SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 29, 2002

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 Incorporation or Organization)	(I.R.S. Employer Identification No.)

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 [X] No [ ]

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

29,744,790	Outstanding at August 13, 2002
Common Shares, no par value	

THE SCOTTS COMPANY AND SUBSIDIARIES

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ITEM 1. FINANCIAL STATEMENTS
THE SCOTTS COMPANY
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 29, 2002	JUNE 30, 2001	JUNE 29, 2002	JUNE 30, 2001
Net sales	$ 692.2	$ 598.6	$ 1,457.3	$ 1,459.1
Cost of sales	421.2	379.4	914.2	916.6
Restructuring and other charges	0.4	0.9	1.5	0.9
Gross profit	270.6	218.3	541.6	541.6
Gross commission earned from marketing agreement	22.4	20.7	30.8	37.2
Costs associated with marketing agreement	5.8	4.6	17.5	13.8
Net commission earned from marketing agreement	16.6	16.1	13.3	23.4
Operating expenses:				
Advertising	30.6	31.0	68.6	77.2
Selling, general and administrative	86.4	84.4	245.9	253.3
Restructuring and other charges	0.6	15.1	1.8	15.1
Amortization of goodwill and other intangibles	0.2	6.9	3.8	21.1
Other income, net	(5.1)	(6.1)	(8.9)	(8.6)
Income from operations	174.5	103.1	243.7	206.9
Interest expense	18.7	22.3	58.8	69.7
Income before income taxes	155.8	80.8	184.9	137.2
Income taxes	60.0	35.4	71.2	58.3
Income before cumulative effect of accounting change	95.8	45.4	113.7	78.9
Cumulative effect of change in accounting for intangible assets, net of tax	--	--	(18.5)	--
Net income	$ 95.8	$ 45.4	$ 95.2	$ 78.9
BASIC EARNINGS PER COMMON SHARE:				
Weighted-average common shares outstanding during the period	$ 29.5	$ 28.3	$ 29.1	$ 28.3
Basic earnings per common share:				
Before cumulative effect of accounting change	$ 3.25	$ 1.60	$ 3.91	$ 2.79
Cumulative effect of change in accounting for intangible assets, net of tax	--	--	(0.64)	--
After cumulative effect of accounting change	$ 3.25	$ 1.60	$ 3.27	$ 2.79
DILUTED EARNINGS PER COMMON SHARE:				
Weighted-average common shares outstanding during the period	31.8	30.6	31.6	$ 30.3
Diluted earnings per common share:				
Before cumulative effect of accounting change	$ 3.02	$ 1.49	$ 3.60	2.61
Cumulative effect of change in accounting for intangible assets, net of tax	--	--	(0.59)	--
After cumulative effect of accounting change	$ 3.02	$ 1.49	$ 3.01	$ 2.61

See notes to condensed, consolidated financial statements

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

	NINE MONTHS ENDED JUNE 29, 2002	NINE MONTHS ENDED JUNE 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 95.2	$ 78.9
Adjustments to reconcile net income to net cash used in operating activities:		
Cumulative effect of change in accounting for intangible assets, pre-tax	29.8	--
Restructuring and other charges	--	9.4
Depreciation	26.0	24.4
Amortization	6.3	23.5
Deferred taxes	(10.8)	2.4
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(214.3)	(142.1)
Inventories	66.5	(52.4)
Prepaid and other current assets	(11.1)	5.4
Accounts payable	46.4	80.8
Accrued liabilities	99.4	45.7
Other assets	(1.6)	1.7
Other liabilities	16.4	(8.9)
Other, net	3.8	(3.3)
Net cash provided by operating activities	152.0	65.5
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments in property, plant and equipment	(33.9)	(36.2)
Investments in acquired businesses, net of cash acquired	(4.0)	(10.0)
Payments on seller notes	(28.7)	(24.5)
Net cash used in investing activities	(66.6)	(70.7)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayments) borrowings under revolving and bank lines of credit	(95.7)	82.2
Issuance of 8 5/8% senior subordinated notes, net of issuance costs	70.2	--
Gross borrowings under term loans	--	260.0
Gross repayments under term loans	(23.3)	(309.8)
Cash received from the exercise of stock options	19.0	13.3
Net cash (used in) provided by financing activities	(29.8)	45.7
Effect of exchange rate changes on cash	2.1	(0.4)
Net increase in cash	57.7	40.1
Cash and cash equivalents at beginning of period	18.7	33.0
Cash and cash equivalents at end of period	$ 76.4	$ 73.1

See notes to condensed, consolidated financial statements

THE SCOTTS COMPANY
CONDENSED, CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	UNAUDITED		
	JUNE 29, 2002	JUNE 30, 2001	SEPTEMBER 30, 2001
ASSETS			
Current assets:			
Cash and cash equivalents	$ 76.4	$ 73.1	$ 18.7
Accounts receivable, less allowances of $24.6, $21.9 and $23.9, respectively	435.1	358.1	220.8
Inventories, net	301.9	359.0	368.4
Current deferred tax asset	52.1	27.5	52.2
Prepaid and other assets	45.2	60.0	34.1
Total current assets	910.7	877.7	694.2
Property, plant and equipment, net	317.1	291.9	310.7
Goodwill and intangible assets, net	765.3	762.1	771.1
Other assets	77.0	72.2	67.0
Total assets	$ 2,070.1	$ 2,003.9	$ 1,843.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of debt	$ 68.8	$ 60.8	$ 71.3
Accounts payable	197.4	233.8	150.9
Accrued liabilities	231.5	200.2	208.0
Accrued taxes	91.8	50.7	14.9
Total current liabilities	589.5	545.5	445.1
Long-term debt	767.2	835.9	816.5
Other liabilities	91.6	55.9	75.2
Total liabilities	1,448.3	1,437.3	1,336.8
Commitments and contingencies			
Shareholders' equity:			
Preferred shares, no par value, none issued	--	--	--
Common shares, no par value per share, $.01 stated value per share, issued 31.3 for all periods	0.3	0.3	0.3
Capital in excess of par value	402.0	386.3	398.3
Retained earnings	307.5	275.7	212.3
Treasury stock, 1.7, 2.7 and 2.6 shares, respectively, at cost	(54.6)	(72.2)	(70.0)
Accumulated other comprehensive loss	(33.4)	(23.5)	(34.7)
Total shareholders' equity	621.8	566.6	506.2
Total liabilities and shareholders' equity	$ 2,070.1	$ 2,003.9	$ 1,843.0

See notes to condensed, consolidated financial statements

NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 and sale of lawn care and garden 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, lawn and landscape service companies, commercial nurseries and greenhouses, and specialty crop growers. The Company's products are sold in the United States, Canada, the European Union, the Caribbean, South America, Southeast Asia, the Middle East, Africa, Australia, New Zealand, Mexico, Japan, and several Latin American countries. We also operate the Scotts LawnService(R) business which provides lawn, tree and shrub fertilization, insect control and other related services in the United States.

ORGANIZATION AND BASIS OF PRESENTATION

The condensed, consolidated financial statements include the accounts of The Scotts Company and its subsidiaries. All material intercompany transactions have been eliminated.

The condensed, consolidated balance sheets as of June 29, 2002 and June 30, 2001, and the related condensed, consolidated statements of operations for the three month and nine month periods then ended and condensed, consolidated statements of cash flows for the nine month periods then ended, are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary, consisting solely of normal recurring adjustments, for the fair presentation of the Company's financial position, results of operations and cash flows. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities and Exchange Commission, and should be read in conjunction with the financial statements and accompanying notes in Scotts' fiscal 2001 Annual Report on Form 10-K.

REVENUE RECOGNITION

Revenue is recognized when products are shipped and when title and risk of loss transfer to the customer. Provisions for estimated returns and allowances are recorded at the time of shipment based on historical rates of return applied as a percentage of sales.

ADVERTISING AND PROMOTION

Scotts advertises its branded products through national and regional media, and through cooperative advertising programs with retailers. Retailers are also offered in-store promotional allowances and in prior years were offered pre-season stocking allowances. Certain products are also promoted with direct consumer rebate programs. Advertising and promotion costs (including allowances and rebates) incurred during the year are expensed ratably to interim periods in relation to revenues. All advertising and promotion costs, except for production costs, are expensed within the fiscal year in which such costs are incurred. Production costs for advertising programs are deferred until the period in which the advertising is first aired. All amounts paid or payable to customers or consumers in connection with the purchase of our products are recorded as a reduction of net sales.

DERIVATIVE INSTRUMENTS

In the normal course of business, Scotts is exposed to fluctuations in interest rates and the value of foreign currencies. Scotts has established policies and procedures that govern the management of these exposures through the use of a variety of financial instruments. Scotts employs various financial instruments, including forward exchange contracts, and swap agreements, to manage certain of the exposures when practical. By policy, Scotts does not enter into such contracts for the purpose of speculation or use leveraged financial instruments. The Company's derivative activities are managed by the chief financial officer and other senior management of the Company in consultation with the Finance Committee of the Board of Directors. These activities include establishing a risk-management philosophy and objectives, providing guidelines for derivative-instrument usage and establishing procedures for control and valuation, counterparty credit approval and the monitoring and reporting of derivative activity. Scotts' objective in managing its exposure to fluctuations in interest rates and foreign currency exchange rates is to decrease the volatility of earnings and cash flows associated with changes in the applicable rates and prices. To achieve this objective, Scotts primarily enters into forward exchange contracts and swap agreements whose values change in the opposite direction of the anticipated cash flows. Derivative instruments related to forecasted transactions are considered to hedge future cash flows, and the effective portion of any gains or losses are included in other comprehensive income until earnings are affected by the variability of cash flows. Any remaining gain or loss is recognized currently in earnings. The cash flows of the derivative instruments are expected to be highly effective in achieving offsetting cash flows attributable to fluctuations in the cash flows of the hedged risk. If it becomes probable that a forecasted transaction will no longer occur, the derivative will continue to be carried on the balance sheet at fair value, and gains and losses that were accumulated in other comprehensive income will be recognized immediately in earnings.

To manage certain of its cash flow exposures, Scotts has entered into forward exchange contracts and interest rate swap agreements. The forward exchange contracts are designated as hedges of the Company's foreign currency exposure associated with future cash flows. Amounts payable or receivable under forward exchange contracts are recorded as adjustments to selling, general and administrative expense. The interest rate swap agreements are designated as hedges of the Company's interest rate risk associated with certain variable rate debt. Amounts payable or receivable under the swap agreements are recorded as adjustments to interest expense. Unrealized gains or losses resulting from valuing these swaps at fair value are recorded in other comprehensive income.

Scotts adopted FAS 133 as of October 2000. Since adoption, there have been no gains or losses recognized in earnings for hedge ineffectiveness or due to excluding a portion of the value from measuring effectiveness.

STOCK OPTIONS

In July 2002, the Company announced that it would begin expensing employee stock options prospectively beginning in fiscal 2003 in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation". The fair value of future stock option grants will be expensed over the option vesting period, which has historically been three years. The Company currently accounts for stock options under APB 25 and, as allowable, adopted only the disclosure provisions of Statement 123.

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 2002 classifications.

2. DETAIL OF CERTAIN FINANCIAL STATEMENT ACCOUNTS

INVENTORIES

Inventories, net of provisions for slow moving and obsolete inventory of $26.2 million, $22.4 million, and $22.3 million, respectively, consisted of:

	JUNE 29, 2002	JUNE 30, 2001	SEPTEMBER 30, 2001
		($ MILLIONS)	
Finished goods	$ 228.7	$ 272.5	$ 295.8
Raw Materials	73.2	86.5	72.6
Total	$ 301.9	$ 359.0	$ 368.4

PROPERTY, PLANT AND EQUIPMENT, NET

	JUNE 29, 2002	JUNE 30, 2001	SEPTEMBER 30, 2001
		($ MILLIONS)	
Land and Improvements	$ 35.9	$ 38.7	$ 38.9
Buildings	107.4	101.6	119.5
Machinery and equipment	251.6	228.8	203.4
Furniture and fixtures	32.7	31.6	31.9
Software	46.0	34.1	42.0
Construction in progress	81.6	67.3	79.6
Less accumulated depreciation	(238.1)	(210.2)	(204.6)
Total	$ 317.1	$ 291.9	$ 310.7

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 the fifth year of the agreement, the annual payments to Monsanto increase 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 June 29, 2002, contribution payments and related per annum charges of approximately $49.2 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 period 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

2002 CHARGES

Under accounting principles generally accepted in the United States of America, certain restructuring costs related to relocation of personnel, equipment and inventory are to be expensed in the period the costs are actually incurred. During the first nine months of fiscal 2002, inventory relocation costs of approximately $1.5 million were incurred and paid and were recorded as restructuring and other charges in cost of sales. Approximately $1.8 million of employee relocation costs were also incurred and paid in the first nine months of fiscal 2002 and were recorded as restructuring and other charges in operating expenses. These charges related to restructuring activities initiated in the third and fourth quarters of fiscal 2001.

