence of elements of income and expense that may not be taxable or deductible, as well as other items. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate that determined at fiscal year end. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year. There are no material changes to the effective tax rate expected at this time.

The Company reported net income of \$73.1 million for the second quarter of fiscal 2004, compared to \$62.5 million for fiscal 2003. Average shares outstanding for purposes of computing earnings per common share increased from 32.2 million at March 29, 2003 to 33.0 million at March 27, 2004 due to shares issued for option and warrant exercises.

SIX MONTHS ENDED MARCH 27, 2004 COMPARED TO SIX MONTHS ENDED MARCH 29, 2003

Net sales for the six months ended March 27, 2004 were \$915.4 million, an increase of 6.8% from net sales of \$856.9 million for the six months ended March 29, 2003. Excluding the effect of exchange rates, sales for the first half of fiscal 2004 were \$883.3 million, or 3.1% above the first half of fiscal 2003. Price increases are not material to the discussion of net sales in total or by reportable segment for either fiscal period presented.

The North America segment net sales were \$660.5 million in the first half of fiscal 2004, an increase of 5.6% from net sales of \$625.6 million for the first half of fiscal 2003. This increase was driven by the strong second quarter sales within the North America segment.

Scotts LawnService(R) revenues increased 30.2% from \$26.8 million in the first half of fiscal 2003 to \$34.9 million in the first half of fiscal 2004. This growth reflects an increase in the number of operating locations, primarily due to acquisitions in new markets in late fiscal 2003, coupled with favorable weather conditions and additional services provided in the first half of fiscal 2004.

Net sales for the International segment in the first half of fiscal 2004 were \$220.0 million, an increase of \$15.5 million, or 7.6%, versus the first half of fiscal 2003. Excluding the effect of exchange rates, net sales declined by 7.0%. This decrease was partially due to first fiscal quarter shipping delays in our consumer business due to product availability issues resulting from our SKU rationalization initiatives. Poor weather in the second fiscal quarter delayed the lawn and garden season in Europe. In addition, our decision to exit a very low gross margin line within our professional business and continued drought conditions in Australia also decreased net sales in the International segment.

Gross profit was \$339.3 million in the first half of fiscal 2004, an increase of \$44.1 million from gross profit of \$295.2 million in the first half of fiscal 2003. As a percentage of net sales, gross profit was 37.1% of sales in the first half of fiscal 2004 compared to 34.4% in the first half of fiscal 2003. Excluding the effect of favorable exchange rates and excluding restructuring and other charges, gross profit margin was 37.1% of sales in the first half of fiscal 2004 compared to 35.0% in the first half of fiscal 2003. North America gross profit margin in the first half of fiscal 2004 improved primarily due to favorable product mix, favorable distribution expense driven by reductions in warehousing costs and the timing of trade programs that will occur in the second half of fiscal 2004, compared to similar programs that occurred in the first half of fiscal 2003. The International segment realized improved margins due to the exit of the low margin professional line described above.

The net commission from the marketing agreement was \$1.1 million in the first half of fiscal 2004 compared to net expense of \$2.9 million in the first half of fiscal 2003 driven by sales volume and the favorable timing of media spending. Per the terms of our agreement with Monsanto, we account for media expense consistently with Monsanto's accounting policies. This results in media expense being recorded as incurred. The annual contribution payment remains unchanged at \$25 million for fiscal 2004.

Advertising expenses in the first half of fiscal 2004 were \$48.1 million, an increase of 10.6% from \$43.5 million in the first half of fiscal 2003. As a percentage of net sales, advertising expenses were 5.3% in the first half of fiscal 2004 compared to 5.0% in the first half of fiscal 2003.

Selling, general and administrative expenses ("SG&A"), excluding Scotts LawnService(R), stock-based compensation and restructuring and other charges, increased to \$185.1 million in the first half of fiscal 2004 from \$158.8 million in the first half of fiscal 2003. This increase in SG&A was due primarily to increased legal costs, severance and incentives, and increases in worker's compensation and insurance in fiscal 2004, coupled with the non-recurrence of bad debt recoveries realized in fiscal 2003.

SG&A in the Scotts LawnService(R) business increased from \$23.1 million in the first half of fiscal 2003 to \$27.6 million in the first half of fiscal 2004, reflecting the increased number of locations added over the past year from acquisitions, primarily in new markets and the resulting support of increased customer count.

