FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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

FOR THE QUARTERLY PERIOD ENDED MARCH 30, 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.

29,638,124	Outstanding at May 10, 2002
Common Shares, no par value	

THE SCOTTS COMPANY AND SUBSIDIARIES

INDEX

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 30, 2002	MARCH 31, 2001	MARCH 30, 2002	MARCH 31, 2001
Net sales	$ 602.1	$ 713.5	$ 765.1	$ 860.5
Cost of sales	362.1	421.6	493.1	537.3
Restructuring and other charges	0.1	-.-	1.1	-.-
Gross profit	239.9	291.9	270.9	323.2
Gross commission earned from agency agreement	8.4	16.6	8.4	16.5
Costs associated with agency agreement	5.8	4.6	11.7	9.1
Net commission earned from agency agreement	2.6	12.0	(3.3)	7.4
Operating expenses:				
Advertising	30.9	38.5	38.0	46.1
Selling, general and administrative	84.1	91.5	159.4	168.9
Restructuring and other charges	0.4	-.-	1.2	-.-
Amortization of goodwill and other intangibles	1.8	7.4	3.7	14.2
Other (income) expense, net	(1.9)	(1.4)	(3.9)	(2.5)
Income from operations	127.2	167.9	69.2	103.9
Interest expense	21.6	26.1	40.2	47.4
Income before income taxes	105.6	141.8	29.0	56.5
Income taxes	40.6	57.0	11.1	22.9
Income before cumulative effect of accounting change	65.0	84.8	17.9	33.6
Cumulative effect of change in accounting for intangible assets, net of tax	-.-	-.-	(18.5)	-.-
Net income (loss)	$ 65.0	$ 84.8	$ (0.6)	$ 33.6
Basic earnings (loss) per share	$ 2.23	$ 3.01	$ (0.02)	$ 1.19
Diluted earnings (loss) per share	$ 2.06	$ 2.80	$ (0.02)	$ 1.12
Common shares used in basic earnings (loss) per share calculation	29.1	28.2	29.0	28.2
Common shares and potential common shares used in diluted earnings (loss) per share calculation	31.5	30.3	31.4	30.0

See notes to condensed, consolidated financial statements

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

	SIX MONTHS ENDED	
	MARCH 30, 2002	MARCH 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (0.6)	$ 33.6
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Cumulative effect of change in accounting for intangible assets	29.8	-.-
Depreciation	16.0	16.0
Amortization	5.3	15.9
Deferred taxes	(10.1)	2.1
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(326.2)	(477.0)
Inventories	(58.3)	(94.5)
Prepaid and other current assets	(10.4)	(1.5)
Accounts payable	119.1	150.6
Accrued liabilities	30.8	55.8
Other assets	2.0	2.6
Other liabilities	(2.7)	(10.6)
Other, net	5.5	(1.2)
Net cash used in operating activities	(199.8)	(308.2)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in property, plant and equipment	(22.3)	(26.7)
Investment in acquired businesses, net of cash acquired	(3.1)	(12.2)
Payments on seller notes	(16.0)	(10.4)
Net cash used in investing activities	(41.4)	(49.3)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under revolving and bank lines of credit	196.6	376.3
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	(14.9)	(304.3)
Cash received from the exercise of stock options	10.3	10.4
Net cash provided by financing activities	262.2	342.4
Effect of exchange rate changes on cash	(2.2)	(0.1)
Net increase (decrease) in cash	18.8	(15.2)
Cash and cash equivalents at beginning of period	18.7	33.0
Cash and cash equivalents at end of period	$ 37.5	$ 17.8

See notes to condensed, consolidated financial statements

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

	UNAUDITED		
	MARCH 30, 2002	MARCH 31, 2001	SEPTEMBER 30, 2001
ASSETS			
Current assets:			
Cash and cash equivalents	$ 37.5	$ 17.8	$ 18.7
Accounts receivable, less allowances of $25.2, $11.0 and $23.9, respectively	547.0	693.0	220.8
Inventories, net	426.8	402.0	368.4
Current deferred tax asset	52.2	27.6	52.2
Prepaid and other assets	44.6	67.1	34.1
Total current assets	1,108.1	1,207.5	694.2
Property, plant and equipment, net	313.4	297.0	310.7
Goodwill and other intangible assets, net	744.1	770.0	771.1
Other assets	74.7	72.4	67.0
Total assets	$2,240.3	$2,346.9	$1,843.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	$ 205.6	$ 298.2	$ 71.3
Accounts payable	270.1	303.7	150.9
Accrued liabilities	218.3	225.0	208.0
Accrued taxes	35.9	41.0	14.9
Total current liabilities	729.9	867.9	445.1
Long-term debt	921.1	910.0	816.5
Other liabilities	72.4	49.8	75.2
Total liabilities	1,723.4	1,827.7	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, 31.3 and 31.3, respectively	0.3	0.3	0.3
Capital in excess of par value	400.1	390.6	398.3
Retained earnings	211.7	230.4	212.3
Treasury stock, 2.1, 2.9, and 2.6 shares, respectively, at cost	(61.4)	(74.6)	(70.0)
Accumulated other comprehensive loss	(33.8)	(27.5)	(34.7)
Total shareholders' equity	516.9	519.2	506.2
Total liabilities and shareholders' equity	$2,240.3	$2,346.9	$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, and tree and shrub fertilization, insect control and other related services.

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 March 30, 2002 and March 31, 2001, and the related condensed, consolidated statements of operations for the three month and six month periods then ended and condensed, consolidated statements of cash flows for the six month periods then ended, are unaudited; however, in the opinion of management, such financial statements contain all adjustments necessary for the fair presentation of the Company's financial position, results of operations and cash flows. Interim results reflect all normal recurring adjustments and are not necessarily indicative of results for a full year. The interim financial statements and notes are presented as specified by Regulation S-X of the Securities 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 to allowances 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 loss 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.

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. MARKETING AGREEMENT

Effective September 30, 1998, the Company entered into an agreement with Monsanto Company ("Monsanto", now known as Pharmacia Corporation) 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 business by Monsanto. In such instances, the agreement permits the Company to avoid payment of any deferred contribution and related per annum charge. The Company's basis for not recording a financial liability to Monsanto for the deferred portions of the annual contribution and per annum charge is based on our assessment and consultations with our legal counsel and the Company's independent accountants. In addition, the Company has obtained a legal opinion from The Bayard Firm, P.A., which concluded, subject to certain qualifications, that if the matter were litigated, a Delaware court would likely conclude that the Company is entitled to terminate the agreement at will, with appropriate prior notice, without incurring significant penalty, and avoid paying the unpaid deferred amounts. We have concluded that, should the Company elect to terminate the agreement at any balance sheet date, it will not incur significant economic consequences as a result of such action.