2001 CHARGES

During the third and fourth quarters of fiscal 2001, the Company recorded $75.7 million of restructuring and other charges, primarily associated with reductions in headcount and the closure or relocation of certain manufacturing and administrative facilities. The $75.7 million in charges was segregated in the Statements of Operations in two components: (i) $7.3 million included in cost of sales for the write-off of inventory that was rendered unusable as a result of the restructuring activities and (ii) $68.4 million included in selling, general and administrative costs. Included in the $68.4 million charge in selling, general and administrative costs was $20.4 million to write-down to fair value certain property and equipment and other assets; $5.8 million of facility exit costs; $27.0 million of severance costs; and $15.2 million in other restructuring and other costs. The severance costs related to reduction in force initiatives and facility closures and consolidations in North America and Europe cover approximately 340 administrative, production, selling and other employees. Remaining severance costs are expected to be paid in fiscal 2002 with some payments extending into 2003. All other fiscal 2001 restructuring related activities and costs are expected to be completed by the end of fiscal 2002.

The following is a rollforward of the cash portion of the restructuring and other charges accrued in the third and fourth quarters of fiscal 2001. The balance of the accrued charges at June 29, 2002 are included in accrued liabilities and other long-term liabilities on the condensed, consolidated balance sheets. The portion classified as other long-term liabilities are future lease obligations that extend beyond one year.

DESCRIPTION	TYPE	CLASSIFICATION	BALANCE SEPT. 30, 2001	PAYMENT	BALANCE JUNE 29, 2002
				($ MILLIONS)	
Severance.................	Cash	SG&A	$ 25.1	$ 16.3	$ 8.8
Facility exit costs.......	Cash	SG&A	5.2	2.2	3.0
Other related costs.......	Cash	SG&A	7.0	6.9	0.1
Total cash............			$ 37.3	$ 25.4	$ 11.9

5. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Effective October 1, 2001, Scotts adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". In accordance with this standard, goodwill and certain other intangible assets, primarily tradenames, have been classified as indefinite-lived assets no longer subject to amortization. Indefinite-lived assets are subject to impairment testing upon adoption and at least annually. The impairment analysis was completed in the second quarter of 2002, taking into account additional guidance provided by EITF 02-07 "Unit of Measure for Testing Impairment of Indefinite-Lived Intangibles Assets". The value of all indefinite-lived tradenames as of October 1, 2001 was determined using a "royalty savings" methodology that was employed when the businesses associated with these tradenames were acquired but using updated estimates of sales and profitability. As a result, a pre-tax impairment loss of $29.8 million was recorded for the writedown of the value of the tradenames in our International Consumer businesses in Germany, France and the United Kingdom. This transitional impairment charge was recorded as a cumulative effect of accounting change, net of tax, as of October 1, 2001. After completing this initial valuation and impairment of tradenames, an initial assessment for goodwill impairment was performed. It was determined that a goodwill impairment charge was not required.

The useful lives of intangible assets still subject to amortization were not revised as a result of the adoption of Statement 142.

The following table presents goodwill and intangible assets as of the end of each period presented.

	JUNE 29, 2002			JUNE 30, 2001			SEPTEMBER 30, 2001		
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET CARRYING AMOUNT
					($ MILLIONS)				
Amortized Intangible Assets:									
Technology	$ 62.1	$ (18.0)	$ 44.1	$ 60.2	$ (15.7)	$ 44.5	$ 61.9	$ (15.8)	$ 46.1
Customer accounts	27.7	(3.2)	24.5	22.5	(1.9)	20.6	24.1	(2.5)	21.6
Tradenames	11.3	(2.1)	9.2	11.4	(1.5)	9.9	11.3	(1.6)	9.7
Other	49.9	(33.4)	16.5	50.3	(31.5)	18.8	47.2	(32.6)	14.6
Total amortized intangible assets, net			94.3			93.8			92.0
Unamortized Intangible Assets:									
Tradenames			327.9			347.9			349.0
Other			3.1			3.2			3.2
Total intangible assets, net...........			425.3			444.9			444.2
Goodwill..................			340.0			317.2			326.9
Total goodwill and intangible assets, net			$765.3			$762.1			$771.1

During the first nine months of fiscal 2002, our Scotts LawnService(R) business acquired several lawn care businesses. The assets and liabilities of these businesses were recorded at their fair values as of the dates of acquisition. The fair value of customer accounts, customer lists and non-compete agreements were determined based on their estimated impact on discounted future cash flows. The excess of the amounts paid for these businesses over the fair values of the assets was recorded as goodwill. The fair value of customer accounts acquired during the first nine months of fiscal 2002 was $1.6 million; the value assigned to non-compete agreements was $0.9 million. Customer accounts are being amortized over an estimated seven year life; non-compete agreements are amortized over the contract periods which range from three to five years. Total goodwill added during the first nine months of fiscal 2002 was $21.2 million. Goodwill was reduced by $4.8 million and tradenames by $1.8 million as a result of the settlement reached with Rhone-Poulenc Jardin regarding litigation related to the price paid for international consumer businesses we acquired in Europe in 1998. The effects of exchange rate fluctuations resulted in the changes in balances not otherwise explained by the impairment charge, the settlement with Rhone-Poulenc Jardin or the acquisition activity described above.

The following table presents a reconciliation of recorded net income to adjusted net income and related earnings per share data as if the provision of Statement 142 relating to non-amortization of indefinite-lived intangible assets had been adopted as of the earliest period presented.

	FOR THE PERIODS ENDED JUNE 30, 2001	
	THREE MONTHS	NINE MONTHS
	($ MILLIONS, EXCEPT PER SHARE DATA)	
Net income		
Reported net income	$ 45.4	$ 78.9
Goodwill amortization	2.6	8.6
Tradename amortization	2.5	7.3
Taxes	(1.1)	(3.6)
Net income as adjusted	$ 49.4	$ 91.2
Basic EPS		
Reported net income	$ 1.60	$ 2.79
Goodwill amortization	0.10	0.30
Tradename amortization	0.09	0.26
Taxes	(0.04)	(0.13)
Net income as adjusted	$ 1.75	$ 3.22
Diluted EPS		
Reported net income	$ 1.49	$ 2.61
Goodwill amortization	0.09	0.28
Tradename amortization	0.08	0.24
Taxes	(0.04)	(0.12)
Net income as adjusted	$ 1.62	$ 3.01

Estimated amortization expense is as follows:

YEAR ENDED SEPTEMBER 30,	$ MILLIONS
2002	$ 4.6
2003	4.2
2004	3.1
2005	2.7
2006	2.7

6. LONG-TERM DEBT

	JUNE 29, 2002	JUNE 30, 2001	SEPTEMBER 30, 2001
		($ MILLIONS)	
Revolving loans under credit facility	$ 0.3	$ 115.0	$ 94.7
Term loans under credit facility	383.4	396.4	398.6
Senior Subordinated Notes	391.5	320.2	320.5
Notes due to sellers	38.7	50.2	53.7
Foreign bank borrowings and term loans	10.7	4.3	9.4
Capital lease obligations and other	11.4	10.6	10.9
	836.0	896.7	887.8
Less current portions	68.8	60.8	71.3
	$ 767.2	$ 835.9	$ 816.5

On December 4, 1998, The Scotts Company and certain of its subsidiaries entered into a credit facility (the "Original Credit Agreement") which provided for borrowings in the aggregate principal amount of $1.025 billion and consisted of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million. Proceeds from borrowings under the Original Credit Agreement of approximately $241.0 million were used to repay amounts outstanding under the then existing credit facility.

On December 5, 2000, The Scotts Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (the "Amended Credit Agreement"), amending and restating in its entirety the Original Credit Agreement. Under the terms of the Amended Credit Agreement, the revolving credit facility was increased from $500 million to $575 million and the net worth covenant was amended.

In December 2001, the Amended Credit Agreement was amended to redefine earnings under the covenants, to eliminate the net worth covenant and to modify the covenants pertaining to interest coverage and leverage and amended how proceeds from future equity or subordinated debt offerings, if any, will be used towards mandatory prepayments of revolving credit facility borrowings.

The term loan facilities consist of two tranches. The Tranche A Term Loan Facility consists of three sub-tranches of Euros and British Pounds Sterling in an aggregate principal amount of $265 million which are to be repaid quarterly over a 6 1/2 year period. The Tranche B Term Loan Facility replaced the Tranche B and Tranche C facilities from the Original Credit Agreement. Those facilities were prepayable without penalty. The new Tranche B Term Loan Facility has an aggregate principal amount of $260 million and is repayable in installments as follows: quarterly installments of $0.25 million beginning June 30, 2001 through December 31, 2006, quarterly installments of $63.5 million beginning March 31, 2007 through September 30, 2007 and a final quarterly installment of $63.8 million on December 31, 2007.

The revolving credit facility provides for borrowings of up to $575 million, which are available on a revolving basis over a term of 6 1/2 years. A portion of the revolving credit facility not to exceed $100 million is available for the issuance of letters of credit. A portion of the facility not to exceed $258.8 million is available for borrowings in optional currencies, including Euros, British Pounds Sterling and other specified currencies, provided that the outstanding revolving loans in optional currencies other than British Pounds Sterling does not exceed $138 million. The outstanding principal amount of all revolving credit loans may not exceed $150 million for at least 30 consecutive days during any calendar year. The December 2001 amendment increased the amount that may be borrowed in optional currencies to $360 million from $258.8 million.

Interest rates and commitment fees under the Amended Credit Agreement vary according to the Company's leverage ratios and interest rates also vary within tranches. The weighted-average interest rate on the Company's variable rate borrowings at June 29, 2002 was 7.71% and at September 30, 2001 was 7.85%. In addition, the Amended Credit Agreement requires that Scotts enter into hedge agreements to the extent necessary to provide that at least 50% of the aggregate principal amount of the 8 5/8% Senior Subordinated Notes due 2009 and term loan facilities is subject to a fixed interest rate or interest rate protection for a period of not less than three years.

Financial covenants include interest coverage and net leverage ratios. Other covenants include limitations on indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sale of assets, leases, dividends, capital expenditures, and investments. The Scotts Company and all of its domestic subsidiaries pledged substantially all of their personal, real and intellectual property assets as collateral for the borrowings under the Amended Credit Agreement. The Scotts Company and its subsidiaries also pledged the stock in foreign subsidiaries that borrow under the Amended Credit Agreement.

Approximately $17.0 million of financing costs associated with the revolving credit facility have been deferred as of June 29, 2002 and are being amortized over a period of approximately 7 years, beginning in fiscal year 1999.

In January 1999, The Scotts Company completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from the offering, together with borrowings under the Original Credit Agreement, were used to fund the Ortho acquisition and to repurchase approximately $97 million of outstanding 9 7/8% Senior Subordinated Notes due August 2004. The Company recorded an extraordinary loss before tax on the extinguishment of the 9 7/8% Notes of approximately $9.3 million, including a call premium of $7.2 million and the write-off of unamortized issuance costs and discounts of $2.1 million. In August 1999, Scotts repurchased the remaining $2.9 million of the 9 7/8% Notes, resulting in an extraordinary loss, net of tax, of $0.1 million.

In January 2002, The Scotts Company completed an offering of $70 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from the offering were used to pay down borrowings on our revolving credit facility. The notes were issued at a premium of $1.8 million. The issuance costs associated with the offering totaled $1.6 million. Both the premium and the issuance costs are being amortized over the life of the notes.

Scotts entered into two interest rate locks in fiscal 1998 to hedge its anticipated interest rate exposure on the $330 million 8 5/8% Notes offering. The total amount paid under the interest rate locks of $12.9 million has been recorded as a reduction of the 8 5/8% Notes' carrying value and is being amortized over the life of the 8 5/8% Notes as interest expense. Approximately $11.8 million of issuance costs associated with the 8 5/8% Notes were deferred and are being amortized over the term of the Notes.

In conjunction with the acquisition of Rhone-Poulenc Jardin, a note was issued for a certain portion of the total purchase price that was to be paid in annual installments over a four-year period. The present value of the remaining note payments is $8.9 million. The Company is imputing interest on the non-interest bearing note using an interest rate prevalent for similar instruments at the time of acquisition (approximately 9%). In conjunction with other acquisitions, notes were issued for certain portions of the total purchase price that are to be paid in annual installments over periods ranging from four to five years. The present value of remaining note payments is $19.7 million. The Company is imputing interest on the non-interest bearing notes using an interest rate prevalent for similar instruments at the time of the acquisitions (approximately 8%).

In conjunction with the Substral(R) acquisition, notes were issued for certain portions of the total purchase price that are to be paid in semi-annual installments over a two-year period. The present value of remaining note payments total $8.7 million. The interest rate on these notes is 5.5%.