Stock-based compensation expense increased to \$4.4 million in the first half of fiscal 2004, compared to \$1.6 million in the first half of fiscal 2003, primarily reflecting amortization of grants issued in fiscal 2003 coupled with amortization associated with grants issued in fiscal 2004. The full year charges for stock-based compensation are expected to increase by \$4.0 to \$5.0 million in fiscal 2004 compared to fiscal 2003.

Restructuring and other charges included in SG&A decreased from \$4.3 million in the first half of fiscal 2003 to \$0.7 million in the first half of fiscal 2004 due to reduced North American distribution restructuring costs and reduced charges related to our International Profit Improvement Plan.

Other income was \$3.9 million for the first half of fiscal 2004, compared to other income of \$3.6 million in the first half of fiscal 2003.

For segment reporting purposes, the Company defines operating income as EBITA, as this is the measure used by management to assess earnings performance. Segment performance for the first half of fiscal 2004 compared to the first half of fiscal 2003 was as follows:

- North America's operating income increased from \$98.7 million in fiscal 2003 to \$116.9 million in fiscal 2004, as improved sales and gross margins, previously described above, more than offset current year SG&A increases in severance, incentives, selling and research and development costs;
- Scotts LawnService(R) reported higher net sales, but a larger operating loss, \$19.2 million compared to \$17.1 million. As this highly seasonal business grows and adds fixed infrastructure costs, it will have larger losses in the first and second quarters of the fiscal year due to seasonally low revenues. Conversely, the second half of the fiscal year will provide higher revenues, margins and operating income;
- International's operating income increased to \$22.8 million from \$20.8 million, as the net sales decline of \$14.4 million, excluding the effect of exchange rates, was only partially offset by improved gross margin and SG&A expense reductions.

Interest expense for the first half of fiscal 2004 was \$25.4 million, compared to \$35.2 million for the first half of fiscal 2003. The decrease in interest expense was due to a reduction in average borrowings as compared to the prior year, coupled with a reduction in the weighted average interest rate as a result of lower rates under our New Credit Agreement and the 6 5/8% Notes, which replaced the 8 5/8% Notes which were tendered in October 2003.

The income tax expense was calculated assuming an effective tax rate of 38.3% for the first half of fiscal 2004 versus 38.0% for the comparable period in fiscal 2003. The effective tax rate used for interim reporting purposes is based on management's best estimate of factors impacting the effective tax rate for the fiscal year. Factors affecting the estimated rate include assumptions as to income by jurisdiction (domestic and foreign), the availability and utilization of tax credits, the existence of elements of income and expense that may not be taxable or deductible, as well as other items. There can be no assurance that the effective tax rate estimated for interim financial reporting purposes will approximate that determined at fiscal year end. The estimated effective tax rate is subject to revision in later interim periods and at fiscal year end as facts and circumstances change during the course of the fiscal year. There are no material changes to the effective tax rate expected at this time.

The Company reported net income of \$2.4 million for the first half of fiscal 2004, compared to \$15.7 million for the first half of

fiscal 2003. If the effect of costs related to our refinancing are excluded, our net income for the six months ended March 27, 2004 was \$29.7 million. Average shares outstanding for purposes of computing earnings per common share increased from 32.1 million at March 29, 2003 to 32.9 million at March 27, 2004 due to shares issued for option and warrant exercises.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was \$404.5 million and \$380.6 million for the six months ended March 27, 2004 and March 29, 2003, respectively. We entered fiscal 2004 with \$155.9 million of cash and cash equivalents as compared to \$99.7 million in fiscal 2003. This increase in cash and cash equivalents was largely due to cash management initiatives in the fourth quarter of fiscal 2003 that affected accounts payable and accrued liabilities. The increase in cash used in operating activities from 2003 to 2004, is due primarily to the growth in accounts receivable during the second fiscal quarter as a result of strong sales within the quarter, particularly in the month of March. While the balance in accounts receivable is higher than in the prior year, our continued management of customer accounts has improved the quality of our accounts receivables at March 27, 2004.

Cash used in investing activities was \$25.1 million and \$63.5 million for the six months ended March 27, 2004 and March 29, 2003, respectively. Capital expenditures were responsible for \$20.4 million of the decrease between the periods. There were no significant capital projects that commenced in the first half of fiscal 2004. In addition, principal payments due on seller notes issued in conjunction with prior acquisitions were \$18.1 million less during the first half of fiscal 2004 as compared to fiscal 2003.