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

The Company's conclusion is not free from challenge and, in fact, would likely be challenged if the Company were to terminate the agreement. If it were determined that, upon termination, the Company must pay any remaining deferred contribution amounts and related per annum charges, the resulting charge to earnings could have a material impact on the Company's results of operations and financial position. At March 30, 2002, contribution payments and related per annum charges of approximately $48.3 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.

3. 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 six months of fiscal 2002, inventory relocation costs of approximately $1 million were incurred and paid and were recorded as restructuring and other charges in cost of sales. Approximately $1.2 million of employee relocation costs were also incurred and paid in the first six months of fiscal 2002 and were recorded as 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 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 covering 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:

DESCRIPTION	TYPE	CLASSIFICATION	BALANCE SEPT. 30, 2001	PAYMENT	BALANCE MARCH 30, 2002
			($ MILLIONS)		
Severance	Cash	SG&A	$ 25.1	$ 13.5	$ 11.6
Facility exit costs	Cash	SG&A	5.2	1.8	3.4
Other related costs	Cash	SG&A	7.0	6.4	0.6
Total cash			$ 37.3	$ 21.7	$ 15.6

4. INVENTORIES

Inventories, net of provisions for slow moving and obsolete inventory of $25.0 million, $21.6 million, and $22.3 million, respectively, consisted of:

	MARCH 30, 2002	MARCH 31, 2001	SEPTEMBER 30, 2001
		($ MILLIONS)	
Finished goods	$ 352.1	$ 312.2	$ 295.8
Raw materials	74.7	89.8	72.6
Total	$ 426.8	$ 402.0	$ 368.4

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.

	MARCH 30, 2002			MARCH 31, 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	$ 58.8	$(18.2)	$ 40.6	$61.0	$(14.8)	$ 46.2	$ 61.9	$(15.8)	$ 46.1
Customer accounts	23.0	(2.5)	20.5	23.2	(1.8)	21.4	24.1	(2.5)	21.6
Tradenames	11.4	(2.0)	9.4	11.4	(1.3)	10.1	11.3	(1.6)	9.7
Other	44.7	(32.8)	11.9	44.4	(31.3)	13.1	47.2	(32.6)	14.6
Total amortized intangible assets, net			82.4			90.8			92.0
Unamortized Intangible Assets:									
Tradenames			318.6			360.0			349.0
Other			3.1			3.1			3.2
Total intangible assets, net			404.1			453.9			444.2
Goodwill			340.0			316.1			326.9
Total goodwill and intangible assets, net			$744.1			$770.0			$771.1

During the first half 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 six months of fiscal 2002 was $1.6 million; the value assigned to non-compete agreements was $0.8 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 half of fiscal 2002 was $20.5 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 MARCH 31, 2001	
	THREE MONTHS	SIX MONTHS
	($ MILLIONS, EXCEPT PER SHARE DATA)	
Net income		
Reported net income	$ 84.8	$ 33.6
Goodwill amortization	3.1	6.0
Tradename amortization	2.5	4.8
Taxes	(1.3)	(2.5)
Net income as adjusted	$ 89.1	$ 41.9
Basic EPS		
Reported net income	$ 3.01	$ 1.19
Goodwill amortization	0.11	0.21
Tradename amortization	0.09	0.17
Taxes	(0.05)	(0.09)
Net income as adjusted	$ 3.16	$ 1.48
Diluted EPS		
Reported net income	$ 2.80	$ 1.12
Goodwill amortization	0.10	0.20
Tradename amortization	0.08	0.16
Taxes	(0.04)	(0.08)
Net income as adjusted	$ 2.94	$ 1.40

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

	MARCH 30, 2002	MARCH 31, 2001	SEPTEMBER 30, 2001
		($ MILLIONS)	
Revolving loans under credit facility	$ 284.6	$ 402.8	$ 94.7
Term loans under credit facility	378.4	404.7	398.6
Senior Subordinated Notes	391.2	319.9	320.5
Notes due to sellers	48.6	59.5	53.7
Foreign bank borrowings and term loans	11.8	12.0	9.4
Capital lease obligations and other	12.1	9.3	10.9
	1,126.7	1,208.2	887.8
Less current portions	205.6	298.2	71.3
	$ 921.1	$ 910.0	$ 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 amends 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 March 30, 2002 was 7.16% 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 $16.9 million of financing costs associated with the revolving credit facility have been deferred as of March 30, 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 acquisitions of Rhone-Poulenc Jardin and Sanford Scientific, notes were issued for certain portions of the total purchase price that are to be paid in annual installments over a four-year period. The present value of the remaining note payments is $7.6 million and $3 million, respectively. The Company is imputing interest on the non-interest bearing notes using an interest rate prevalent for similar instruments at the time of acquisition (approximately 9% and 8%, respectively). 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 $22.9 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 $14.1 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 $9.2 million at March 30, 2002 and $9.0 million at March 31, 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 six months ended March 30, 2002 and March 31, 2001 are as follows:

	THREE MONTHS ENDED MARCH 30, 2002	THREE MONTHS ENDED MARCH 31, 2001	SIX MONTHS ENDED MARCH 30, 2002	SIX MONTHS ENDED MARCH 31, 2001
Net income (loss)	$ 65.0	$ 84.8	$ (0.6)	$ 33.6
Other comprehensive income (expense):				
Foreign currency translation adjustments	(0.5)	(0.2)	(0.1)	3.2
Change in valuation of derivative instruments	1.5	(1.2)	1.0	(0.7)
Comprehensive income	$ 66.0	$ 83.4	$ 0.3	$ 36.1

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 under a voluntary action program of the state. Since initiation of the action, we have continued to meet with the Ohio Attorney General and the Ohio EPA in an effort to complete negotiations of 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 are currently evaluating 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.

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 consideration we will receive amounts totaling $23.8 million from English Nature. 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. See Note 9 to the Condensed, Consolidated Financial Statements for more details.

The Company has determined that quantities of cement containing asbestos material at certain manufacturing facilities in the United Kingdom should be removed.

At March 30, 2002, $5.7 million is accrued for the environmental matters described herein. The significant components of the accrual are costs for site remediation of $3.9 million and costs for asbestos abatement of $1.8 million. The significant portion of the costs accrued as of March 30, 2002 are expected to be paid in fiscal 2002 and 2003; however, payments could be made for a period thereafter.