The foreign term loans of $2.7 million issued on December 12, 1997, have an 8-year term and bear interest at 1% below LIBOR. The loans are denominated in British Pounds Sterling and can be redeemed, on demand, by the note holder. The foreign bank borrowings of $8.0 million at June 29, 2002 and $4.3 million at June 30, 2001 represent lines of credit for foreign operations and are primarily denominated in French Francs.

7. STATEMENT OF COMPREHENSIVE INCOME

The components of other comprehensive income and total comprehensive income for the three and nine months ended June 29, 2002 and June 30, 2001 are as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JUNE 29, 2002	JUNE 30, 2001	JUNE 29, 2002	JUNE 30, 2001
Net income...	$ 95.8	$ 45.4	$ 95.2	$ 78.9
Other comprehensive income (expense):				
Foreign currency translation adjustments.............	1.7	(4.0)	1.6	(0.8)
Change in valuation of derivative instruments........	(1.3)	--	(0.3)	(0.7)
Comprehensive income.................................	$ 96.2	$ 41.4	$ 96.5	$ 77.4

8. 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, property losses and other fiduciary liabilities for which the Company is self-insured. 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 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 seeking corrective action under the federal Resource Conservation Recovery Act. The action relates to several discontinued on-site disposal areas which date back to the early operations of the Marysville facility that we had already been assessing voluntarily. Since initiation of the action, we met with the Ohio Attorney General and the Ohio EPA, and we were ultimately able 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.

Now that the Consent Order has been entered, we have 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. We completed an updated evaluation of our expected liability related to this matter based on the fine paid and remediation actions that we have taken and that we expect to take in the future and, based on the latest estimates, we recorded a charge of $3 million in the third quarter of fiscal 2002 to increase our reserve accordingly.

In addition to the dispute with the Ohio EPA, we are negotiating with the Philadelphia District of the U.S. Army Corps of Engineers ("Corps") 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. We have reserved for our estimates of probable losses to be incurred in connection with each of these matters.

Regulations and environmental concerns also exist surrounding peat extraction in the United Kingdom and the European Union. In August 2000, English Nature, the nature conservation advisory body to the U.K. government notified us that three of our peat harvesting sites in the United Kingdom were under consideration as possible "Special Areas of Conservation" under European Union Law. In April 2002 we reached agreement with English Nature to transfer our interests in the properties and for the immediate cessation of all but a limited amount of peat extraction on one of the three sites in exchange for $18.1 million received in April 2002 and an additional approximately $3 million which will be received when we cease extraction at the third site. A gain of approximately $5 million is included in "Other Income" in the third quarter of fiscal 2002. Proceeds of approximately $13 million have been recorded as deferred income and will be recognized into income over the 29 month period beginning May, 2002 which coincides with the expected peat extraction period at the third site. As a result of this transaction we have withdrawn our objection to the proposed European designations as Special Areas of Conservation and will undertake restoration work on the sites for which we will receive additional compensation from English Nature. We consider that we have sufficient raw material supplies available to replace the peat extracted from such sites.

The Company has determined that cement containing asbestos material at certain manufacturing facilities in the United Kingdom may require removal in the future.

At June 29, 2002, $8.7 million is accrued for the environmental matters described herein. The significant components of the accrual are costs for site remediation of $6.9 million and costs for asbestos abatement and other environmental exposures in the United Kingdom of $1.8 million. The significant portion of the costs accrued as of June 29, 2002 are expected to be paid in fiscal 2003 and 2004; however, payments could be made for a period thereafter.

We believe that the amounts accrued as of June 29, 2002 are adequate to cover known environmental exposures based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

(i) that we have identified all of the significant sites that must be remediated;

(ii) that there are no significant conditions of potential contamination that are unknown to the Company; and

(iii) 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 the Company's results of operations, financial position and cash flows.

For the nine months ended June 29, 2002, we made approximately $1.9 million in environmental expenditures, compared with approximately $0.6 million in environmental capital expenditures and $2.1 million in other environmental expenses for the entire fiscal year 2001. Management anticipates that environmental capital expenditures and other environmental expenses for the remainder of fiscal year 2002 will not differ significantly from those incurred in fiscal year 2001.

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 Company, a subsidiary of the Company and Monsanto seeking damages and injunctive relief for alleged antitrust violations and breach of contract by the Company and its subsidiary, and antitrust violations and tortious interference with contract by Monsanto. The suit arises out of Scotts' purchase of a consumer herbicide business from AgrEvo in May 1998. AgrEvo claims in the suit that Scotts' 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 Scotts to eliminate the herbicide Scotts previously purchased from AgrEvo, which competed with Monsanto's Roundup(R), in order to achieve or maintain a monopoly position in that market. AgrEvo also contends that Scotts' execution of various agreements with Monsanto, including the Roundup(R) marketing agreement, as well as Scotts' subsequent actions, violated the purchase agreements between AgrEvo and Scotts.

AgrEvo is requesting unspecified damages, as well as affirmative injunctive relief, and seeking to have the courts 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 Scotts each have requested that the other indemnify against any losses arising from this lawsuit. On September 5, 2001, the magistrate judge, over the objections of Scotts and Monsanto, allowed AgrEvo to file another amended complaint to add claims transferred to it by its German parent, AgrEvo GmbH, and its 100 percent commonly owned affiliate, AgrEvo USA Company. Scotts and Monsanto have objected to the magistrate judge's order allowing the new claims. The district court will resolve these objections; if sustained, the newly-added claims will be stricken.

On June 29, 1999, AgrEvo also filed a complaint in the Superior Court of the State of Delaware (the "Delaware Action") against two of the Company's subsidiaries seeking damages for alleged breach of contract. AgrEvo alleges that, under the contracts by which a subsidiary of the Company purchased a herbicide business from AgrEvo in May 1998, two of the 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 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. The Company's subsidiaries intend to vigorously defend the asserted claims.

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

CENTRAL GARDEN & PET COMPANY

SCOTTS V. CENTRAL GARDEN, SOUTHERN DISTRICT OF OHIO.

On June 30, 2000, the Company filed suit against Central Garden & Pet Company in the U.S. District Court for the Southern District of Ohio (the "Ohio Action") to recover approximately $17 million in outstanding accounts receivable from Central Garden with respect to the Company's 2000 fiscal year. The Company's complaint was later amended to seek approximately $24 million in accounts receivable and additional damages for other breaches of duty.

On April 13, 2001, Central Garden filed an answer and counterclaim in the Ohio action. On April 24, 2001, Central Garden filed an amended counterclaim. Central Garden's counterclaims included allegations that the Company and Central Garden had entered into an oral agreement in April 1998 whereby the Company would allegedly share with Central Garden the benefits and liabilities of any future business integration between the

Company and Pharmacia Corporation (formerly Monsanto). Based on these allegations, Central Garden asserted several causes of action, including fraudulent misrepresentation, and sought damages in excess of $900 million. In addition, Central Garden asserted various other causes of action and sought damages in excess of $76 million based on the allegations that Central Garden was entitled to receive a cash payment rather than a credit for the value of inventory Central Garden alleged was improperly seized by the Company.

Prior to trial, the court dismissed Central Garden's $900 million counterclaim for breach of oral agreement and promissory estoppel, and entered summary judgment against Central Garden on Central Garden's $900 million counterclaim for fraudulent misrepresentation. In addition, as a result of the resolution of the Missouri Action described below, Central Garden's counterclaim for illegal inventory seizure was resolved.

In April 2002, trial on the remaining claims and counterclaims took place in this action. Prior to the conclusion of the trial, the court dismissed certain of Central Garden's counterclaims as well as the Company's claims that Central Garden breached other duties owed to the Company. On April 22, 2002, a jury returned a verdict in favor of the Company for $22.5 million and for Central Garden on its remaining counterclaims in an amount of approximately $12.1 million. Various post-trial motions have been filed in the Ohio Action, but so far Central Garden has not challenged the propriety of the $22.5 million award to the Company and the Company has challenged only $750,000 of the $12.1 million awarded to Central Garden on its counterclaim. Central Garden has challenged, however, the dismissal during trial of several other counterclaims.

PHARMACIA CORPORATION V. CENTRAL GARDEN, CIRCUIT COURT OF ST. LOUIS, MISSOURI.

On June 30, 2000 Pharmacia Corporation filed suit against Central Garden in Missouri state court ("Missouri Action") seeking unspecified damages allegedly due Pharmacia under a series of agreements, generally referred to as the four-year "Alliance Agreement" between Pharmacia and Central Garden. Scotts was, for a short time, an assignee of the Alliance Agreement, which Scotts has reassigned to Pharmacia. Pursuant to an order granting Central Garden's motion, on January 18, 2001, Pharmacia joined Scotts as a nominal defendant in the Missouri state court action.

On January 28, 2002, Central Garden and Pharmacia reported that they reached a settlement in the Missouri action pursuant to which Pharmacia dismissed its claims against Central Garden in the Missouri action, and Central Garden dismissed its counterclaims against Pharmacia in the Missouri action and its claims against Pharmacia in the California federal and state actions described below. In connection with its settlement with Pharmacia, Central Garden also dismissed all of its legal claims against Scotts arising under the Alliance Agreements, reserving only such equitable claims as it might have under the Alliance Agreements. On July 22, 2002 Scotts and Central Garden stipulated, and the court ordered, that each dismiss all remaining claims against the other without prejudice.

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

On July 7, 2000, Central Garden filed suit against the 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 October 26, 2000, the District Court granted the Company's motion to dismiss Central Garden's breach of contract claims for lack of subject matter jurisdiction. On November 17, 2000, Central Garden filed an amended complaint in the District Court, re-alleging various claims for violations of federal antitrust laws and also alleging state antitrust claims. As described above, Central Garden and Pharmacia have settled some or all of their claims relating to this action.

On April 15, 2002, the 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 Company and dismissed all of Central Garden's claims.

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

On October 31, 2000, Central Garden filed an additional complaint against the Company and Pharmacia in the California Superior Court for Contra Costa County. That complaint seeks to assert the breach of contract claims previously dismissed by the District Court in the California federal action described above, and additional claims under Section 17200 of the California Business and Professions Code. On December 4, 2000, the Company and Pharmacia jointly filed a motion to stay this action based on the pendency of prior lawsuits (including the three actions described above) that involve the same subject matter. By order dated February 23, 2001, the Superior Court stayed the action pending before it.

On April 6, 2001, Central Garden filed a motion to lift the stay of the Contra Costa County action. Scotts and Pharmacia filed a joint opposition to Central Garden's motion. On May 4, 2001, the Court issued a tentative ruling denying Central Garden's motion to lift the stay of the action. Central Garden did not challenge the tentative ruling, which accordingly became the ruling of the court. Consequently, all claims in the Contra Costa action currently remain stayed. A further status conference is set for November 26, 2002. As described above, Central Garden and Pharmacia have settled some or all of their claims relating to this action.

Scotts believes that Central Garden's remaining state claims are without merit and intends to vigorously defend against them. Although Scotts has prevailed consistently and extensively in the litigation with Central Garden, the decisions in Scotts' favor are subject to appeal. If, upon appeal or otherwise, the above actions are determined adversely to Scotts, the result could have a material adverse effect on Scotts' results of operations, financial position and cash flows. Scotts believes that it will continue to prevail in the Central Garden matters and that any potential exposure that Scotts may face cannot be reasonably estimated. Therefore, no accrual has been established related to claims brought against Scotts by Central Garden, except for amounts ordered paid to Central Garden in the Ohio Action for which the Company believes it has adequate reserves recorded for the amounts it may ultimately be required to pay.

9. NEW ACCOUNTING STANDARDS

In June 2001, the FASB issued Statement of Accounting Standard No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses accounting and reporting standards for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Scotts will adopt the provisions of this statement in the first quarter of fiscal year 2003, and does not anticipate that the new accounting policy will impact results of operations.

In August 2001, the FASB issued Statement of Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes Financial Accounting Standard No. 121, " Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" and Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations; Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequent Occurring and Events and Transactions". SFAS No. 144 addresses accounting and reporting standards for the impairment or disposal of long-lived assets. It is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company will adopt the provisions of this statement in the first quarter of fiscal year 2003 and expects there will be no impact on its reporting results of operations or financial conditions as a result.

In April 2002, the Financial Accounting Standards Board issued Statement 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Scotts will adopt the provision of this statement in the first quarter of fiscal 2003 and expects there will be no impact on its reporting results of operations or financial condition as a result.