Financing activities provided cash of \$286.9 million and \$355.7 million for the six months ended March 27, 2004 and March 29, 2003, respectively. During the first quarter of fiscal 2004, we restructured our borrowing arrangements through the refinancing of our former Credit Agreement, the redemption of our 8 5/8% Notes and the issuance of our 6 5/8% Notes. Our future cash outflows for the repayment of our debt after the refinancing of our former Credit Agreement, the redemption of our 8 5/8% Notes and the issuance of our 6 5/8% Notes is as follows; \$28.8 million in less than one year, \$16.2 million in one to three years, \$331.4 million in four to five years and \$698.1 million after five years, with \$6.9 million representing future interest. In the first quarter of fiscal 2003, a \$24.4 million mandatory prepayment was made on term loans as required by the level of fiscal 2002 excess cash flow, as defined in the former Credit Agreement.

Our primary sources of liquidity are cash generated by operations and borrowings under our credit agreements. The New Credit Agreement consists of a \$700 million multi-currency revolving credit commitment and a \$500 million term loan B facility. Note 5 to the Condensed, Consolidated Financial Statements (unaudited) included in Part I, Item 1 of this Quarterly Report on Form 10-Q provides additional information pertaining to the refinancing of our former Credit Agreement, the redemption of our 8 5/8% Notes, the issuance of our 6 5/8% Notes and our New Credit Agreement. At March 27, 2004, we were in compliance with all of our debt covenants.

We have not paid dividends on our common shares in the past and currently have no plans to pay dividends in the future. We anticipate that our earnings will be retained and reinvested to support the growth of our business or to pay down indebtedness. The payment of future dividends, if any, on common shares will be determined by our Board of Directors in light of conditions then existing, including our earnings, financial condition, capital requirements, restrictions in financing agreements, business conditions and other factors.

All of our off-balance sheet financing is in the form of operating leases that are disclosed in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2003. During the second quarter of fiscal 2004, we took final delivery on a used aircraft under the terms of a synthetic operating lease agreement as disclosed in Note 8 to the Condensed, Consolidated Financial Statements (unaudited) included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We are party to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on accidents or product liability claims and alleged violations of environmental laws. We have reviewed our pending environmental and legal proceedings, including the probable outcomes, reasonably anticipated costs and expenses, reviewed the availability and limits of our insurance coverage and have established what we believe to be appropriate reserves. We do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2004, and thereafter for the foreseeable future. However, we cannot ensure that our business will generate sufficient cash flow from operations or that future borrowings will be available under our credit facilities in amounts sufficient to pay indebtedness or fund other liquidity needs. Actual results of operations will depend on numerous factors, many of which are beyond our control.

ENVIRONMENTAL MATTERS

We are subject to local, state, federal and foreign environmental protection laws and regulations with respect to our business operations and believe we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, such laws and regulations. We are involved in several legal actions with various governmental agencies related to environmental matters. While it is difficult to quantify the potential financial impact of actions involving environmental matters, particularly remediation costs at waste disposal sites and future capital expenditures for environmental control equipment, in the opinion of management, the ultimate liability arising from such environmental matters, taking into account established reserves, should not have a material adverse effect on our financial position. However, there can be no assurance that the resolution of these matters will not materially affect future quarterly or annual results of operations, financial position and cash flows. Additional information on environmental matters affecting us is provided in Note 9 to the Condensed, Consolidated Financial Statements (unaudited) included in Part I, Item 1 of this Quarterly Report on Form 10-Q and in the fiscal 2003 Annual Report on Form 10-K under the "ITEM 1. BUSINESS - ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

FORWARD-LOOKING STATEMENTS

We have made and will make "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 in this Form 10-Q and in other contexts relating to future growth and profitability targets and strategies designed to increase total shareholder value. Forward-looking statements also include, but are not limited to, information regarding our future economic and financial condition, the plans and objectives of our management and our assumptions regarding our performance and these plans and objectives.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. We desire to take advantage of the "safe harbor" provisions of that Act.

Some forward-looking statements that we make in this Form 10-Q and in other contexts represent challenging goals for the Company, and the achievement of these goals is subject to a variety of risks and assumptions and numerous factors beyond our control. Important factors that could cause actual results to differ materially from the forward-looking statements we make are described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified in their entirety by the following cautionary statements.

- - OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL HEALTH AND PREVENT US FROM FULFILLING OUR OBLIGATIONS.