We believe that the amounts accrued as of March 30, 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 six months ended March 30, 2002, we made approximately $1.5 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. Scotts purchased 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. On September 20, 1999, Scotts filed an answer denying liability and asserting counterclaims that it was fraudulently induced to enter into the agreement for the purchase of the consumer herbicide business and the related agreements, and that AgrEvo breached the representations and warranties contained in these agreements. On October 1, 1999, Scotts moved to dismiss the antitrust allegations against it on the ground that the claims fail to state claims for which relief may be granted. On October 12, 1999, AgrEvo moved to dismiss Scotts' counterclaims. On May 5, 2000, AgrEvo amended its complaint to add a claim for fraud and to incorporate the Delaware Action described below. Thereafter, Scotts moved to dismiss the new claims, and the defendants renewed their pending motions to dismiss. On June 2, 2000, the court (i) granted Scotts' motion to dismiss the fraud claim AgrEvo had added to its complaint; (ii) granted AgrEvo's motion to dismiss Scotts' fraudulent-inducement counterclaim; (iii) denied AgrEvo's motion to dismiss Scotts' counterclaims related to breach of representations and warranties; and (iv) denied defendants' motion to dismiss the antitrust claims. On July 14, 2000, Scotts served an answer to AgrEvo's amended complaint and re-pleaded its fraud counterclaim. 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.

If the above actions are determined adversely to the Company, the result could have a material adverse effect on the Company's results of operations, financial position and cash flows. The Company believes that it will prevail in the AgrEvo matter and that any potential exposure that the Company 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, including breach of written contract and quantum valebant, 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.

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. $11.0 million of the $12.1 million awarded to Central Garden was largely undisputed and involved monies withheld from Central Garden by the Company after Central Garden had ceased paying its bills in June, 2000. The remaining $1.1 million awarded to Central Garden, the verdict in favor of the Company and the court's dismissal of Central Garden's counterclaim are subject to post-trial motions.

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 entry of summary judgment against Central Garden in the Missouri Action (discussed below) on Central Garden's $76 million counterclaim for illegal inventory seizure, that claim has been resolved.

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 29, 2001, Central Garden filed its answer and cross-claims and counterclaims in the Missouri action. On June 23, 2001, Scotts filed a cross-claim against Central Garden for an equitable accounting to establish the parties' relative financial positions under the Alliance Agreement at the conclusion of that that agreement. On August 10, 2001, the Missouri court granted Central Garden leave to file amended counterclaims and cross-claims relating to the Alliance Agreement and seeking an unspecified amount of damages. The claims then pending in Missouri against Scotts were for declaratory relief and an accounting, various breaches of contract, breach of an indemnification agreement, promissory estoppel, promissory fraud and unfair business practices under Section 17200 of the California Business and Professions Code. By order of the Missouri court, Central Garden's unfair business practices claims were stayed pending resolution of the action pending between the parties in the United States District Court for the Northern District of California.

On October 1, 2001, Scotts moved for summary judgment on Central Garden's claims of breach of an indemnification agreement, promissory estoppel and promissory fraud. On November 15, 2001, the Missouri court held a hearing on Scotts' summary judgment motion and took the motion under submission.

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. We are still reviewing the effect of this settlement on Scotts, but we do not believe that it will have a material adverse impact on our on-going litigation with Central Garden.

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 under the Cartwright Act, Section 16726 of the California Business and Professions Code. The trial date for the California federal action is set for July 15, 2002. 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. In addition, the Company filed motions to disqualify Central Garden's expert witnesses. The Company also amended its answer to assert the defense of res judicata based upon entry of summary judgment on Central Garden's fraudulent misrepresentation claim in the Ohio Action (described above).

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 remain stayed. As described above, Central Garden and Pharmacia have settled some or all of their claims relating to this action.

Scotts believes that all of Central Garden's federal and state claims are entirely without merit and intend to vigorously defend against them. If 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 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.

9. SUBSEQUENT EVENTS

In April 2002, agreement was reached with English Nature to cease peat extraction at sites owned or leased by us in the United Kingdom. In late April approximately $18 million was received to immediately suspend all but a limited amount of peat extraction at the sites. An additional $2.8 million was also received for the sale of peat inventory to English Nature for use in the site restoration activities. The gain from cessation payments, after writing off the remaining undepreciated historical costs of the related assets will be recorded in the third fiscal quarter of fiscal 2002. $6.3 million of the $18 million proceeds pertains to rental of certain bogs in future periods and thus will be deferred and recorded as income in fiscal 2003 and 2004.

Also in April 2002, a jury returned a verdict in our favor for $22.5 million owed to us by Central Garden & Pet. We were also ordered to pay Central Garden & Pet $12.1 million owed to them, $11.0 million of which we had withheld payment on, pending resolution of this dispute. The additional $1.1 million is subject to post trial motions. After final entry of judgment, the verdict is subject to appeal. Accordingly, the Company will not record any amounts related to the settlement of this matter until such time as the appeal period expires or, if an appeal is entered, the appeal process is completed. The Company expects that the settlement of this matter will not have an adverse affect on its financial position or results of operations.

10. 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 is in the process of evaluating the impact of SFAS No. 143 on its financial statements and will adopt the provisions of this statement in the first quarter of fiscal year 2003.

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 is in the process of evaluating the impact of SFAS No. 144 on its financial statements and will adopt the provisions of this statement in the first quarter of fiscal year 2003.

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". This statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, FASB Statement No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. This Statement also rescinds FASB Statement No. 44, Accounting for intangible Assets of Motor Carriers. This Statement amends FASB Statement No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This Statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of this Statement related to the rescission of Statement 4 shall be applied in fiscal years beginning after May 15, 2002. Scotts is currently evaluating the impact that the standard will have on future periods.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	SIX MONTHS ENDED MARCH 30, 2002	SIX MONTHS ENDED MARCH 31, 2001
	($ MILLIONS)	
Net assets acquired	$ 22.9	$ 7.4
Cash paid	10.7	7.4
Notes issued to seller	12.2	0.0

12. 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 six month periods ended March 30, 2002, and 0.1 and 0.4 million shares for the three and six month periods ended March 31, 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		SIX MONTHS ENDED	
	MARCH 30, 2002	MARCH 31, 2001	MARCH 30, 2002	MARCH 31, 2001
	($ MILLIONS, EXCEPT PER SHARE DATA)			
NET INCOME (LOSS):				
Income before cumulative effect of accounting change	$ 65.0	$ 84.8	$ 17.9	$ 33.6
Cumulative effect of change in accounting for intangible assets, net of tax	-.-	-.-	(18.5)	-.-
Net income (loss)	$ 65.0	$ 84.8	$ (0.6)	$ 33.6
BASIC EARNINGS (LOSS) PER COMMON SHARE:				
Weighted-average common shares outstanding during the period	29.1	28.2	29.0	28.2
Basic earnings (loss) per common share:				
Before cumulative effect of accounting change	$ 2.23	$ 3.01	$ 0.62	$ 1.19
Cumulative effect of change in accounting for intangible assets, net of tax	-.-	-.-	(0.64)	-.-
After cumulative effect of accounting change	$ 2.23	$ 3.01	$(0.02)	$ 1.19
DILUTED EARNINGS (LOSS) PER COMMON SHARE:				
Weighted-average common shares outstanding during the period	29.1	28.2	29.0	28.2
Potential common shares:				
Assuming exercise of options	1.0	1.0	1.1	0.8
Assuming exercise of warrants	1.4	1.1	1.3	1.0
Weighted-average number of common shares outstanding and dilutive potential common shares	31.5	30.3	31.4	30.0
Diluted earnings (loss) per common share:				
Before cumulative effect of accounting change	$ 2.06	$ 2.80	$ 0.57	$ 1.12
Cumulative effect of change in accounting for intangible assets, net of tax	-.-	-.-	(0.59)	-.-
After cumulative effect of accounting change	$ 2.06	$ 2.80	$(0.02)	$ 1.12