In July 2002, the Financial Accounting Standards Board issued Statement 146 "Accounting for Costs Associated with Exit or Disposal Activities". This Statement provides new guidance that primarily affects in which period charges related to restructuring activities will be recorded. This statement modifies and amends the accounting for restructuring activities that are currently accounted for in accordance with EITF Issue 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". Statement 146 requires most charges to be recorded when they are incurred, rather than when it is identified that a cost resulting from a restructuring activity is likely to be incurred. This Statement applies to restructuring activities occurring after December 31, 2002. The Company is currently evaluating the impact that the standard will have on future periods.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	NINE MONTHS ENDED	
	JUNE 29, 2002	JUNE 30, 2001
	($ MILLIONS)	
Net assets acquired	$ 23.5	$ 45.9
Cash paid	(11.0)	(10.0)
Notes issued to seller	12.5	35.9
Cash received in settlement of prior purchase price	7.0	--

11. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted earnings per common share. Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Options to purchase 0.1 and 0.1 million shares of common stock for the three and nine month periods ended June 29, 2002, and 0.1 and 0.2 million shares for the three and nine month periods ended June 30, 2001 respectively were not included in the computation of diluted earnings per common share. These options were excluded from the calculation because the exercise price of these options was greater than the average market price of the common shares in the respective periods, and therefore, they are antidilutive.

	THREE MONTHS ENDED JUNE 29, 2002	THREE MONTHS ENDED JUNE 30, 2001	NINE MONTHS ENDED JUNE 29, 2002	NINE MONTHS ENDED JUNE 30, 2001
	($ MILLIONS, EXCEPT PER SHARE DATA)			
NET INCOME:				
Income before cumulative effect of accounting change	$ 95.8	$ 45.4	$ 113.7	$ 78.9
Cumulative effect of change in accounting for intangible assets, net of tax..........................	--	--	(18.5)	--
Net income	$ 95.8	$ 45.4	$ 95.2	$ 78.9
BASIC EARNINGS PER COMMON SHARE:				
Weighted-average common shares outstanding during the period	29.5	28.3	29.1	28.3
Basic earnings per common share:				
Before cumulative effect of accounting change	$ 3.25	$ 1.60	$ 3.91	$ 2.79
Cumulative effect of change in accounting for intangible assets, net of tax..........................	--	--	(0.64)	--
After cumulative effect of accounting change	$ 3.25	$ 1.60	$ 3.27	$ 2.79
DILUTED EARNINGS PER COMMON SHARE:				
Weighted-average common shares outstanding during the period	29.5	28.3	29.1	28.3
Potential common shares:				
Assuming exercise of options	0.9	1.1	1.2	0.9
Assuming exercise of warrants	1.4	1.2	1.3	1.1
Weighted-average number of common shares outstanding and dilutive potential common shares	31.8	30.6	31.6	30.3
Diluted earnings per common share:				
Before cumulative effect of accounting change	$ 3.02	$ 1.49	$ 3.60	$ 2.61
Cumulative effect of change in accounting for intangible assets, net of tax......................	--	--	(0.59)	--
After cumulative effect of accounting change	$ 3.02	$ 1.49	$ 3.01	$ 2.61

12. SEGMENT INFORMATION

For fiscal 2002, the Company is divided into four reportable segments - North American Consumer, Scotts LawnService(R), Global Professional and International Consumer. The North American Consumer segment consists of the Lawns, Gardens, Growing Media, Ortho and Canadian business units. These segments differ from those used in the prior year due to segregating of the Scotts LawnService(R) business from the North American Consumer business because of a change in reporting structure whereby Scotts LawnService(R) no longer reports to senior management of the North American Consumer segment.

The North American Consumer segment specializes in dry, granular slow-release lawn fertilizers, lawn fertilizer combination and lawn control products, grass seed, spreaders, water-soluble and controlled-release garden and indoor plant foods, plant care products, and potting soils, barks, mulches and other growing media products, and pesticide products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, nurseries and gardens centers.

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, we also offer an exterior barrier pest control service.

The Global Professional segment is focused on a full line of horticulture products including controlled-release and water-soluble fertilizers and plant protection products, grass seed, spreaders, custom application services and growing media. Products are sold to lawn and landscape service companies, commercial nurseries and greenhouses and specialty crop growers.

The International Consumer segment provides products similar to those described above for the North American Consumer segment to consumers in countries other than the United States and Canada.

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). Prior period amounts have been restated to conform to this basis of presentation.

	NORTH AMERICAN CONSUMER	SCOTTS LAWNSERVICE(R)	GLOBAL PROFESSIONAL	INTERNATIONAL CONSUMER	OTHER/ CORPORATE	TOTAL
			($ MILLIONS)			
Net Sales:						
2002 YTD............................	$1,061.7	$ 44.8	$ 140.4	$ 210.4	$ --	$ 1,457.3
2001 YTD............................	$1,073.7	$ 24.5	$ 142.3	$ 218.6	$ --	$ 1,459.1
2002 Q3.............................	$ 531.7	$ 28.7	$ 49.7	$ 82.1	$ --	$ 692.2
2001 Q3.............................	$ 460.9	$ 15.2	$ 47.9	$ 74.6	$ --	$ 598.6
Income (loss) from Operations:						
2002 YTD............................	$ 258.0	$ (3.0)	$ 15.3	$ 26.7	$ (47.0)	$ 250.0
2001 YTD............................	$ 255.7	$ (1.5)	$ 15.4	$ 16.6	$ (55.8)	$ 230.4
2002 Q3.............................	$ 162.7	$ 7.1	$ 6.5	$ 17.6	$ (18.4)	$ 175.5
2001 Q3.............................	$ 125.1	$ 2.9	$ 5.8	$ 4.8	$ (27.9)	$ 110.7
Operating Margin:						
2002 YTD............................	24.3%	(6.7%)	10.9%	12.7%	nm	17.2%
2001 YTD............................	23.8%	(6.1%)	10.8%	7.6%	nm	15.8%
2002 Q3.............................	30.6%	24.7%	13.1%	21.4%	nm	25.4%
2001 Q3.............................	27.1%	19.1%	12.1%	6.4%	nm	18.5%
Goodwill:						
2002 Q3.............................	$ 146.1	$ 47.0	$ 50.4	$ 96.5	$ --	$ 340.0
2001 Q3.............................	$ 169.0	$ 19.0	$ 56.6	$ 72.6	$ --	$ 317.2
Total Assets:						
2002 Q3.............................	$1,273.1	$ 69.8	$ 142.7	$ 487.3	$ 97.2	$ 2,070.1
2001 Q3.............................	$1,240.3	$ 38.4	$ 148.5	$ 458.1	$ 118.6	$ 2,003.9

nm Not meaningful.

Income (loss) from Operations reported for Scotts' four operating segments represents earnings before amortization, interest and taxes, since this is the measure of profitability used by management. Accordingly, corporate operating loss for the three and nine months ended June 29, 2002 and June 30, 2001 includes amortization of certain assets, corporate general and administrative expenses, and certain "other" income/expense not allocated to the business segments and North America restructuring charges.

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

13. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS AND NON-GUARANTORS

In January 1999, the Company issued $330 million of 8 5/8% Senior Subordinated Notes due 2009 to qualified institutional buyers under the provisions of Rule 144A of the Securities Act of 1933. These Notes were subsequently registered in December 2000. In January 2002, the Company issued an additional $70 million of Senior Subordinated Notes and a Form S-4 registration has been filed to register the notes.

The 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 consolidating Statements of Operations for the three and nine-month periods ended June 29, 2002 and June 30, 2001 and consolidating Statements of Cash Flows and Balance Sheets for the nine month periods ended June 29, 2002 and June 30, 2001. 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 JUNE 29, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 48.9	$ 494.7	$ 148.6	$	$ 692.2
Cost of sales	(56.7)	391.6	86.3		421.2
Restructuring and other charges	0.4				0.4
Gross profit	105.2	103.1	62.3		270.6
Gross commission earned from marketing agreement	21.7		0.7		22.4
Costs associated with marketing agreement	5.8				5.8
Net commission earned from marketing agreement	15.9	--	0.7		16.6
Operating expenses:					
Advertising	16.4	5.7	8.5		30.6
Selling, general and administrative	52.8	5.3	28.3		86.4
Restructuring and other charges	0.2		0.4		0.6
Amortization of intangible assets	0.1	(1.1)	1.2		0.2
Equity (income) loss in subsidiaries	(72.2)			72.2	--
Intercompany allocations	(4.7)	0.4	4.3		--
Other income, net	(0.4)	(0.6)	(4.1)		(5.1)
Income (loss) from operations	128.9	93.4	24.4	(72.2)	174.5
Interest (income) expense	18.3	(3.7)	4.1		18.7
Income (loss) before income taxes	110.6	97.1	20.3	(72.2)	155.8
Income taxes	14.8	37.4	7.8		60.0
Income (loss) before cumulative effect of accounting change	95.8	59.7	12.5	(72.2)	95.8
Cumulative effect of change in accounting for intangible assets, net of tax					--
Net income (loss)	$ 95.8	$ 59.7	$ 12.5	$ (72.2)	$ 95.8

FOR THE NINE MONTHS ENDED JUNE 29, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 540.0	$ 573.8	$ 343.5	$	$ 1,457.3
Cost of sales	297.0	404.9	212.3		914.2
Restructuring and other charges	1.4		0.1		1.5
Gross profit	241.6	168.9	131.1		541.6
Gross commission earned from marketing agreement	29.1		1.7		30.8
Costs associated with marketing agreement	17.5				17.5
Net commission earned from marketing agreement	11.6	--	1.7		13.3
Operating expenses:					
Advertising	38.8	10.4	19.4		68.6
Selling, general and administrative	147.2	13.8	84.9		245.9
Restructuring and other charges	1.3	0.1	0.4		1.8
Amortization of intangible assets	0.3	0.2	3.3		3.8
Equity (income) loss in subsidiaries	(66.2)			66.2	--
Intercompany allocations	(17.9)	9.7	8.2		--
Other income, net	(0.6)	(2.6)	(5.7)		(8.9)
Income (loss) from operations	150.3	137.3	22.3	(66.2)	243.7
Interest (income) expense	55.2	(10.8)	14.4		58.8
Income (loss) before income taxes	95.1	148.1	7.9	(66.2)	184.9
Income taxes	11.2	57.0	3.0		71.2
Income (loss) before cumulative effect of accounting change	83.9	91.1	4.9	(66.2)	113.7
Cumulative effect of change in accounting for intangible assets, net of tax	11.3	(3.3)	(26.5)		(18.5)
Net income (loss)	$ 95.2	$ 87.8	$ (21.6)	$(66.2)	$ 95.2

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED JUNE 29, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ 95.2	$ 87.8	$ (21.6)	$ (66.2)	$ 95.2
Adjustments to reconcile net income (loss) to net to cash used in operating activities:					
Cumulative effect of change in accounting for intangible assets		3.3	26.5		29.8
Depreciation	13.2	7.2	5.6		26.0
Amortization	2.8	0.2	3.3		6.3
Deferred taxes	(10.8)				(10.8)
Equity (income) loss in subsidiaries	(66.2)			66.2	--
Net change in certain components of working capital	81.4	(69.0)	(25.5)		(13.1)
Net changes in other assets and liabilities and other adjustments	1.6	26.3	(9.3)		18.6
Net cash provided by (used in) operating activities	117.2	55.8	(21.0)	--	152.0
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(17.9)	(12.1)	(3.9)		(33.9)
Investment in acquired businesses, net of cash acquired			(4.0)		(4.0)
Payments on seller notes	(2.1)	(5.9)	(20.7)		(28.7)
Net cash used in investing activities	(20.0)	(18.0)	(28.6)	--	(66.6)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net (repayments) borrowings under revolving and bank lines of credit	(3.7)		(92.0)		(95.7)
Gross borrowings under term loans					--
Gross repayments under term loans	(0.5)		(22.8)		(23.3)
Issuance of 8 5/8% senior subordinated notes	70.2				70.2
Cash received from the exercise of stock options	19.0				19.0
Intracompany financing	(131.1)	(38.7)	169.8		--
Net cash (used in) provided by financing activities	(46.1)	(38.7)	55.0	--	(29.8)
Effect of exchange rate changes on cash			2.1		2.1
Net increase (decrease) in cash	51.1	(0.9)	7.5	--	57.7
Cash and cash equivalents, beginning of period	3.4	0.6	14.7	--	18.7
Cash and cash equivalents, end of period	$ 54.5	$ (0.3)	$ 22.2	$ --	$ 76.4