We have a significant amount of debt. Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations under outstanding indebtedness and otherwise;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash flows from operations to payments on our indebtedness, which would reduce the cash flows available to fund working capital, capital expenditures, advertising, research and development efforts and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to certain competitors that may have less debt;
- limit our ability to borrow additional funds; and
- expose us to risks inherent in interest rate fluctuations because some of our borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Our ability to make payments on and to refinance our indebtedness and to fund planned capital expenditures and acquisitions will depend on our ability to generate cash in the future. This, to some extent, is subject to general economic, financial, competitive,

legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operating activities or that future borrowings will be available to us under our New Credit Agreement in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

- - RESTRICTIVE COVENANTS MAY ADVERSELY AFFECT US.

Our New Credit Agreement and the indenture governing our outstanding 6 5/8% Notes contain restrictive covenants and cross default provisions that require us to maintain specified financial ratios. Our ability to satisfy those financial ratios can be affected by events beyond our control, and we cannot assure you that we will satisfy those tests. A breach of any of these covenants could result in a default under our New Credit Agreement and/or our outstanding 6 5/8% Notes. Upon the occurrence of an event of default under our New Credit Agreement and/or the 6 5/8% Notes, the lenders and/or noteholders could elect to declare the applicable outstanding indebtedness to be immediately due and payable and terminate all commitments to extend further credit. We cannot be sure that our lenders or the noteholders would waive a default or that we could pay the indebtedness in full if it were accelerated.

- - ADVERSE WEATHER CONDITIONS COULD ADVERSELY IMPACT FINANCIAL RESULTS.

Weather conditions in North America and Europe have a significant impact on the timing of sales in the spring selling season and overall annual sales. An abnormally cold or wet spring throughout North America and/or Europe could adversely affect sales and therefore our financial results.

- - OUR HISTORICAL SEASONALITY COULD IMPAIR OUR ABILITY TO PAY OBLIGATIONS AS THEY COME DUE IN ADDITION TO OUR OPERATING EXPENSES.

Because our products are used primarily in the spring and summer, our business is highly seasonal. For the past two fiscal years, more than 70% of our net sales have occurred in the second and third fiscal quarters combined. Our working capital needs and our borrowings peak near the middle of our second fiscal quarter because we are generating fewer revenues while incurring expenditures and building inventories in preparation for the spring selling season. If cash on hand is insufficient to pay our obligations as they come due, including interest payments on our indebtedness, or our operating expenses, at a time when we are unable to draw on our credit facility, this seasonality could have a material adverse effect on our ability to conduct our business. Adverse weather conditions could heighten this risk.

- - PERCEPTIONS THAT THE PRODUCTS WE PRODUCE AND MARKET ARE NOT SAFE COULD ADVERSELY AFFECT US.

We manufacture and market a number of complex chemical products, such as fertilizers, growing media, herbicides and pesticides, bearing one of our brand names. On occasion, allegations are made that some of our products have failed to perform up to expectations or have caused damage or injury to individuals or property. Based on reports of contamination at a third party supplier's vermiculite mine, the public may perceive that some of our products manufactured in the past using vermiculite are or may also be contaminated. Public perception that our products are not safe, whether justified or not, could impair reputation, involve us in litigation, damage our brand names and have a material adverse affect our business.

- - THE NATURE OF CERTAIN OF OUR PRODUCTS AND OUR BUSINESS SUCCESS CONTRIBUTE TO THE RISK THAT THE COMPANY WILL BE SUBJECTED TO LAWSUITS.

The nature of certain of our products and our business success contribute to the risk that the Company will be subjected to lawsuits. The following are among the factors that contribute to this litigation risk:

- We manufacture and market a number of complex chemical products bearing our brand names, including fertilizers, growing media, herbicides and pesticides. There is a portion of the population that perceives all chemical products as potentially hazardous. This perception, regardless of its merits, enhances the risk that the Company will be subjected to product liability claims that allege harm from exposure to our products. Product liability claims are brought against the Company from time to time.

- A third party vendor supplied contaminated vermiculite ore to the Company. Although our use of vermiculite ore from the contaminated source ended over twenty years ago, our former relationship with this supplier enhances the risk that the Company will be subjected to personal injury and product liability claims relating to the use of vermiculite in some of our products.
- We are a significant competitor in many of the markets in which we compete. Our success in our markets enhances the risk that the Company will be targeted by plaintiffs' lawyers, consumer groups, competitors and others asserting antitrust claims. Antitrust claims are brought against the Company from time to time. The Company believes that the antitrust claims of which it is aware are without merit.