13. 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..............................	$ 530.0	$ 16.1	$ 90.6	$ 128.4	$ -.-	$ 765.1
2001 YTD..............................	$ 612.8	$ 9.3	$ 94.4	$ 144.0	$ -.-	$ 860.5
2001 Q2..............................	$ 452.1	$ 7.4	$ 54.4	$ 88.2	$ -.-	$ 602.1
2001 Q2..............................	$ 546.0	$ 4.4	$ 58.5	$ 104.6	$ -.-	$ 713.5
Income (loss) from Operations:						
2002 YTD..............................	$ 95.3	$ (10.1)	$ 8.8	$ 9.1	$ (28.6)	$ 74.5
2001 YTD..............................	$ 130.6	$ (4.4)	$ 9.6	$ 11.8	$ (27.8)	$ 119.8
2002 Q2..............................	$ 124.7	$ (8.0)	$ 9.0	$ 15.7	$ (11.6)	$ 129.8
2001 Q2..............................	$ 164.7	$ (4.5)	$ 10.4	$ 20.5	$ (14.9)	$ 176.2
Operating Margin:						
2002 YTD..............................	18.0%	(62.7%)	9.7%	7.1%	nm%	9.7%
2001 YTD..............................	21.3%	(47.3%)	10.2%	8.2%	nm%	13.9%
2002 Q2..............................	27.6%	(108.1%)	16.5%	17.8%	nm%	21.6%
2001 Q2..............................	30.2%	(102.3%)	17.8%	19.6%	nm%	24.7%
Goodwill:						
2002 Q2..............................	$ 169.4	$ 46.3	$ 50.4	$ 73.9	$ -.-	$ 340.0
2001 Q2..............................	$ 170.1	$ 16.4	$ 57.1	$ 72.5	$ -.-	$ 316.1
Total Assets:						
2002 Q2..............................	$1,443.7	$ 62.3	$ 158.0	$ 477.4	$ 98.9	$ 2,240.3
2001 Q2..............................	$1,520.5	$ 23.3	$ 171.5	$ 548.4	$ 83.2	$ 2,346.9

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 six months ended March 30, 2002 and March 31, 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.

14. 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 but has not yet publicly registered the new 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 six-month periods ended March 30, 2002 and March 31, 2001 and consolidating Statements of Cash Flows and Balance Sheets for the six month periods ended March 30, 2002 and March 31, 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 MARCH 30, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 439.3	$30.9	$131.9	$	$602.1
Cost of sales	317.4	(37.5)	82.2		362.1
Restructuring and other charges			0.1		0.1
Gross profit	121.9	68.4	49.6		239.9
Gross commission earned from agency agreement	7.6		0.8		8.4
Costs associated with agency agreement	5.8				5.8
Net commission earned from agency agreement	1.8	-.-	0.8		2.6
Operating expenses:					
Advertising	19.0	4.0	7.9		30.9
Selling, general and administrative	50.4	4.9	28.8		84.1
Restructuring and other charges	0.4				0.4
Amortization of intangible assets	0.1	0.7	1.0		1.8
Equity loss in subsidiaries	(38.8)			38.8	-.-
Intracompany allocations	(9.8)	7.4	2.4		-.-
Other (income) expense, net		(1.0)	(0.9)		(1.9)
Income (loss) from operations	102.4	52.4	11.2	(38.8)	127.2
Interest (income) expense	19.4	(3.5)	5.7		21.6
Income (loss) before income taxes	83.0	55.9	5.5	(38.8)	105.6
Income taxes	17.0	21.5	2.1		40.6
Income (loss) before cumulative effect of accounting change	66.0	34.4	3.4	(38.8)	65.0
Cumulative effect of change in accounting for intangible assets, net of tax					-.-
Net income (loss)	$ 66.0	$34.4	$ 3.4	$(38.8)	$65.0

FOR THE SIX MONTHS ENDED MARCH 30, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$ 491.0	$ 79.2	$194.9	$	$765.1
Cost of sales	353.6	13.4	126.1		493.1
Restructuring and other charges	1.0		0.1		1.1
Gross profit	136.4	65.8	68.7		270.9
Gross commission earned from agency agreement	7.3		1.1		8.4
Costs associated with agency agreement	11.7				11.7
Net commission earned from agency agreement	(4.4)	-.-	1.1		(3.3)
Operating expenses:					
Advertising	22.4	4.7	10.9		38.0
Selling, general and administrative	94.3	8.6	56.5		159.4
Restructuring and other charges	1.1	0.1			1.2
Amortization of intangible assets	0.2	1.4	2.1		3.7
Equity income in subsidiaries	6.2			(6.2)	-.-
Intracompany allocations	(13.3)	9.3	4.0		-.-
Other (income) expense, net	(0.3)	(2.0)	(1.6)		(3.9)
Income (loss) from operations	21.4	43.7	(2.1)	6.2	69.2
Interest (income) expense	36.9	(7.1)	10.4		40.2
Income (loss) before income taxes	(15.5)	50.8	(12.5)	6.2	29.0
Income taxes	(3.6)	19.5	(4.8)		11.1
Income (loss) before cumulative effect of accounting change	(11.9)	31.3	(7.7)	6.2	17.9
Cumulative effect of change in accounting for intangible assets, net of tax	11.3	(3.8)	(26.0)		(18.5)
Net income (loss)	$ (0.6)	$ 27.5	$(33.7)	$ 6.2	$(0.6)