THE SCOTTS COMPANY
BALANCE SHEET
AS OF JUNE 29, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 54.5	$ (0.3)	$ 22.2	$	$ 76.4
Accounts receivable, net	148.8	127.4	158.9		435.1
Inventories, net	175.4	46.8	79.7		301.9
Current deferred tax asset	52.2	0.5	(0.6)		52.1
Prepaid and other assets	20.4	2.3	22.5		45.2
Total current assets	451.3	176.7	282.7		910.7
Property, plant and equipment, net	201.4	77.1	38.6		317.1
Goodwill and intangible assets, net	30.0	473.0	262.3		765.3
Other assets	60.0	2.5	14.5		77.0
Investment in affiliates	964.2			(964.2)	--
Intercompany assets	--	231.5		(231.5)	--
Total assets	$ 1,706.9	$ 960.8	$ 598.1	$ (1,195.7	$ 2,070.1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ 39.6	$ 1.3	$ 27.9	$	$ 68.8
Accounts payable	78.4	25.4	93.6		197.4
Accrued liabilities	131.2	22.8	77.5		231.5
Accrued taxes	84.5	2.4	4.9		91.8
Total current liabilities	333.7	51.9	203.9		589.5
Long-term debt	624.7	5.4	137.1		767.2
Other liabilities	50.3	2.0	39.3		91.6
Intercompany liabilities	52.3		179.2	(231.5)	--
Total liabilities	1,061.0	59.3	559.5	(231.5)	1,448.3
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		486.8	61.6	(548.4)	--
Preferred shares, no par value					--
Common shares, no par value per share, $.01 stated value per share; 31.3 shares issued	0.3				0.3
Capital in excess of par value	402.0				402.0
Retained earnings	307.5	417.1	(1.3)	(415.8)	307.5
Treasury stock, 1.7 shares at cost	(54.6)				(54.6)
Accumulated other comprehensive expense	(9.3)	(2.4)	(21.7)		(33.4)
Total shareholders' equity	645.9	901.5	38.6	(964.2)	621.8
Total liabilities and shareholders' equity	$ 1,706.9	$ 960.8	$ 598.1	$ (1,195.7)	$ 2,070.1

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 241.1	$ 234.8	$ 122.7		$ 598.6
Cost of sales	183.7	122.6	73.1		379.4
Restructuring and other charges	0.9				0.9
Gross profit	56.5	112.2	49.6	--	218.3
Gross commission earned from marketing agreement	19.9		0.8		20.7
Costs associated with marketing agreement	4.6				4.6
Net commission earned from marketing agreement	15.3	--	0.8	--	16.1
Operating expenses:					
Advertising	11.5	11.5	8.0		31.0
Selling, general and administrative	44.3	10.7	29.4		84.4
Restructuring and other charges	15.1				15.1
Amortization of goodwill and other intangibles	2.7	1.7	2.5		6.9
Equity (income) loss in subsidiaries	(51.1)			51.1	--
Intercompany allocations	(12.6)	9.4	3.2		--
Other expense (income), net	(4.7)	(1.8)	0.4		(6.1)
Income (loss) from operations	66.6	80.7	6.9	(51.1)	103.1
Interest (income) expense	19.6	(3.8)	6.5		22.3
Income (loss) before income taxes	47.0	84.5	0.4	(51.1)	80.8
Income taxes	1.6	33.7	0.1		35.4
Income (loss) before cumulative effect of accounting change	45.4	50.8	0.3	(51.1)	45.4
Cumulative effect of change in accounting for intangible assets, net of tax					--
Net income (loss)	$ 45.4	$ 50.8	$ 0.3	$ (51.1)	$ 45.4

FOR THE NINE MONTHS ENDED JUNE 30, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 660.8	$ 469.1	$ 329.2		$1,459.1
Cost of sales	447.9	268.8	199.9		916.6
Restructuring and other charges	0.9				0.9
Gross profit	212.0	200.3	129.3	--	541.6
Gross commission earned from marketing agreement	34.4		2.8		37.2
Costs associated with marketing agreement	13.8				13.8
Net commission earned from marketing agreement	20.6	--	2.8	--	23.4
Operating expenses:					
Advertising	36.8	21.8	18.6		77.2
Selling, general and administrative	137.9	29.5	85.9		253.3
Restructuring and other charges	15.1				15.1
Amortization of goodwill and other intangibles	8.7	5.0	7.4		21.1
Equity (income) loss in subsidiaries	(71.7)			71.7	--
Intercompany allocations	(37.5)	30.0	7.5		--
Other expense (income), net	(7.2)	(1.8)	0.4		(8.6)
Income (loss) from operations	150.5	115.8	12.3	(71.7)	206.9
Interest (income) expense	62.2	(11.2)	18.7		69.7
Income (loss) before income taxes	88.3	127.0	(6.4)	(71.7)	137.2
Income taxes	9.4	51.5	(2.6)		58.3
Income (loss) before cumulative effect of accounting change	78.9	75.5	(3.8)	(71.7)	78.9
Cumulative effect of change in accounting for intangible assets, net of tax					--
Net income (loss)	$ 78.9	$ 75.5	$ (3.8)	$ (71.7)	$ 78.9

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED JUNE 30, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ 78.9	$ 75.5	$ (3.8)	$ (71.7)	$ 78.9
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Cumulative effect of change in accounting for intangible assets					--
Restructuring and other charges	9.4				9.4
Depreciation	4.7	14.4	5.3		24.4
Amortization	11.2	4.9	7.4		23.5
Deferred taxes	2.4				2.4
Equity (income) loss in subsidiaries	(71.7)			71.7	--
Net change in certain components of working capital	25.1	(60.5)	(27.2)		(62.6)
Net changes in other assets and liabilities and other adjustments	7.9	(26.0)	7.6		(10.5)
Net cash provided by (used in) operating activities	67.9	8.3	(10.7)	--	65.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(25.7)	(6.0)	(4.5)		(36.2)
Investments in acquired businesses, net of cash acquired	(0.3)	2.2	(11.9)		(10.0)
Payments on seller notes		(1.1)	(23.4)		(24.5)
Net cash used in investing activities	(26.0)	(4.9)	(39.8)	--	(70.7)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net (repayments) borrowings under revolving and bank lines of credit			82.2		82.2
Gross borrowings under term loans	260.0				260.0
Gross repayments under term loans	(258.5)		(51.3)		(309.8)
Cash received from exercise of stock options	13.3				13.3
Intercompany financing	(18.0)	(3.3)	21.3		--
Net cash (used in) provided by financing activities	(3.2)	(3.3)	52.2		45.7
Effect of exchange rate changes on cash			(0.4)		(0.4)
Net increase in cash	38.7	0.1	1.3	--	40.1
Cash and cash equivalents, beginning of period	16.0	(0.6)	17.6	--	33.0
Cash and cash equivalents, end of period	$ 54.7	$ (0.5)	$ 18.9	--	$ 73.1

THE SCOTTS COMPANY
BALANCE SHEET
AS OF JUNE 30, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 54.7	$ (0.5)	$ 18.9	$	$ 73.1
Accounts receivable, net	134.8	84.2	139.1		358.1
Inventories, net	232.8	49.4	76.8		359.0
Current deferred tax asset	28.1	0.5	(1.1)		27.5
Prepaid and other assets	41.0	1.2	17.8		60.0
Total current assets	491.4	134.8	251.5	--	877.7
Property, plant and equipment, net	180.8	74.4	36.7		291.9
Goodwill and other intangible assets, net	269.3	228.8	264.0		762.1
Other assets	74.6		(2.4)		72.2
Investment in affiliates	1,005.8			(1,005.8)	--
Intercompany assets		541.7		(541.7)	--
Total assets	$ 2,021.9	$ 979.7	$ 549.8	$ (1,547.5)	$ 2,003.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current portion of debt	$ 32.4	$ 0.4	$ 28.0	$	$ 60.8
Accounts payable	117.4	39.0	77.4		233.8
Accrued liabilities	128.2	24.6	47.4		200.2
Accrued taxes	44.3	2.2	4.2		50.7
Total current liabilities	322.3	66.2	157.0	--	545.5
Long-term debt	564.0		271.9		835.9
Other liabilities	39.9		16.0		55.9
Intercompany liabilities	527.1		14.6	(541.7)	--
Total liabilities	1,453.3	66.2	459.5	(541.7)	1,437.3
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		589.2	54.7	(643.9)	--
Preferred shares, no par value					--
Common shares, no par value per share, $.01 stated value per share; 31.3 shares issued	0.3				0.3
Capital in excess of par value	386.3				386.3
Retained earnings	275.7	327.2	34.7	(361.9)	275.7
Treasury stock, 2.7 shares at cost	(72.2)				(72.2)
Accumulated other comprehensive expense	(21.5)	(2.9)	0.9		(23.5)
Total shareholders' equity	568.6	913.5	90.3	(1,005.8)	566.6
Total liabilities and shareholders' equity	$ 2,021.9	$ 979.7	$ 549.8	$ (1,547.5)	$ 2,003.9

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. Our operations are divided into four business segments: North American Consumer, Scotts LawnService(R), International Consumer, and Global Professional. The North American Consumer segment includes the Lawns, Gardens, Growing Media, Ortho and Canadian business groups.

As a leading consumer branded lawn and garden company, we focus on our consumer marketing efforts, including advertising and consumer research, to create demand to pull products through the retail distribution channels. In the past three years, we have spent approximately 5% of our gross 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 to make a significant investment in consumer marketing expenditures in the future to drive market share and sales growth.

Our sales are susceptible to global weather conditions, primarily in North America and Europe. For instance, periods of wet weather can slow fertilizer sales but can create increased demand for pesticide sales. Periods of dry, hot weather can have the opposite effect on fertilizer and pesticide sales. We believe that our past acquisitions have diversified both our product line risk and geographic risk to weather conditions.

Our operations are also seasonal in nature. In fiscal 2001, net sales by quarter were 8.7%, 42.1%, 35.2% and 14.0% of total year net sales, respectively. Operating losses were reported in the first and fourth quarters of fiscal 2001 while significant profits were recorded for the second and third quarters. The sales trend in fiscal 2002 has followed a somewhat different pattern than our historical experience due to retailer initiatives to reduce their investment in inventory and improve their inventory turns. We believe that this has caused a sales shift from the second quarter to the third and, to a lesser extent, fourth quarters that coincides more closely to when consumers buy our products.

In fiscal 2001, restructuring and other charges of $75.7 million were recorded for reductions in work force, facility closures, asset writedowns, and other related costs. Certain costs associated with this restructuring initiative, including costs related to the relocation of equipment, personnel and inventory, were not recorded as part of the restructuring costs in 2001. These costs are being recorded as they are incurred in fiscal 2002 as required under generally accepted accounting principles in the United States of America.

In fiscal 2001, Scotts adopted accounting policies that required certain amounts payable to customers or consumers related to the purchase of our products to be recorded as a reduction in net sales rather than as advertising and promotion expense (e.g., volume rebates). In fiscal 2002, Scotts adopted EITF-00-25, "Accounting for Consideration from a Vendor to a Retailer in Connection with the Purchase or Promotion of the Vendor's Products". This standard requires Scotts to record certain of its cooperative advertising expenditures as reductions of net sales rather than as advertising and promotion expense. Results for fiscal 2001 have been reclassified to conform to this new presentation method for these expenses.

In addition, in fiscal 2002 we adopted Statement of Accounting Standards No. 142, "Goodwill and Other Intangible Assets". This statement eliminates the requirement to amortize indefinite-lived intangible assets and goodwill. It also requires an initial impairment test on all indefinite-lived assets as of the date of adoption of this standard and impairment tests done at least annually thereafter. As a result of adopting the standard as of October 1, 2001, amortization expense for the first three quarters of fiscal 2002 was reduced by approximately $15.9 million. The full year effect in fiscal 2002 is expected to exceed $21.0 million.

We completed our impairment analysis in the second quarter of 2002, taking into account additional guidance provided by EITF 02-07, "Unit of Measure for Testing Impairment of Indefinite-Lived Intangible Assets". As a result, a pre-tax impairment charge related to the value of tradenames in our German, French and United Kingdom consumer businesses of $29.8 million was recorded as of October 1, 2001. After taxes, the net charge was $18.5 million. There is no goodwill impairment as of the date of adoption.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion and analysis of the consolidated results of operations and financial position should be read in conjunction with our Condensed, Consolidated Financial Statements included elsewhere in this report. Scotts' Annual Report on Form 10-K for the fiscal year ended September 30, 2001 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 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 disclosure 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 operation and financial position are as follows:

- 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 operating results.

- 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.

- 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 unaudited condensed, consolidated financial statements, 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.

Also, as described more fully in the notes to the unaudited condensed, consolidated financial statements, we have not accrued the deferred contribution under the Roundup(R) marketing agreement with Monsanto or the per annum charges thereon. 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. At June 29, 2002, contribution payments and related per annum charges of approximately $49.2 million had been deferred under the agreement.