Please see Note 9 to the Condensed, Consolidated Financial Statements (unaudited) included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the disclosures under Part II, Item 1 "Legal Proceedings" of this Quarterly Report Form 10-Q for information concerning certain significant lawsuits and claims involving the Company.

- - BECAUSE OF THE CONCENTRATION OF OUR SALES TO A SMALL NUMBER OF RETAIL CUSTOMERS, THE LOSS OF ONE OR MORE OF, OR SIGNIFICANT DECLINE IN ORDERS FROM, OUR TOP CUSTOMERS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS, FINANCIAL POSITION OR CASH FLOWS.

North America net sales represent approximately 74% of our worldwide net sales for fiscal 2003. Our top three North American retail customers together accounted for 69% of our North American fiscal 2003 net sales and 79% of our outstanding accounts receivable as of September 30, 2003. Home Depot, Wal-Mart and Lowe's represented approximately 37%, 19% and 13%, respectively, of our fiscal 2003 North American net sales. The loss of, or reduction in orders from, Home Depot, Wal-Mart and Lowe's or any other significant customer could have a material adverse effect on our results of operations, financial position or cash flows, as could customer disputes regarding shipments, fees, merchandise condition or related matters. Our inability to collect accounts receivable from any of these customers could also have a material adverse effect.

We do not have long-term sales agreements or other contractual assurances as to future sales to any of our major retail customers. In addition, continued consolidation in the retail industry has resulted in an increasingly concentrated retail base. To the extent such concentration continues to occur, our results of operations, financial position or cash flows may be increasingly sensitive to a deterioration in the financial condition of, or other adverse developments involving our relationship with, one or more customers.

- - THE HIGHLY COMPETITIVE NATURE OF THE COMPANY'S MARKETS COULD ADVERSELY AFFECT THE ABILITY OF THE COMPANY TO GROW OR MAINTAIN REVENUES.

Each of our segments participates in markets that are highly competitive. Many of our competitors sell their products at prices lower than ours, and we compete primarily on the basis of product quality, product performance, value, brand strength, supply chain competency and advertising. Some of our competitors have significant financial resources and research departments. The strong competition that we face in all of our markets may prevent us from achieving our revenue goals, which may have a material adverse effect on our results of operations, financial position or cash flows.

- - IF MONSANTO WERE TO TERMINATE THE MARKETING AGREEMENT FOR CONSUMER ROUNDUP(R) PRODUCTS WITHOUT BEING REQUIRED TO PAY ANY TERMINATION FEE, WE WOULD LOSE A SUBSTANTIAL SOURCE OF FUTURE EARNINGS.

If we were to commit a serious default under the marketing agreement with Monsanto for consumer Roundup(R) products, Monsanto may have the right to terminate the agreement. If Monsanto were to terminate the marketing agreement for cause, we would not be entitled to any termination fee, and we would lose all, or a significant portion, of this significant source of earnings and overhead expense absorption the marketing agreement provides. Monsanto may also be able to terminate the marketing agreement within a given region, including North America, without paying us a termination fee if sales to consumers in that region decline:

- over a cumulative three fiscal year period; or
- by more than 5% for each of two consecutive fiscal years.

- - THE HAGEDORN PARTNERSHIP, L.P. BENEFICIALLY OWNS APPROXIMATELY 33% OF OUR OUTSTANDING COMMON SHARES ON A FULLY DILUTED BASIS.

The Hagedorn Partnership, L.P. beneficially owns approximately 33% of our outstanding common shares and has sufficient voting power to significantly influence the election of directors and the approval of other actions requiring the approval of our shareholders.

- - COMPLIANCE WITH ENVIRONMENTAL AND OTHER PUBLIC HEALTH REGULATIONS COULD INCREASE OUR COST OF DOING BUSINESS.

Local, state, federal and foreign laws and regulations relating to environmental matters affect us in several ways. In the United States, all products containing pesticides must be registered with the United States Environmental Protection Agency ("U.S. EPA") and, in many cases, similar state agencies before they can be sold. The inability to obtain or the cancellation of any registration could have an adverse effect on our business. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals. We may not always be able to avoid or minimize these risks.