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 30, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss).	$ (0.6)	$ 27.5	$(33.7)	$ 6.2	$ (0.6)
Adjustments to reconcile net income (loss) to net to cash used in operating activities:					
Cumulative effect of change in accounting for intangible assets		3.8	26.0		29.8
Depreciation	4.2	9.7	2.1		16.0
Amortization	1.0	2.8	1.5		5.3
Deferred taxes	(10.1)				(10.1)
Equity (income) loss in non-guarantors	6.2			(6.2)	-.-
Net change in certain components of working capital	(165.6)	6.8	(86.2)		(245.0)
Net changes in other assets and liabilities and other adjustments	3.3		1.5		4.8
Net cash provided by (used in) operating activities	(161.6)	50.6	(88.8)	-.-	(199.8)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(6.6)	(14.7)	(1.0)		(22.3)
Investment in acquired businesses, net of cash acquired			(3.1)		(3.1)
Payments on seller notes			(16.0)		(16.0)
Net cash used in investing activities	(6.6)	(14.7)	(20.1)	-.-	(41.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	86.4		110.2		196.6
Gross borrowings under term loans					-.-
Gross repayments under term loans	(0.2)		(14.7)		(14.9)
Issuance of 8 5/8% senior subordinated notes	70.2				70.2
Cash received from the exercise of stock options	10.3				10.3
Intracompany financing	23.2	(36.5)	13.3		-.-
Net cash provided (used in) by financing activities	189.9	(36.5)	108.8	-.-	262.2
Effect of exchange rate changes on cash			(2.2)	-.-	(2.2)
Net increase (decrease) in cash	21.7	(0.6)	(2.3)	-.-	18.8
Cash and cash equivalents, beginning of period	3.4	0.6	14.7	-.-	18.7
Cash and cash equivalents, end of period	$ 25.1	$ -.-	$ 12.4	$ -.-	$ 37.5

THE SCOTTS COMPANY
BALANCE SHEET
AS OF MARCH 30, 2002 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 25.1	$	$ 12.4	$	$37.5
Accounts receivable, net	222.0	122.6	202.4		547.0
Inventories, net	261.5	79.0	86.3		426.8
Current deferred tax asset	52.2	0.5	(0.5)		52.2
Prepaid and other assets	20.6	2.3	21.7		44.6
Total current assets	581.4	204.4	322.3	-.-	1,108.1
Property, plant and equipment, net	199.2	76.6	37.6		313.4
Goodwill and other intangible assets, net	31.7	471.2	241.2		744.1
Other assets	61.1	2.5	11.1		74.7
Investment in affiliates	931.3			(931.3)	-.-
Intracompany assets		159.7		(159.7)	-.-
Total assets	$ 1,804.7	$ 914.4	$ 612.2	$ (1,091.0)	$2,240.3
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	$ 166.3	$ 7.3	$ 32.0	$	$ 205.6
Accounts payable	125.9	43.0	101.2		270.1
Accrued liabilities	129.8	18.7	69.8		218.3
Accrued taxes	28.9	2.5	4.5		35.9
Total current liabilities	450.9	71.5	207.5	-.-	729.9
Long-term debt	590.0	5.3	325.8		921.1
Other liabilities	45.5	1.9	25.0		72.4
Intracompany liabilities	141.0		18.7	(159.7)	-.-
Total liabilities	1,227.4	78.7	577.0	(159.7)	1,723.4
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		483.0	41.8	(524.8)	-.-
Preferred shares, no par value					-.-
Common shares, no par value per share, $.01 stated value per share	0.3				0.3
Capital in excess of par value	400.1				400.1
Retained earnings	246.4	355.1	16.7	(406.5)	211.7
Treasury stock, 2.1 shares at cost	(61.4)				(61.4)
Accumulated other comprehensive expense	(8.1)	(2.4)	(23.3)		(33.8)
Total shareholders' equity	577.3	835.7	35.2	(931.3)	516.9
Total liabilities and shareholders' equity	$ 1,804.7	$ 914.4	$ 612.2	$ (1,091.0)	$2,240.3

THE SCOTTS COMPANY
STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$380.7	$185.7	$147.1		$713.5
Cost of sales	239.6	93.5	88.5		421.6
Restructuring and other charges					-.-
Gross profit	141.1	92.2	58.6	-.-	291.9
Gross commission earned from agency agreement	14.9		1.7		16.6
Costs associated with agency agreement	4.6				4.6
Net commission earned from agency agreement	10.3	-.-	1.7	-.-	12.0
Operating expenses:					
Advertising	21.7	9.0	7.8		38.5
Selling, general and administrative	51.7	10.7	29.1		91.5
Restructuring and other charges					-.-
Amortization of goodwill and other intangibles	3.2	1.6	2.6		7.4
Equity loss in subsidiaries	(46.4)			46.4	-.-
Intracompany allocations	(10.9)	8.6	2.3		-.-
Other expense (income), net	(1.4)				(1.4)
Income (loss) from operations	133.5	62.3	18.5	(46.4)	167.9
Interest (income) expense	23.0	(3.8)	6.9		26.1
Income (loss) before income taxes	110.5	66.1	11.6	(46.4)	141.8
Income taxes	25.7	26.6	4.7		57.0
Income (loss) before cumulative effect of accounting change	84.8	39.5	6.9	(46.4)	84.8
Cumulative effect of change in accounting for intangible assets, net of tax					-.-
Net income (loss)	$ 84.8	$ 39.5	$ 6.9	$(46.4)	$ 84.8

FOR THE SIX MONTHS ENDED MARCH 31, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net sales	$419.5	$234.2	$206.8		$860.5
Cost of sales	264.3	146.2	126.8		537.3
Restructuring and other charges					-.-
Gross profit	155.2	88.0	80.0	-.-	323.2
Gross commission earned from agency agreement	14.5		2.0		16.5
Costs associated with agency agreement	9.1				9.1
Net commission earned from agency agreement	5.4	-.-	2.0	-.-	7.4
Operating expenses:					
Advertising	25.3	10.3	10.5		46.1
Selling, general and administrative	93.6	18.9	56.4		168.9
Restructuring and other charges					-.-
Amortization of goodwill and other intangibles	6.0	3.3	4.9		14.2
Equity loss in subsidiaries	(22.1)			22.1	-.-
Intracompany allocations	(24.0)	19.7	4.3		-.-
Other expense (income), net	(2.4)		(0.1)		(2.5)
Income (loss) from operations	84.2	35.8	6.0	(22.1)	103.9
Interest (income) expense	42.7	(7.5)	12.2		47.4
Income (loss) before income taxes	41.5	43.3	(6.2)	(22.1)	56.5
Income taxes	7.9	17.5	(2.5)		22.9
Restructuring and other charges					-.-
Income (loss) before cumulative effect of accounting change	33.6	25.8	(3.7)	(22.1)	33.6
Cumulative effect of change in accounting for intangible assets, net of tax					-.-
Net income (loss)	$ 33.6	$ 25.8	$ (3.7)	$(22.1)	$33.6