RESULTS OF OPERATIONS

The following table sets forth sales by business segment for the three and nine month periods ended June 29, 2002 and June 30, 2001:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	JUNE 29, 2002	JUNE 30, 2001	JUNE 29, 2002	JUNE 30, 2001
North American Consumer:				
Lawns	$ 181.8	$ 134.9	$ 432.5	$ 439.8
Gardens	61.3	66.7	124.9	136.1
Growing Media	173.5	145.7	288.1	260.0
Ortho	100.7	95.4	184.1	192.4
Canada	11.2	11.2	23.7	24.8
Other	3.2	7.0	8.4	20.6
Total	531.7	460.9	1,061.7	1,073.7
Scotts LawnService(R)	28.7	15.2	44.8	24.5
International Consumer	82.1	74.6	210.4	218.6
Global Professional	49.7	47.9	140.4	142.3
Total	$ 692.2	$ 598.6	$ 1,457.3	$ 1,459.1

The following table sets forth the components of income and expense as a percentage of sales for the three and six month periods ended June 29, 2002 and June 30, 2001:

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	JUNE 29, 2002	JUNE 30, 2001	JUNE 29, 2002	JUNE 30, 2001
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.8	63.4	62.7	62.8
Restructuring and other charges	0.1	0.1	0.1	0.1
Gross profit	39.1	36.5	37.2	37.1
Commission earned from marketing agreement, net	2.4	2.7	0.9	1.6
Operating expenses:				
Advertising	4.4	5.2	4.7	5.3
Selling, general and administrative	12.5	14.1	16.9	17.4
Restructuring and other charges	0.1	2.5	0.1	1.0
Amortization of goodwill and other intangibles	--	1.1	0.3	1.4
Other income, net	(0.7)	(1.0)	(0.6)	(0.6)
Income from operations	25.2	17.2	16.7	14.2
Interest expense	2.7	3.7	4.0	4.8
Income before income taxes and cumulative effect of accounting change	22.5	13.5	12.7	9.4
Income taxes	8.7	5.9	4.9	4.0
Income before cumulative effect of accounting change	13.8	7.6	7.8	5.4
Cumulative effect of change in accounting for intangible assets, net of tax	--	--	(1.3)	--
Net income	13.8%	7.6%	6.5%	5.4%

THREE MONTHS ENDED JUNE 29, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

Net sales for the three months ended June 29, 2002 were $692.2 million, an increase of 15.6% from net sales for the three months ended June 30, 2001 of $598.6 million.

North American Consumer net sales were $531.7 million in the third quarter of fiscal 2002, an increase of $70.8 million, or 15.4%, over net sales in the third quarter of fiscal 2001. Lawns net sales increased 34.8% while Ortho net sales increased 5.6%. The increased net sales in these businesses reflect retailer initiatives to improve their inventory turnover ratios by more closely timing their orders from us to when consumers take away at the store level occurs. Thus in fiscal 2002 we have seen a shift in our net sales from the second quarter to the third quarter. The Lawns business also had strong sales of its new Summer Guard products during the quarter. Net sales of the Gardens business declined 8.1% from the third quarter of fiscal 2001 to the third quarter of fiscal 2002. Net sales increased from the second quarter of fiscal 2002 to the third quarter of fiscal 2002 in line with the shift in retailer order trends this year. However, cool wet weather in the Midwest and Northeast during May, a peak outdoor gardening month, hurt sales of garden fertilizers. Consumer take away improved in June with improved weather but did fully offset May's impact. Net sales of the Growing Media segment increased 19.1% in the third quarter of fiscal 2002 compared to the third quarter of fiscal 2001. The Growing Media business is less impacted by the shift in retailer ordering patterns because its "big bag" products have always required delivery to the retailer closer to the time of consumer takeaway. The net sales increase reflects the continued success of the Miracle Gro(R) branded line of value-added soils and potting mixes.

Scotts LawnService(R) revenues increased 88.8% from $15.2 million in the third quarter of fiscal 2001 to $28.7 million in the third quarter of fiscal 2002. The growth in revenue reflects the growth in the business from the acquisitions completed in late winter and early spring of fiscal 2002, new branch openings in late winter of fiscal 2002 and the growth in customers from our spring 2002 and fall 2001 marketing campaigns.

Net sales for the International Consumer segment were $82.1 million in the third quarter of fiscal 2002, which were $7.5 million, or 10.1%, higher than net sales for the third quarter of fiscal 2001. Sales growth for this segment also was affected by retailers in Europe waiting until closer to the season to place orders for delivery in an effort to control inventory levels and also reduce their exposure to weather and/or low consumer take away.

Net sales for the Global Professional segment were $49.7 million in the third quarter of fiscal 2002, which were $1.8 million, or 3.8%, above net sales for the third quarter of fiscal 2001. Our Global Professional customers, growers, have experienced the same inventory pressures by the retailers as we have, which in turn has impacted our sales to them in fiscal 2002.

Gross profit was $270.6 million in the third quarter of fiscal 2002, an increase of $52.3 million from gross profit of $218.3 million in the third quarter of fiscal 2001. As a percentage of net sales, gross profit was 39.1% of sales in the third quarter of fiscal 2002 compared to 36.5% in the third quarter of fiscal 2001. The increase in gross margin percentage is due to improved product mix, particularly in our North American Lawns, and Growing Media businesses. Lawns had higher sales of higher margin fertilizers and less of lower margin seed and Growing Media had increased sales of higher margin branded soils and potting mix.

The net commission earned from marketing agreement in the third quarter of fiscal 2002 was net income of $16.6 million compared to net income of $16.1 million in the third quarter of fiscal 2001. The increased income from the prior year is primarily due to increased sales volume offset by the increase in the annual contribution payment due to Monsanto to $20 million in fiscal 2002 compared to $15 million in fiscal 2001.

Advertising expenses in the third quarter of fiscal 2002 were $30.6 million, a decrease of $0.4 million from the third quarter of fiscal 2001 of $31.0 million. As a percentage of sales, advertising expense was 4.4% in the third quarter of 2002 compared to 5.2% in the third quarter of fiscal 2001. The decline is due to lower advertising rates in 2002, which enabled us to reach our target audience on a more cost-effective basis, and the Ortho business' focus in 2002 on in-store promotional activities and radio advertising.

Selling, general and administrative expenses in the third quarter of fiscal 2002 were $86.4 million compared to $84.4 million for the third quarter of fiscal 2001. The increase from the third quarter of fiscal 2001 to the third quarter of fiscal 2002 is due to higher costs for information technology services, environmental compliance and legal services. Information services expenses have increased due to higher costs to support the new SAP system which went fully operational in North America in fiscal 2001, and additional costs to support other new systems and systems enhancements underway in fiscal 2002. In the third quarter of fiscal 2002, we recorded a charge of $3 million to increase our reserve for the remediation of various sites in and around our Marysville, Ohio facilities after reaching an agreement with the Ohio EPA earlier in fiscal 2002 and finalizing our update of expected spending to complete the agreed to procedures. Legal expenses were incurred during the quarter in the Central Garden & Pet matters which were heard during the quarter and adjudicated, subject to appeal, in our favor.

One of our stated goals is to grow SG&A spending at a slower pace than the growth in revenues, excluding unusual charges and Scotts LawnService(R) which is adding overhead at a faster pace due to accelerated growth and acquisition related activity. Excluding the environmental charge in fiscal 2002 and selling, general and administrative expenses of the Scotts LawnService(R) business from both fiscal 2002 and 2001 third quarter results, SG&A expenses were $74.4 million, or 10.7% of net sales, in the third quarter of fiscal 2002 compared to $79.2 million, or 13.2% of net sales in the third quarter of fiscal 2001.

The third quarter of fiscal 2002 includes $0.4 million of restructuring charges in costs of goods sold related to the redeployment of inventory from closed plants and warehouses and $0.6 million in selling, general and administrative expenses related to the relocation of personnel. Under generally accepted accounting principles in the United States, these costs have been expensed in the period incurred. Restructuring charges were $16.0 million in the third quarter of fiscal 2001 which is when the first phase of the 2001 restructuring activities was finalized and approved by senior management.

Amortization of goodwill and intangibles in the third quarter of fiscal 2002 was $0.2 million compared to $6.9 million in the third quarter of fiscal 2001, primarily due to the cessation of amortization of certain indefinite-lived intangibles and goodwill under the provisions of a new accounting standard.

Other income was $5.1 million for the third quarter of fiscal 2002, compared to other income of $6.1 million in the third quarter of fiscal 2001. Royalties earned on sales of licensed products were down by $1.1 million due to the phase out of Scotts branded mowers at a major U.S. retailer. Gains from asset sales were $3.5 million higher primarily due to the finalization in the third quarter of 2002, of the arrangement to cease peat extraction activities in the UK. The third quarter of fiscal 2001 also included an insurance settlement gain of approximately $2 million which did not recur in fiscal 2002.

Income from operations for the third quarter of fiscal 2002 was $174.5 million, compared with $103.1 million for the third quarter of fiscal 2001. The increase in income from operations from the prior year is the result of higher sales and margins, lower amortization expense due to the adoption of SFAS 142 and lower restructuring charges.

For segment reporting purposes, earnings before interest, taxes and amortization is used as the measure for Income from Operations ("operating income"). On that basis, operating income in the North American Consumer segment increased from $125.1 million in the third quarter of fiscal 2001 to $162.7 million in the third quarter of fiscal 2002 due to the shift in net sales into the third quarter from the second quarter and margin improvement due to favorable product mix and increased fixed cost recovery on higher sales. Scotts LawnService(R) recorded an increase in operating income to $7.1 million in the third quarter of fiscal 2002 from $2.9 million in the third quarter of fiscal 2001 on a nearly 90% increase in net sales from $15.2 million in fiscal 2001 to $28.7 million in fiscal 2002. Global Professional operating income increased slightly to $6.5 million in the third quarter of fiscal 2002 from $5.8 million in the third quarter of fiscal 2001 on a $1.8 million, or approximately 4%, increase in net sales. International Consumer operating income increased from $4.8 million in the third quarter of fiscal 2001 to $17.6 million in the third quarter of fiscal 2002 on the strength of a 10% increase in net sales from $74.6 million in fiscal 2001 to $82.1 million in fiscal 2002, and reductions in operating expenses following the restructuring activities in fiscal 2001, including reductions in headcount. The operating results for the fiscal 2002 third quarter were also favorably impacted by the settlement received for the cessation of peat extraction activities at our sites in the United Kingdom.

Interest expense for the third quarter of fiscal 2002 was $18.7 million, a decrease of $3.6 million from interest expense for the third quarter of fiscal 2001 of $22.3 million. The decrease in interest expense was primarily due to a reduction in average borrowings for the quarter as compared to the prior year, and lower interest rates on our variable rate debt.

Income tax expense for the third quarter of fiscal 2002 was $60.0 million, compared with an income tax expense for the third quarter of fiscal 2001 of $35.4 million. The increase in tax expense from the prior year is the result of the higher pre-tax income for the third quarter of fiscal 2002 for the reasons noted above. The lower estimated income tax rate for the third quarter of fiscal 2002 of 38.5% compared to 43.8% for the third quarter of fiscal 2001 was due to the elimination of amortization expense for book purposes that was not deductible for tax purposes and the impact that lower earnings after restructuring charges had on permanent items in deriving the effective tax rate in fiscal 2001.

The Company reported net income of $95.8 million for the third quarter of fiscal 2002, or $3.02 per common share on a diluted basis, compared to a net income of $45.4 million for the third quarter of fiscal 2001, or $1.49 per common share on a diluted basis. If SFAS had been adopted as of the beginning of fiscal 2001, diluted earnings per share for the third quarter of fiscal 2001 would have been $1.62. Diluted shares increased to 31.8 million from 30.6 million due to option exercises during the past year and the effect of a higher average stock price on the number of common stock equivalents.

NINE MONTHS ENDED JUNE 29, 2002 COMPARED TO NINE MONTHS ENDED JUNE 30, 2001

Net sales for the nine months ended June 29, 2002 of $1,457.3 million were flat with net sales for the nine months ended June 30, 2001 of $1,459.1 million.

North American Consumer segment net sales were $1,061.7 million in the first nine months of fiscal 2002, a decrease of $12.0 million, or 1.1%, from net sales for the first nine months of fiscal 2001 of $1,073.7 million. While North American Consumer net sales for the third quarter of fiscal 2002 increased over $70 million compared to fiscal 2001, year-to-date net sales were flat because retailers reduced their overall inventory levels, even though consumer take away of our products remains strong across all lines as indicated from point of sale data from our major North American retail partners. Net sales declined in all lines except Growing Media where strong demand for branded soils and potting mixes has driven an 11.0% increase in year over year net sales.

Scotts LawnService(R) revenues increased 82.9% from $24.5 million in the first three quarters of fiscal 2001 to $44.8 million in the first three quarters of fiscal 2002. The growth in revenue reflects the growth in the business from the acquisitions completed in late winter and early spring of fiscal 2002, new branch openings in late winter of fiscal 2002 and the growth in customers from our spring 2002 and fall 2001 marketing campaigns.

Net sales for the International Consumer segment were $210.4 million in the first three quarters of fiscal 2002, which were $8.2 million, or 3.8%, lower than net sales for the first three quarters of fiscal 2001. The net sales reduction in Europe reflects efforts by retailers to reduce their inventory investment and more closely time their purchases to consumer purchases.