The Food Quality Protection Act, enacted by the U.S. Congress in August 1996, established the following standard for food-use pesticides: a reasonable certainty no harm will result from the cumulative effect of pesticide exposures. Under this act, the U.S. EPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, certain of which may be used on crops processed into various food products, continue to be evaluated by the U.S. EPA as part of this exposure risk assessment. It is possible that the U.S. EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. For example, in June 2000, DowAgroSciences, an active ingredient registrant, voluntarily agreed to a gradual phase-out of residential uses of chlorpyrifos, an active ingredient that was used in certain of our lawn and garden products. In December 2000, the U.S. EPA reached agreement with various parties, including manufacturers, regarding a phased withdrawal from retailers by December 2004 of residential use products containing diazinon, an active ingredient used in certain of our lawn and garden products. We cannot predict the outcome or the severity of the effect of the U.S. EPA's continuing evaluations of active ingredients used in our products.

The use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. Regulations regarding the use of some pesticide and fertilizer products may include requirements that only certified or professional users apply the product, that the products be used only in specified locations or that certain ingredients not be used. Users may be required to post notices on properties to which products have been or will be applied and may be required to notify individuals in the vicinity that products will be applied in the future. Even if we are able to comply with all such regulations and obtain all necessary registrations, we cannot assure you that our products, particularly pesticide products, will not cause injury to the environment or to people under all circumstances. The costs of compliance, remediation or products liability have adversely affected results of operations, financial position and cash flows in the past and could do so again in the future.

The harvesting of peat for our growing media business has come under increasing regulatory and environmental scrutiny. In the United States, state regulations frequently require us to limit our harvesting and to restore the property to an agreed-upon condition. In some locations, we have been required to create water retention ponds to control the sediment content of discharged water.

In addition to the regulations already described, local, state, federal and foreign agencies regulate the disposal, handling and storage of waste, air and water discharges from our facilities. In June 1997, the Ohio Environmental Protection Agency ("Ohio EPA") initiated an enforcement action against us with respect to alleged surface water violations and inadequate treatment capabilities at our Marysville facility and is seeking corrective action under the Resource Conservation Recovery Act. We have met with the Ohio EPA and the Ohio Attorney General's office to negotiate an amicable resolution of these issues. On December 3, 2001, an agreed judicial Consent Order was submitted to the Union County Common Pleas Court and was entered by the court on January 25, 2002.

During the first six months of fiscal 2004, we have expended approximately \$0.9 million related to environmental matters, compared with approximately \$1.5 million in environmental expenditures for all of fiscal 2003.

The adequacy of these estimated future expenditures is based on our operating in substantial compliance with applicable environmental and public health laws and regulations and several significant assumptions:

- that we have identified all of the significant sites that must be remediated;
- that there are no significant conditions of potential contamination that are unknown to us; and

- that with respect to the agreed judicial Consent Order in Ohio, that potentially contaminated soil can be remediated in place rather than having to be removed and only specific stream segments will require remediation as opposed to the entire stream.

If there is a significant change in the facts and circumstances surrounding these assumptions or if we are found not to be in substantial compliance with applicable environmental and public health laws and regulations, it could have a material impact on future environmental capital expenditures and other environmental expenses and our results of operations, financial position and cash flows.

- - OUR SIGNIFICANT INTERNATIONAL OPERATIONS MAKE US SUSCEPTIBLE TO FLUCTUATIONS IN CURRENCY EXCHANGE RATES AND TO THE COSTS OF INTERNATIONAL REGULATION.

We currently operate manufacturing, sales and service facilities outside of North America, particularly in the United Kingdom, Germany, France, Belgium and the Netherlands. In fiscal 2003, international sales accounted for approximately 20% of our total sales. Accordingly, we are subject to risks associated with operations in foreign countries, including:

- fluctuations in currency exchange rates;
- limitations on the conversion of foreign currencies into U.S. dollars;
- limitations on the remittance of dividends and other payments by foreign subsidiaries;
- additional costs of compliance with local regulations; and
- historically, higher rates of inflation than in the United States.

In addition, our operations outside the United States are subject to the risk of new and different legal and regulatory requirements in local jurisdictions, potential difficulties in staffing and managing local operations and potentially adverse tax consequences. The costs related to our international operations could adversely affect our results of operations, financial position and cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks have not changed significantly from those disclosed in the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2003.

ITEM 4. CONTROLS AND PROCEDURES

With the participation of the Registrant's principal executive officer and principal financial officer, the Registrant's management has evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Registrant's principal executive officer and principal financial officer have concluded that:

- (A) information required to be disclosed by the Registrant in this Quarterly Report on Form 10-Q would be accumulated and communicated to the Registrant's management, including its principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure;
- (B) information required to be disclosed by the Registrant in this Quarterly Report on Form 10-Q would be recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms; and
- (C) the Registrant's disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to the Registrant and its consolidated subsidiaries is made known to them, particularly during the period in which the Registrant's periodic reports, including this Quarterly Report on Form 10-Q, are being prepared.