THE SCOTTS COMPANY
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED MARCH 31, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss)	$ 33.6	$ 25.8	$(3.7)	$(22.1)	$ 33.6
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Cumulative effect of change in accounting for intangible assets					-.-
Depreciation	2.9	9.7	3.4		16.0
Amortization	7.7	3.3	4.9		15.9
Deferred taxes	2.1				2.1
Equity (income) loss in subsidiaries	(22.1)			22.1	-.-
Net change in certain components of working capital	(179.6)	(102.3)	(84.7)		(366.6)
Net changes in other assets and liabilities and other adjustments	1.7	(11.7)	0.8		(9.2)
Net cash used in operating activities	(153.7)	(75.2)	(79.3)	-.-	(308.2)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(20.4)	(3.3)	(3.0)		(26.7)
Investments in acquired businesses, net of cash acquired	(0.4)	(0.1)	(11.7)		(12.2)
Payments on seller notes		(1.8)	(8.6)		(10.4)
Net cash used in investing activities	(20.8)	(5.2)	(23.3)	-.-	(49.3)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	228.5		147.8		376.3
Gross borrowings under term loans	260.0				260.0
Gross repayments under term loans	(257.5)		(46.8)		(304.3)
Cash received from exercise of stock options	10.4				10.4
Intracompany financing	(71.9)	80.7	(8.8)		-.-
Net cash provided by financing activities	169.5	80.7	92.2		342.4
Effect of exchange rate changes on cash			(0.1)		(0.1)
Net increase (decrease) in cash	(5.0)	0.3	(10.5)	-.-	(15.2)
Cash and cash equivalents, beginning of period	16.0	(0.6)	17.6	-.-	33.0
Cash and cash equivalents, end of period	$ 11.0	$ (0.3)	$ 7.1	-.-	$ 17.8

THE SCOTTS COMPANY
BALANCE SHEET
AS OF MARCH 31, 2001 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11.0	$ (0.3)	$ 7.1	$	$ 17.8
Accounts receivable, net	366.5	112.8	213.7		693.0
Inventories, net	241.1	78.6	82.3		402.0
Current deferred tax asset	28.1	0.5	(1.0)		27.6
Prepaid and other assets	47.5	1.5	18.1		67.1
Total current assets	694.2	193.1	320.2	-.-	1,207.5
Property, plant and equipment, net	185.5	73.7	37.8		297.0
Goodwill and other intangible assets, net	271.6	230.7	267.7		770.0
Other assets	62.5		9.9		72.4
Investment in affiliates	954.8			(954.8)	-.-
Intracompany assets		447.1	4.1	(451.2)	-.-
Total assets	$2,168.6	$ 944.6	$ 639.7	$(1,406.0)	$2,346.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term debt	$ 276.5	$ 0.8	$ 20.9	$	$ 298.2
Accounts payable	146.8	57.6	99.3		303.7
Accrued liabilities	156.9	20.2	47.9		225.0
Accrued taxes	31.9	3.3	5.8		41.0
Total current liabilities	612.1	81.9	173.9	-.-	867.9
Long-term debt	549.7		360.3		910.0
Other liabilities	33.6		16.2		49.8
Intracompany liabilities	451.2			(451.2)	-.-
Total liabilities	1,646.6	81.9	550.4	(451.2)	1,827.7
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		590.5	52.7	(643.2)	-.-
Preferred shares, no par value					-.-
Common shares, no par value per share, $.01 stated value per share	0.3				0.3
Capital in excess of par value	390.6				390.6
Retained earnings	230.3	275.2	36.5	(311.6)	230.4
Treasury stock, 2.9 shares at cost	(74.6)				(74.6)
Accumulated other comprehensive expense	(24.6)	(3.0)	0.1		(27.5)
Total shareholders' equity	522.0	862.7	89.3	(954.8)	519.2
Total liabilities and shareholders' equity	$2,168.6	$ 944.6	$ 639.7	$(1,406.0)	$2,346.9

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. 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 over the past several years, and we believe that Scotts continues to receive 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 is expected to follow a somewhat different pattern 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 fourth quarters that coincides more closely to when consumers buy our products. Accordingly, sales to our retail customers and earnings in the second quarter of fiscal 2002 are down from the prior year but we expect the shortfall to reverse over the second half of the fiscal year. The foregoing is our assessment of current trends related to our customers' changing inventory management practices; however, there can be no assurance that the fiscal year 2002 revenue shortfall experienced through the second quarter of fiscal year 2002 will be recovered during the balance of the fiscal year.

In the third and fourth quarter of fiscal 2001, restructuring and other charges of $75.7 million were recorded for reductions in 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 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 half of fiscal 2002 was reduced by approximately $10.8 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. See Note 5 to the Condensed, Consolidated Statements.

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 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 interest 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 March 30, 2002, contribution payments and related per annum charges of approximately $48.3 million had been deferred under the agreement.

RESULTS OF OPERATIONS

The following table sets forth sales by business segment for the three and six month periods ended March 30, 2002 and March 31, 2001:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	MARCH 30, 2002	MARCH 31, 2001	MARCH 30, 2002	MARCH 31, 2001
North American Consumer:				
Lawns	$ 223.8	$ 288.2	$ 250.7	$ 304.9
Gardens	54.9	61.6	63.5	69.4
Growing Media	91.5	94.5	114.6	114.2
Ortho	66.6	81.5	83.4	97.1
Canada	11.8	12.6	12.6	13.6
Other	3.5	7.6	5.2	13.6
Total	452.1	546.0	530.0	612.8
Scotts LawnService(R)	7.4	4.4	16.1	9.3
International Consumer	88.2	104.6	128.4	144.0
Global Professional	54.4	58.5	90.6	94.4
Consolidated	$ 602.1	$ 713.5	$ 765.1	$ 860.5

The following table sets forth the components of income and expense as a percentage of sales for the three and six month periods ended March 30, 2002 and March 31, 2001:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	MARCH 30, 2002	MARCH 31, 2001	MARCH 30, 2002	MARCH 31, 2001
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.2	59.1	64.5	62.4
Restructuring and other charges	-	-	0.1	-
Gross profit	39.8	40.9	35.4	37.6
Commission earned from agency agreement, net	0.4	1.7	(0.4)	0.9
Operating expenses:				
Advertising	5.1	5.4	5.0	5.4
Selling, general and administrative	14.0	12.8	20.8	19.6
Restructuring and other charges	-	-	0.2	-
Amortization of goodwill and other intangibles	0.3	1.0	0.5	1.7
Other income, net	(0.3)	(0.2)	(0.5)	(0.3)
Income from operations	21.1	23.5	9.0	12.1
Interest expense	3.6	3.7	5.3	5.5
Income before income taxes and cumulative effect of accounting change	17.5	19.9	3.8	6.6
Income taxes	6.7	8.0	1.5	2.7
Income before cumulative effect of accounting change	10.8	11.9	2.3	3.9
Cumulative effect of change in accounting for intangible assets, net of tax	-	-	(2.4)	-
Net income (loss)	10.8%	11.9%	(0.1)%	3.9%

THREE MONTHS ENDED MARCH 30, 2002 COMPARED TO THREE MONTHS ENDED MARCH 31, 2001

Net sales for the three months ended March 30, 2002 were $602.1 million, a decrease of 15.6% from net sales for the three months ended March 31, 2001 of $713.5 million.