Net sales for the Global Professional segment were $140.4 million in the first nine months of fiscal 2002, which were $1.9 million, or 1.3%, lower than net sales for the first nine months of fiscal 2001. The decline was primarily in North America where growers have been impacted by retailers increasing their focus on managing inventory levels.

Gross profit was flat at $541.6 million in the first nine months of fiscal 2002 and 2001. As a percentage of net sales, gross profit was 37.2% of sales in the first three quarters of fiscal 2002 compared to 37.1% in the first three quarters of fiscal 2001. Cost savings from our supply chain and purchasing initiatives to reduce manufacturing costs were offset by lower absorption of fixed costs due to lower production levels. Production levels were lowered in order to reduce working capital, particularly inventory levels. These factors, along with higher fixed operating costs in Scotts LawnService(R) during the winter months when revenue production ceases, continued to keep margins flat as a percentage of sales on a year to date basis when compared to the prior year.

The net commission earned from marketing agreement in the first three quarters of fiscal 2002 was $13.3 million compared to $23.4 million in the first three quarters of fiscal 2001. The decrease from the prior year is primarily due to a $5.0 million increase in the contribution payment due to Monsanto to $20.0 million in fiscal 2002 compared to $15.0 million in fiscal 2001 and lower sales in the Roundup business due to retailer inventory management initiatives.

Advertising expenses in the first nine months of fiscal 2002 were $68.6 million, a decrease of $8.6 million from advertising expenses in the first nine months of fiscal 2001 of $77.2 million. The decrease in advertising expenses from the prior year is primarily due to lower rates and the change in the focus of Ortho advertising described previously.

Selling, general and administrative expenses in the first three quarters of fiscal 2002 were $245.9 million compared to $253.3 million for the first three quarters of fiscal 2001. The decrease from the first three quarters of fiscal 2001 to the first three quarters of fiscal 2002 is due to cost savings achieved through restructuring activities that occurred in fiscal 2001, offset in part by higher spending on information services, legal matters and environmental compliance as described earlier. Excluding the environmental charge in fiscal 2002 and selling, general and administrative expenses of the Scotts LawnService(R) business from both fiscal 2002 and 2001 year to date results, SG&A expenses were $219.2 million, or 15.0% of net sales, in fiscal 2002 compared to $240.7 million, or 16.5% of net sales in fiscal 2001.

The first three quarters of fiscal 2002 includes $1.5 million of restructuring charges in costs of goods sold related to the redeployment of inventory from closed plants and warehouses and $1.8 million in selling, general and administrative expenses related to the relocation of personnel for the restructuring activities initiated in fiscal 2001. Under generally accepted accounting principles in the United States, these costs have been expensed in the period incurred. In the first three quarters of fiscal 2001, $0.9 million of restructuring and other charges were recorded in cost of goods sold and $15.1 million in selling, general and administrative costs. As were described above, these costs were all recorded in the third quarter of fiscal 2001 when the first phase of 2001's restructuring activities was approved by senior management.

Amortization of goodwill and intangibles in the first three quarters of fiscal 2002 was $3.8 million compared to $21.1 million in the first three quarters of fiscal 2001, primarily due to the adoption of the new accounting standard described previously.

Other income was $8.9 million for the first three quarters of fiscal 2002, compared to other income of $8.6 million in the first three quarters of fiscal 2001. The increase is primarily due to the gain from the peat bog cessation of approximately $5.1 million, offset by lower royalty income from licensees and a one-time insurance settlement gain in fiscal 2001.

Income from operations for the first nine months of fiscal 2002 was $243.7 million, compared with $206.9 million for the first nine months of fiscal 2001. The increase in income from operations over the prior year is the result of lower advertising, selling, general and administrative expenses, the effect of the change in accounting for amortization of indefinite-lived assets and lower restructuring expenses.

For segment reporting purposes, earnings before interest, taxes and amortization is used as the measure for Income from Operations ("operating income"). On that basis, operating income in the North American Consumer segment increased from $255.7 million for the nine months ended June 30, 2001 to $258.0 for the nine months ended June 29, 2002 on a slight decrease in net sales from $1,073.7 in the fiscal 2001 year to date period to $1,061.7 in the fiscal 2002 year to date period. The lower RoundUp(R) commission due to the higher contribution expense required in fiscal 2002, and lower net sales of RoundUp(R) due to retailer inventory initiatives, offset reductions in operating expenses arising from fiscal 2001 restructuring activities and lower media advertising costs in fiscal 2002. Fiscal 2001 results were also favorably impacted by higher licensee royalties on mowers, which are being phased out in fiscal 2002, and an insurance settlement gain of approximately $2 million. Scotts LawnService's(R) operating loss increased from $1.5 million in the first nine months of fiscal 2001 to $3.0 million in the first nine months of fiscal 2002 due to higher operating expenses for the greater number of locations open during the low-revenue winter months in fiscal 2002 as compared to fiscal 2001. Global Professional operating income decreased slightly to $15.3 million in fiscal 2002 from $15.4 million in fiscal 2001 on a slight reduction in net sales due to cost controls implemented in fiscal 2002. International Consumer segment operating income was $26.7 million for the nine months ended June 29, 2002 compared to $16.6 million for the nine months ended June 30, 2001 even though net sales declined to $210.4 million from $218.6 million during the periods, due to lower spending on selling, general and administrative expenses, and the gain from the agreement to cease peat extraction activities at our sites in the United Kingdom.

Interest expense for the first three quarters of fiscal 2002 was $58.8 million, a decrease of $10.9 million from interest expense for the first three quarters of fiscal 2001 of $69.7 million. The decrease in interest expense was primarily due to a reduction in average borrowings for the quarter as compared to the prior year, and lower interest rates on our variable rate debt.

Income tax expense for the first three quarters of fiscal 2002 was $71.2 million, compared with income tax expense for the first three quarters of fiscal 2001 of $58.3 million. The increase in tax expense from the prior year is the result of the higher pre-tax income in fiscal 2002 for the reasons noted above and the lower estimated income tax rate for the first three quarters of fiscal 2002 of 38.5% compared to 42.5% for the first three quarters of fiscal 2001 primarily due to the elimination of amortization expense for book purposes that was not deductible for tax purposes.

The Company reported income before cumulative effect of accounting changes of $113.7 million for the first nine months of fiscal 2002, compared to $78.9 million for the first nine months of fiscal 2001. After the charge of $29.8 million ($18.5 million, net of tax), for the impairment of tradenames in our German, French and United Kingdom businesses, net income for the first nine months of fiscal 2002 was $95.2 million, or $3.01 per diluted share, compared to net income of $78.9 million or $2.61 per diluted share in the first nine months of fiscal 2001. If SFAS 142 had been adopted as of the beginning of fiscal 2001 diluted earnings per share for the first nine months of fiscal 2001 would have been $3.01, excluding impairment charges, if any, that would have been recorded upon adoption at October 1, 2000. Average diluted shares outstanding increased from 30.3 million in fiscal 2001 to 31.6 million in fiscal 2002 due to option exercises and a higher average share price in fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities was $152.0 million for the nine months ended June 29, 2002 compared to $65.5 million for the nine months ended June 30, 2001. The improvement in cash provided by operations was primarily from improved working capital driven by a reduction in inventory of $66.5 million. The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory) during the first half of the year. Receivables and payables also build substantially in the second quarter in line with increasing sales as the season begins. These balances liquidate over the latter part of the second half of the year as the lawn and garden season winds down. As of the end of the third quarter of fiscal 2002, accounts receivable has not declined at the same pace as in the prior year because of the shift in sales to the third quarter from the second quarter in fiscal 2002. Inventory levels declined at a faster pace in the third quarter of fiscal 2002 than 2001 due to our internal initiatives to drive down inventory levels.

In April 2002, our subsidiary in the United Kingdom reached agreement with English Nature on the cessation of peat extraction activities at three peat bogs leased by us. In late April 2002, we received payments totaling $18.1 million for the transfer of our interests in the properties and for the immediate cessation of all but a limited amount of peat extraction on one of the three sites. Approximately $13.0 million has been recorded as deferred income and will be recognized in income over the 29 month period which began in May 2002 and coincides with the period we are allowed to complete extraction activities at one of the sites. An additional $2.8 million was received for peat inventory sold to English Nature which will be used for restoration activities to be conducted at the various sites. We will also receive compensation for services rendered from time to time in assisting English Nature in restoration activities. Further amounts of $2.9 million will be payable to us on cessation of peat extraction on the remaining site before October 2004 and the final transfer of interests in the property. This agreement is not expected to have an impact on the Company's ability to source these raw materials.

Cash used in investing activities was $66.6 million for the first nine months of fiscal 2002 compared to $70.7 million in the prior year period. Investments in acquired businesses declined due to the acquisition of Substral at the end of the first quarter of fiscal 2001 while payments on seller notes increased because of payments made on the Substral deferred purchase obligation in fiscal 2002. Cash payments on acquisitions completed by Scotts LawnService(R) during both years were similar. However, the total value of acquisitions by Scotts LawnService(R) in the first half of fiscal 2002 was up by over $15 million from the first half of fiscal 2001.

In March 2002, an arbitration with Rhone-Poulenc Jardin concerning the amount paid for businesses acquired in 1998 was settled for a cash payment of $10.4 million of which $0.8 million was interest. After payment of legal fees of $2.6 million, the net proceeds of $6.9 were recorded as reductions in goodwill and other indefinite-lived intangible assets.

Financing activities used cash of $29.8 million for the first nine months of fiscal 2002 compared to providing $45.7 million in the prior year. The decrease in cash from financing activities was primarily due to the repayment of borrowings under our credit facility in fiscal 2002 from increased cash provided by operations during the first nine months of fiscal 2002 compared to fiscal 2001 as noted above, partially offset by the $70 million issuance of senior subordinated notes in January 2002. The net proceeds of this issuance were used to pay down borrowings on our revolving credit facility.

Our primary sources of liquidity are funds generated by operations and borrowings under our credit facility. The credit facility provides for borrowings in the aggregate principal amount of $1.1 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $575 million.

Total debt was $836.0 million as of June 29, 2002, a decrease of $60.7 million compared with total debt at June 30, 2001 of $896.7 million. The decrease in debt compared to the prior year was primarily due to scheduled debt repayments on our term loans during fiscal 2001 and the repayment of all borrowings on our revolver as of June 29, 2002 due to improved cash flow from operations.

We did not repurchase any treasury shares in fiscal 2001 or in the first three quarters of fiscal 2002.

Scotts has no off balance sheet financing except for operating leases which are disclosed in the Notes to Consolidated Financial Statements included in the Company's fiscal 2001 Annual Report on Form 10-K or any financial arrangements with any related parties. All related party transactions are with and between our subsidiaries or management. All material intercompany transactions are eliminated in our consolidated financial statements. All transactions with management are fully described and disclosed in our proxy statement. Such transactions pertain primarily to office space provided to and administrative services provided by Hagedorn Partnership, L.P. and do not exceed $150,000 per annum.

In late April 2002, a jury awarded us payment of $22.5 million for amounts owed to us by Central Garden & Pet, a former distributor. At the same time, we were ordered to pay Central Garden & Pet $12.1 million for fees and credits owed to them. The verdict is subject to further revision by post trial motions and is also appealable. The final outcome cannot be determined until the final judgment is entered by the court and all appeals, if any, are concluded. We are unable to predict at this time when the determination of a final amount will occur.

In July 2002, the Company's Board of Directors approved a plan to significantly improve the profitability of the International business; both consumer and professional. The plan includes implementation of a SAP platform throughout Europe, as well as efforts to optimize operations in the United Kingdom, France and Germany, and create a global supply chain. We expect there will be a significant cash outlay to implement this plan fully over the next three fiscal years.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2002, and thereafter for the foreseeable future. However, we cannot ensure that our business groups 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. We cannot ensure that we will be able to refinance any indebtedness, including our credit facility, on commercially reasonable terms, or at all.

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 operating results.

RELATIONSHIPS WITH CUSTOMERS

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 in North America. To the extent such concentration continues to occur, our net sales and operating income may be increasingly sensitive to a deterioration in the financial condition of, or other adverse developments involving our relationship with, one or more customers. As a result of consolidation in the retail industry, our customers are able to exert increasing pressure on us with respect to pricing and new product introductions.

KMART

Kmart, one of our largest customers, filed for bankruptcy relief under Chapter 11 of the bankruptcy code on January 22, 2002. Following such filing, we recommenced shipping products to Kmart, and we intend to continue shipping products to Kmart for the foreseeable future. If Kmart does not successfully emerge from its bankruptcy reorganization, our business could be adversely affected. We believe the reserves we have recorded for amounts due from Kmart as of the date of its bankruptcy filing are adequate.

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 our Annual Report, Forms 10-K and 10-Q and in other contexts relating to future growth and profitability targets, and strategies designed to increase total shareholder value. Forward-looking statements include, but are not limited to, information regarding our future economic performance 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.