In addition, there were no changes in the Registrant's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Registrant's fiscal quarter ended March 27, 2004 that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

THE SCOTTS COMPANY V. AVENTIS S.A. AND STARLINK LOGISTICS, INC.

On August 9, 2002, The Scotts Company filed suit against Aventis S.A. and its wholly-owned subsidiary Starlink Logistics, Inc. in the U.S. District Court for the Southern District of Ohio. In the complaint, The Scotts Company alleges it is entitled to injunctive and monetary relief arising from Aventis' and Starlink's interference with The Scotts Company's contractual right to purchase a company called TechPac, L.L.C. from one of Aventis' former subsidiaries, Aventis CropScience. The complaint alleges that pursuant to a contract between The Scotts Company and a predecessor-in-interest to Aventis CropScience, Aventis CropScience was obligated to make a bona fide offer to sell its interest in TechPac to The Scotts Company. The complaint further alleges that Aventis directed Aventis CropScience to make a belated sham offer to The Scotts Company and that later, upon the sale of Aventis CropScience to Bayer AG, Aventis transferred ownership of TechPac to Starlink, an act which has made it impossible for Aventis CropScience's successor-in-interest to make a bona fide offer to sell TechPac to The Scotts Company.

In this suit, The Scotts Company seeks to ensure that it is able to exercise its right to receive a bona fide offer to acquire TechPac, and The Scotts Company seeks to recover compensatory and punitive damages in an amount as yet undetermined for Aventis' and Starlink's interference with The Scotts Company's right to receive such an offer. On October 4, 2002, Starlink filed a motion to dismiss the complaint on jurisdictional grounds. On December 17, 2002, Aventis filed a similar motion. On April 23, 2004 the court dismissed the action without prejudice.

THE SCOTTS COMPANY V. UNITED INDUSTRIES, SOUTHERN DISTRICT OF FLORIDA

On April 15, 2002, The Scotts Company and OMS Investments, Inc., a subsidiary of The Scotts Company that holds various Scotts intellectual property assets ("OMS Investments"), filed a six count complaint against United Industries Corp. and Pursell Industries, Inc. -- now known as U.S. Fertilizer Corporation -- for acts of (1) federal trademark and trade dress infringement; (2) federal unfair competition; (3) federal dilution; (4) common law trademark and trade dress infringement in violation of Florida law and other applicable law; (5) common law unfair competition in violation of Florida law and other applicable law; and (6) dilution in violation of Florida law and other applicable law. The claims against U.S. Fertilizer were subsequently resolved by a Settlement Agreement and Release dated February 6, 2003. In this Settlement Agreement and Release, U.S. Fertilizer acknowledged and agreed "that Scotts' trade dress as well the overall color designs and design layout that are utilized on the packaging of Scotts' Turf Builder(R) line as identified in the Civil Action (the "Turf Builder Trade Dress") are valid, protectable, and non-functional trade dress." U.S. Fertilizer is no longer a party to this action.

Shortly after filing the original complaint in this matter, The Scotts Company filed its motion for preliminary injunction, which motion sought an injunction enjoining United Industries, pending trial, from manufacturing, producing, shipping, distributing, advertising, promoting, displaying, selling or offering for sale products in the then current packaging for its Spectracide(R) No Odor Fire Ant Killer Ready-to-Use Dust product and from otherwise using any trademarks, trade dress, packaging, promotional materials or other items which incorporated or were confusingly similar to the trademarks and trade dress featured in Scotts' Ortho(R) Orthene(R) Fire Ant Killer product packaging. Despite finding that United Industries had intentionally copied The Scotts Company's trade dress, the trial court denied the motion for preliminary injunction. The Scotts Company appealed, but the United States Court of Appeals for the Eleventh Circuit affirmed.

On December 13, 2002, The Scotts Company filed an amended complaint. The amended complaint contains the same causes of action as the original complaint, but asserts additional grounds in support of plaintiffs' claim that United Industries has infringed and diluted plaintiffs' Miracle-Gro(R) trade dress. The amended complaint also revises certain of the allegations in the original complaint to conform to facts recently learned.

United Industries subsequently filed its answer and counterclaim to the amended complaint. This answer and counterclaim is virtually identical to its original answer and counterclaim in that it seeks to cancel a specific Scotts' Miracle-Gro(R) and Design trademark registration (Reg. No. 2,139,929) and Scotts' pending Ortho(R) Orthene(R) Fire Ant Killer and Design trademark application (Serial No. 76/126,545). We believe that this counterclaim is without merit.