North American Consumer segment net sales were $452.1 million in the second quarter of fiscal 2002, a decrease of $93.4 million, or 17.2%, from net sales for the second quarter of fiscal 2001 of $546 million. Net sales of the Lawns, Ortho and Gardens businesses were adversely impacted by retailer initiatives to reduce inventories and take shipments closer to when the consumer buys the products. We believe this has caused a shift of sales to the trade from the second quarter to the second half of fiscal 2002. The Growing Media business was less affected by this shift because their supply chain is separate from the other businesses and has historically operated on more of a "just in time" basis. Net sales in the "Other" category under North America Consumer segment are sales under a supply agreement. These sales fluctuate based on the customer's needs but are not material to our results.

Scotts LawnService(R) revenues increased 68.2% from $4.4 million in the second quarter of fiscal 2001 to $7.4 million in the second 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 $88.2 million in the second quarter of fiscal 2002, which were $16.4 million, or 15.7%, lower than net sales for the second quarter of fiscal 2001. Sales growth for this segment also was affected by customers in Europe waiting until closer to the season to place orders for delivery in an effort to control inventory levels.

Net sales for the Global Professional segment were $54.4 million in the second quarter of fiscal 2002, which were $4.1 million, or 7.0%, lower than net sales for the second quarter of fiscal 2001. Revenue was impacted as growers in the United States held off on product purchases until their current crops moved through the retail channels as they are also under similar pressures to delay shipment until closer to the consumer purchase of green goods.

Gross profit was $239.9 million in the second quarter of fiscal 2002, a decrease of $52.0 million from gross profit of $291.9 million in the second quarter of fiscal 2001. As a percentage of net sales, gross profit was 39.8% of sales in the second quarter of fiscal 2002 compared to 40.9% in the second quarter of fiscal 2001. The decline in gross profit as a percentage of sales resulted from lower sales volume in the quarter which reduced the margin percentage due to fixed costs related to warehousing. The decline in gross margin percentage is also due to a shift in product mix, particularly in our North American Lawns, International Consumer and Global Professional businesses. We also experienced lower margins in Scotts LawnService(R) due to fixed operating expenses for recently acquired and newly opened branches incurred during the low revenue winter months.

The net commission earned from agency agreement in the second quarter of fiscal 2002 was net income of $2.6 million compared to net income of $12.0 million in the second quarter of fiscal 2001. The decreased income from the prior year is primarily due to the increase in the contribution payment due to Monsanto to $20 million in fiscal 2002 compared to $15 million in fiscal 2001 and lower sales during the quarter that we believe is due to the shift in the retailer order pattern described above.

...

Advertising expenses in the second quarter of fiscal 2002 were $30.9 million, a decrease of $7.6 million from the second quarter of fiscal 2001 of $38.5 million. As a percentage of sales, advertising expense was 5.1% in the second quarter of 2002 compared to 5.4% in the second quarter of fiscal 2001. The decline is due to lower advertising rates in 2002 and the Ortho business' focus in 2002 on in-store promotional activities and radio which is less costly than television.

Selling, general and administrative expenses in the second quarter of fiscal 2002 were $84.1 million compared to $91.5 million for the second quarter of fiscal 2001. The decrease from the second quarter of fiscal 2001 to the second quarter of fiscal 2002 is due to lower costs resulting from the cost cutting and restructuring activities that occurred in fiscal 2001, offset in part by higher costs for information technology services and legal fees. The second quarter of fiscal 2002 includes $0.1 million of restructuring costs in costs of goods sold related to the redeployment of inventory from closed plants and warehouses and $0.4 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.

Amortization of goodwill and intangibles in the second quarter of fiscal 2002 was $1.8 million compared to $7.4 million in the second 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. See Note 5 of Notes to Condensed, Consolidated Financial

Statements (Unaudited).

Other income was $1.9 million for the second quarter of fiscal 2002, compared to other income of $1.4 million in the second quarter of fiscal 2001. The increase is due to charges incurred in the first half of fiscal 2001 for a product defect that did not recur in fiscal 2002.

Income from operations for the second quarter of fiscal 2002 was $127.2 million, compared with $167.9 million for the second quarter of fiscal 2001. The decrease in income from operations from the prior year is the result of lower sales, offset by lower selling, general and administrative expenses and the effect of the change in accounting for amortization of indefinite-lived assets.

Interest expense for the second quarter of fiscal 2002 was $21.6 million, a decrease of $4.5 million from interest expense for the second quarter of fiscal 2001 of $26.1 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 second quarter of fiscal 2002 was $40.6 million, compared with an income tax expense for the second quarter of fiscal 2001 of $57.0 million. The decrease in tax expense from the prior year is the result of the lower pre-tax income for the second quarter of fiscal 2002 for the reasons noted above. The lower estimated income tax rate for the second quarter of fiscal 2002 of 38.5% compared to 40.2% for the second quarter of fiscal 2001 was due to the elimination of amortization expense for book purposes that was not deductible for tax purposes.

The Company reported a net income of $65.0 million for the second quarter of fiscal 2002, or $2.06 per common share on a diluted basis, compared to a net income of $84.8 million for the second quarter of fiscal 2001, or $2.80 per common share on a diluted basis. Diluted shares increased to 31.5 million from 30.3 million due to option exercises during the past year and the effect of a higher stock price on the number of common stock equivalents.

SIX MONTHS ENDED MARCH 30, 2002 COMPARED TO SIX MONTHS ENDED MARCH 31, 2001

Net sales for the six months ended March 30, 2002 were $765.1 million, a decrease of 11.1% from net sales for the six months ended March 31, 2001 of $860.5 million.

North American Consumer segment net sales were $530.0 million in the first six months of fiscal 2002, a decrease of $82.8 million, or 13.5%, from net sales for the first six months of fiscal 2001 of $612.8 million. Net sales for the second quarter of fiscal 2002 represented over 85% of North American Consumer net sales for the first half of fiscal 2002. Thus, net sales for the first half of fiscal 2002 were affected by the same retailer order trends that impacted sales in the second quarter. Net sales in the "Other" category under North America Consumer segment are sales under a supply agreement. These sales fluctuate based on the customer's needs but are not material to our results.