The forward-looking statements that we make in our Annual Report, Forms 10-K and 10-Q and in other contexts represent challenging goals for our 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:

- - 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. Periods of wet weather can slow fertilizer sales, while periods of dry, hot weather can decrease pesticide sales. In addition, an abnormally cold spring throughout North America and/or Europe could adversely affect both fertilizer and pesticide 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, approximately 75% to 77% 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 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 affect on our ability to conduct our business. Adverse weather conditions could heighten this risk.

- - PUBLIC 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 our brands. On occasion, customers and some current or former employees have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that our products are not safe, whether justified or not, could impair our reputation, damage our brand names and materially adversely affect our business.

- - BECAUSE OF THE CONCENTRATION OF OUR SALES TO A SMALL NUMBER OF RETAIL CUSTOMERS, THE LOSS OF ONE OR MORE OF OUR TOP CUSTOMERS COULD ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Our top 10 North American retail customers together accounted for approximately 70% of our fiscal year 2001 net sales and 37% of our outstanding accounts receivable as of September 30, 2001. Our top four customers, Home Depot, Wal*Mart, Kmart and Lowe's represented approximately 25%, 12%, 8% and 7%, respectively, of our fiscal year 2001 net sales. These customers hold significant positions in the retail lawn and garden market. The loss of, or reduction in orders from, Home Depot, Wal*Mart, Kmart, Lowe's or any other significant customer could have a material adverse effect on our business and our financial results, 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 affect.

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 net sales and operating income may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments involving our relationship with, one or more customers. As a result of consolidation in the retail industry, our customers are able to exert increasing pressure on us with respect to pricing and new product introductions.

Kmart, one of our top customers, filed for bankruptcy relief under Chapter 11 of the bankruptcy code on January 22, 2002. Following such filing, we recommenced shipping products to Kmart, and we intend to continue shipping products to Kmart for the foreseeable future. If Kmart does not successfully emerge from its bankruptcy reorganization, our business could be adversely affected.

- - 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;

- 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, 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 our competitors that 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 research and development efforts 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 that our business will generate sufficient cash flow from operations or that currently anticipated cost savings and operating improvements will be realized on schedule or at all. We also cannot assure that future borrowings will be available to us under our credit facility 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 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 credit facility and the indenture governing our outstanding senior subordinated notes contain restrictive covenants that require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we cannot assure that we will meet those tests. A breach of any of these covenants could result in a default under our credit facility and/or the senior subordinated notes. Upon the occurrence of an event of default under our credit facility and/or the senior subordinated notes, the lenders and/or noteholders could elect to declare all of our 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.

- - IF MONSANTO WERE TO TERMINATE THE MARKETING AGREEMENT FOR CONSUMER ROUNDUP(R) PRODUCTS, 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 rightfully, we would not be entitled to any termination fee, and we would lose all, or a significant portion, of the significant source of earnings we believe 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 EXPIRATION OF PATENTS RELATING TO ROUNDUP(R) AND THE SCOTTS TURF BUILDER(R) LINE OF PRODUCTS COULD SUBSTANTIALLY INCREASE OUR COMPETITION IN THE UNITED STATES.

Glyphosate, the active ingredient in Roundup(R), was subject to a patent in the United States that expired in September 2000. We cannot predict the success of Roundup(R) now that glyphosate is no longer patented. Substantial new competition in the United States could adversely affect us. Glyphosate is no longer subject to patent in Europe and is not subject to patent in Canada. While sales of Roundup(R) in such countries have continued to increase despite the lack of patent protection, sales in the United States may decline as a result of increased competition. Any such decline in sales would adversely affect our financial results through the reduction of commissions as calculated under the Roundup(R) marketing agreement. We are aware that Spectrum Brands produced glyphosate one-gallon products for Home Depot and Lowe's to be sold under the Real-Kill(R) and No-Pest(R) brand names, respectively, in fiscal year 2001. Additional competitive products have been introduced in fiscal year 2002. It is too early to determine whether these product introductions will have a material adverse effect on our sales of Roundup(R).

Our methylene-urea product composition patent, which covered Scotts Turf Builder(R), Scotts Turf Builder(R) Plus 2(R) with Weed Control and Scotts Turf Builder(R) with Halts(R) Crabgrass Preventer, expired in July 2001. This could also result in increased competition. Any decline in sales of Turf Builder(R) products after the expiration of the methylene-urea product composition patent could adversely affect our financial results.

- - HAGEDORN PARTNERSHIP, L.P. BENEFICIALLY OWNS APPROXIMATELY 40% OF THE OUTSTANDING COMMON SHARES OF SCOTTS ON A FULLY DILUTED BASIS.

Hagedorn Partnership, L.P. beneficially owns approximately 40% of the outstanding common shares of Scotts on a fully diluted basis 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, establishes a standard for food-use pesticides, which is that a reasonable certainty of 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 used by us in our lawn and garden products. In December 2000, the U.S. EPA reached agreement with various parties, including manufacturers of the active ingredient diazinon, regarding a phased withdrawal of residential uses of products containing diazinon, used also by us in 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 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 operating results in the past and could materially affect future quarterly or annual operating results.

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 the United Kingdom, our peat extraction efforts are also the subject of legislation.

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 seeking corrective action under the Resource Conservation Recovery Act. We negotiated a mutually agreeable resolution of these issues with the Ohio EPA and the Ohio Attorney General's office in 2001. 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.

For the nine months ended June 29, 2002, we made approximately $1.9 million in environmental expenditures, compared with approximately $0.6 million in environmental capital expenditures and $2.1 million in other environmental expenses for the entire fiscal year 2001. Management anticipates that environmental capital expenditures and other environmental expenses for the remainder of fiscal year 2002 will not differ significantly from those incurred in fiscal year 2001. The adequacy of these anticipated 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 MORE 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 and France. Our international operations have increased with the acquisitions of Levington, Miracle Garden Care Limited, Ortho and Rhone-Poulenc Jardin and with the marketing agreement for consumer Roundup(R) products. In fiscal year 2001, 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 operations and financial results in the future.

- - TERRORIST ATTACKS, SUCH AS THE ATTACKS THAT OCCURRED IN NEW YORK AND WASHINGTON, D.C., ON SEPTEMBER 11, 2001, AND OTHER ACTS OF VIOLENCE OR WAR MAY AFFECT THE MARKETS ON WHICH OUR COMMON SHARES AND REGISTERED SENIOR SUBORDINATED NOTES TRADE, THE MARKETS IN WHICH WE OPERATE, OUR OPERATIONS AND OUR PROFITABILITY.

Terrorist attacks may negatively affect our operations and your investment. There can be no assurance that there will not be further terrorist attacks against the United States or U.S. businesses. These attacks or armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks may make travel and the transportation of our supplies and products more difficult and more expensive and ultimately affect our sales. Also as a result of terrorism, the United States has entered into an armed conflict which could have a further impact on our sales, our supply chain and our ability to deliver product to our customers. Political and economic instability in some regions of the world may also result and could negatively impact our business. The consequences of any of these armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or your investment. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. They also could result in economic recession in the United States or abroad. Any of these occurrences could have a significant impact on our operating results, revenues and costs and may result in the volatility of the market price for our securities and on the future price of our securities.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As noted in Note 8 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the period ended June 29, 2002, the Company is involved in several pending legal and environmental matters. Pending other material legal proceedings are as follows:

RHONE-POULENC, S.A., RHONE-POULENC AGRO S.A. AND HOECHST, A.G.

On October 15, 1999, the Company began arbitration proceedings before the International Court of Arbitration of the International Chamber of Commerce ("ICA") against Rhone-Poulenc S.A. and Rhone-Poulenc Agro S.A. (collectively, "Rhone-Poulenc") under arbitration provisions contained in contracts relating to the purchase by the Company of Rhone-Poulenc's European lawn and garden business, Rhone-Poulenc Jardin, in 1998. The Company alleged that the combination of Rhone-Poulenc and Hoechst Schering AgrEvo GmbH ("AgrEvo") into a new entity, Aventis S.A., would result in the violation of non-compete and other provisions in the contracts mentioned above.

On October 9, 2000, the ICA issued a First Partial Award by the Tribunal which, inter alia: (i) found that Rhone-Poulenc breached its duty of good faith under the French law by not disclosing to the Company the contemplated combination of Rhone-Poulenc and AgrEvo; (ii) directed that the parties re-negotiate a non-compete provision; and (iii) ruled that a Research and Development Agreement entered into ancillary to the purchase of Rhone-Poulenc Jardin is binding upon both Rhone-Poulenc and its post-merger successor. On February 12, 2001, because of the parties' failure to agree on revisions to the non-compete provision, the ICA issued a Second Partial Award by the Tribunal revising that provision.

On February 18, 2002, the ICA issued a Third Partial Award by the Tribunal directing that Rhone-Poulenc pay to the Company the sum of approximately 11.9 million Euros including interest from October 15, 1999. In early March, 2002, Rhone-Poulenc paid the amounts awarded by the Tribunal to the Company.

Also on October 15, 1999, the Company filed a complaint styled The Scotts Company, et al. v. Rhone-Poulenc, S.A., Rhone-Poulenc Agro S.A. and Hoechst, A.G. in the Court of Common Pleas for Union County, Ohio, seeking injunctive relief maintaining the status quo in aid of the arbitration proceedings as well as an award of damages against Hoechst for Hoechst's tortious interference with the Company's contractual rights. On October 19, 1999, the defendants removed the Union County action to the United States District Court for the Southern District of Ohio. On December 8, 1999, the Company requested that this action be stayed pending the outcome of the arbitration proceedings. Said stay was granted by the District Court on February 18, 2000.

SCOTTS V. UNITED INDUSTRIES AND PURSELL, SOUTHERN DISTRICT OF FLORIDA.

On April 15, 2002, Scotts and OMS Investments, Inc., a subsidiary of Scotts which holds various Scotts intellectual property assets, (collectively "Scotts" or "Plaintiffs") filed a six count complaint against United Industries Corp. ("United") and Pursell Industries, Inc. ("Pursell") (collectively "Defendants") for various acts including federal and state trademark and trade dress infringement and federal and state unfair competition.

The claims in the complaint center upon Defendants' use of trade dress on the packaging of their lawn care, garden care, and insecticide/herbicide products that closely mimics our unique, proprietary, and famous trademarks and trade dress. The complaint seeks an injunction enjoining Defendants from using any trademarks, trade dress, packaging, promotional materials, or other items which incorporate, which are confusingly similar to, or which dilute the trademarks and trade dress encompassed in and featured on our MIRACLE-GRO(R) Line, ORTHO(R) Line, or TURF BUILDER(R) Line. The complaint also seeks compensatory damages, treble damages, costs and attorney's fees.

The Court held a hearing on July 24th and 25th, 2002 on our motion for preliminary injunction. Closing arguments were held on August 6, 2002 and the judge expects to issue a written opinion shortly.

The Company does 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 51.

(b1) The Company filed a Current Report on Form 8-K dated June 24, 2002 reporting under "Item 5. Other Events" the Company's intention to file a registration statement on Form S-4 for the purpose of registering $70 million of its 8.625% Senior Subordinated Notes due 2009 which had previously been sold through a private placement to qualified institutional buyers pursuant to Rule 144A and in offshore transactions pursuant to Regulation S under the Securities Act of 1933, as amended. The Company's Annual Report on Form 10-K as of and for the year ended September 30, 2001 is incorporated by reference into the Form S-4 Registration Statement. The financial statements, footnotes and certain related disclosures in the Company's Form 10-K for fiscal 2001 were updated in the Form 8-K to reflect disclosure and presentation changes that are required in the financial statements and related disclosures for the fiscal year ending September 30, 2002 as a result of new accounting pronouncements adopted by The Scotts Company in fiscal 2002.

(b2) The Company filed a Current Report on Form 8-K dated August 8, 2002 reporting under Item 9. Regulation FD Disclosure" sworn statements by the Principal Executive Officer, James Hagedorn, and Principal Financial Officer, Patrick J. Norton, of the Scotts Company pursuant to Securities and Exchange Commission Order No. 4-460.

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
Chief Accounting Officer,
Senior Vice President of Finance,
Corporate North America
(Duly Authorized Officer)

Date: August 13, 2002

THE SCOTTS COMPANY
ANNUAL REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED JUNE 29, 2002

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
99.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002	*

*Filed herewith

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Scotts Company (the "Company") on Form 10-Q for the period ended June 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned James Hagedorn, President and Chief Executive Officer of the Company, and Patrick J. Norton, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) and 15(d) 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 the Company.

/s/James Hagedorn

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James Hagedorn
President and Chief Executive Officer

/s/Patrick J. Norton

- --

Patrick J. Norton
Executive Vice President and Chief Financial Officer
August 13, 2002