On April 21, 2003, the parties mediated the matters. While several points of tentative agreement were reached, no settlement agreement has been reached or entered into. Since then, the parties have exchanged drafts of a proposed settlement agreement.

We do not anticipate incurring any damages relating to this action.

THE SCOTTS COMPANY V. BAYER CROPSCIENCE, LP, SOUTHERN DISTRICT OF OHIO

On May 29, 2003, The Scotts Company and OMS Investments, filed a four count complaint against Bayer CropScience, LP ("Bayer") for acts of (1) federal unfair competition; (2) federal dilution; (3) common law trade dress infringement and unfair competition; and (4) copyright infringement. The complaint alleges that Bayer's line of lawn fertilizer products infringes and dilutes The Scotts Company's proprietary rights in the packaging of its Turf Builder(R) and LawnPro(R) Super Turf Builder(R) line of products. The complaint seeks both injunctive and monetary relief.

Bayer filed its answer and affirmative defenses on June 19, 2003. Bayer asserted no counterclaims. The parties have exchanged discovery requests, but have agreed to postpone the production of documents given that alternative resolutions have been discussed and given that the parties have participated in the Court's mediation process.

We do not anticipate incurring any damages relating to this action.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Index to Exhibits at page 42 for a list of the exhibits included herewith.

(b) The Registrant filed a Current Report on Form 8-K dated January 8, 2004 reporting under "Item 5. Other Events" an update to Note 24, "Financial Information for Subsidiary Guarantors and Non-Guarantors" from the Registrant's Consolidated Financial Statements included in the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2003 which displayed the aggregation of subsidiary guarantors and non-guarantors as delineated under the indenture governing the 8 5/8% Senior Subordinated Notes which was in effect at September 30, 2003. The revised Note 24 "Financial Information for Subsidiary Guarantors and Non-Guarantors" displayed the aggregation of subsidiary guarantors and non-guarantors as delineated under the indenture governing the new 6 5/8% Senior Subordinated Notes which came into effect subsequent to September 30, 2003.

The Registrant filed a Current Report on Form 8-K dated April 16, 2004 reporting under "Item 5. Other Events" a change in its reportable segments previously reported in the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2003. These new segments differ from those used in the previous fiscal year due to the absorption of the Global Professional group into the North America and International segments based on geography.

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

/s/ Christopher L. Nagel

Christopher L. Nagel

Date: May 10, 2004

Executive Vice President and Chief Financial Officer,
(Principal Financial and Principal Accounting Officer)

THE SCOTTS COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED MARCH 27, 2004

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----	LOCATION -----
31 (a)	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	*
31 (b)	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	*
32	Section 1350 Certification (Principal Executive Officer and Principal Financial Officer)	*

* Filed herewith.

RULE 13a-14(a)/15d-14(a) CERTIFICATION
(PRINCIPAL EXECUTIVE OFFICER)

I, James Hagedorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2004

/s/ James Hagedorn

By: James Hagedorn
President, Chief Executive Officer and Chairman of the Board

RULE 13a-14(a)/15d-14(a) CERTIFICATION
(PRINCIPAL FINANCIAL OFFICER)

I, Christopher L. Nagel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Scotts Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2004

/s/ Christopher L. Nagel

By: Christopher L. Nagel
Executive Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION*

In connection with the Quarterly Report of The Scotts Company (the "Company") on Form 10-Q for the quarterly period ended March 27, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, James Hagedorn, President, Chief Executive Officer and Chairman of the Board of the Company, and Christopher L. Nagel, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

- 1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Hagedorn

 James Hagedorn
 President, Chief Executive Officer
 and Chairman of the Board

/s/ Christopher L. Nagel

 Christopher L. Nagel
 Executive Vice President
 and Chief Financial Officer

May 10, 2004

May 10, 2004

* THIS CERTIFICATION IS BEING FURNISHED AS REQUIRED BY RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE, AND SHALL NOT BE DEEMED "FILED" FOR PURPOSES OF SECTION 18 OF THE EXCHANGE ACT OR OTHERWISE SUBJECT TO THE LIABILITY OF THAT SECTION. THIS CERTIFICATION SHALL NOT BE DEEMED TO BE INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE EXCHANGE ACT, EXCEPT AS OTHERWISE STATED IN SUCH FILING.