Scotts LawnService(R) revenues increased 73.1% from $9.3 million in the first half of fiscal 2001 to $16.1 million in the first half 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 $128.4 million in the first half of fiscal 2002, which were $15.6 million, or 10.8%, lower than net sales for the first half of fiscal 2001. We believe that sales declined due to our customers waiting until closer to the season to place orders for delivery in an effort to control inventory levels which defers sales into the second half of fiscal 2002.

Net sales for the Global Professional segment were $90.6 million in the first six months of fiscal 2002, which were $3.8 million, or 4.0%, lower than net sales for the first six months of fiscal 2001. The revenue growth decline was primarily in North America where growers have increased their focus on managing inventory levels.

Gross profit was $270.9 million in the first six months of fiscal 2002, a decrease of $52.3 million from gross profit of $323.2 million in the first six months of fiscal 2001. As a percentage of net sales, gross profit was 35.4% of sales in the first half of fiscal 2002 compared to 37.6% in the first half of fiscal 2001. The decline in gross profit as a percentage of sales resulted from a shift in product mix toward lower margin growing media and seed sales and away from higher margin fertilizer and control product sales which occur later in the spring season. The margin percentage was also impacted by fixed costs being a higher percentage of a lower sales volume. We also experienced lower margins in Scotts LawnService(R) due to fixed operating expenses for recently acquired and newly opened branches incurred during the low revenue winter months.

The net commission earned from agency agreement in the first half of fiscal 2002 was expense of $3.3 million compared to income of $7.4 million in the first half of fiscal 2001. The decrease from the prior year is primarily due to the increase in the contribution payment due to Monsanto to $20 million in fiscal 2002 compared to $15 million in fiscal 2001 and lower sales in the Roundup business due to the shift in the retailer order pattern described above.

Advertising expenses in the first six months of fiscal 2002 were $38.0 million, a decrease of $8.1 million from advertising expenses in the first six months of fiscal 2001 of $46.1 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 as described above.

Selling, general and administrative expenses in the first half of fiscal 2002 were $159.4 million compared to $168.9 million for the first half of fiscal 2001. The decrease from the first half of fiscal 2001 to the first half of fiscal 2002 is due to lower costs resulting from the cost cutting and restructuring activities that occurred in fiscal 2002, offset in part by higher spending on information services and legal matters. The first half of fiscal 2002 includes $1.1 million of restructuring costs in costs of goods sold related to the redeployment of inventory from closed plants and warehouses and $1.2 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.

Amortization of goodwill and intangibles in the first half of fiscal 2002 was $3.7 million compared to $14.2 million in the first half of fiscal 2001, primarily due to the adoption of the new accounting standard described above. See Note 5 of Notes to Condensed, Consolidated Financial Statements (Unaudited).

Other income was $3.9 million for the first half of fiscal 2002, compared to other income of $2.5 million in the first half of fiscal 2001. The increase is due primarily to the gain on sale of an idled growing media plant in Florida in the first quarter of fiscal 2002.

Income from operations for the first six months of fiscal 2002 was $69.2 million, compared with $103.9 million for the first six months of fiscal 2001. The decrease in income from operations from the prior year is the result of the lower net sales, offset by lower selling, general and administrative expenses and the effect of the change in accounting for amortization of indefinite-lived assets.

Interest expense for the first half of fiscal 2002 was $40.2 million, a decrease of $7.2 million from interest expense for the first half of fiscal 2001 of $47.4 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 half of fiscal 2002 was $11.1 million, compared with an income tax expense for the first half of fiscal 2001 of $22.9 million. The decrease in tax expense from the prior year is the result of the lower pre-tax income for the first half of fiscal 2002 for the reasons noted above and the lower estimated income tax rate for the first half of fiscal 2002 of 38.3% compared to 40.5% for the first half of fiscal 2001 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 $17.9 million for the first six months of fiscal 2002, compared to $33.6 million for the first six 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 six months of fiscal 2002 was a net loss of $0.6 million, or $.02 per share, compared to net income of $33.6 million or $1.12 per diluted share.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities was $199.8 million for the six months ended March 30, 2002 compared to a use of cash of $308.2 million for the six months ended March 31, 2001. 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. Cash used in operations was lower in the first half of fiscal 2002 due to lower inventory production in the period, lower accounts receivable and improved collection and lower income tax payments due to lower net income in the fiscal year ended September 30, 2001 compared to the fiscal year ended September 30, 2000.

Cash used in investing activities was $41.4 million for the first six months of fiscal 2002 compared to $49.3 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 the first half of 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.

Financing activities provided cash of $262.2 million for the first six months of fiscal 2002 compared to providing $342.4 million in the prior year. The decrease in cash from financing activities was primarily due to a decrease in borrowings under our credit facility to fund operations due to improved cash flows from operations as noted above, partially offset by the $70 million issuance of senior subordinated notes in January 2002. The net proceeds 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 $1,126.7 million as of March 30, 2002, a decrease of $81.5 million compared with total debt at March 31, 2001 of $1,208.2. The decrease in debt compared to the prior year was primarily due to scheduled debt repayments on our term loans during fiscal 2001 and lower borrowings on our revolver to support operations during the first half of fiscal 2002.

We did not repurchase any treasury shares in fiscal 2001 or in the first half 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 March 2002 litigation 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.

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. 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.

Also, 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 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. Additional information on environmental matters affecting us is provided in Note 8 of the Notes to Condensed, Consolidated Financial Statements (unaudited) as of and for the six months ended March 30, 2002 and in the fiscal 2001 Annual Report on Form 10-K under the "ITEM 1. BUSINESS -- ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

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. We believe that for this fiscal year a significant portion of the sales historically made by Scotts in the second fiscal quarter will be made in the third fiscal quarter because Scotts' major customers have implemented general policies to reduce their on hand inventories. The foregoing is our assessment of current trends related to our customers' changing inventory management practices; however, there can be no assurance that the fiscal year 2002 revenue shortfall experienced through the second quarter of fiscal year 2002 will be recovered during the balance of fiscal year 2002, or at all. 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 six months ended March 30, 2002, we made approximately $1.5 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 March 30, 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. The Tribunal stated that a Final Award as to Costs will be issued when the quantification of legal fees and expenses has been agreed by the parties or determined by the Tribunal. Efforts at such quantification are presently on-going.

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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) No exhibits are included herewith.

(b) The Registrant filed a Current Report on Form 8-K dated January 25, 2002 reporting under "Item 5. Other Events" the Registrant's intention to issue $70 million of its 8.625% Senior Subordinated Notes due 2009 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.

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: May 10, 2002