Form 10-Q/A

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 APRIL 1, 2000

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.)

41 SOUTH HIGH STREET, SUITE 3500
COLUMBUS, OHIO 43215
(Address of principal executive offices)
(Zip Code)

(614) 719-5500
(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.

27,961,206	Outstanding at May 11, 2000
Common Shares, voting, no par value	

THE SCOTTS COMPANY AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

THE SCOTTS COMPANY AND SUBSIDIARIES
CONDENSED, CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 2000 (restated)	APRIL 3, 1999	APRIL 1, 2000 (restated)	APRIL 3, 1999
Net sales	$ 720.7	$ 631.5	$ 912.3	$ 815.9
Cost of sales	407.6	362.6	525.3	482.3
Gross profit	313.1	268.9	387.0	333.6
Gross commission earned from agency agreement	9.0	12.6	9.2	17.6
Costs associated with agency agreement	2.1	0.4	5.7	0.8
Net commission earned from agency agreement	6.9	12.2	3.5	16.8
Operating expenses:				
Advertising and promotion	98.2	86.0	121.9	102.7
Selling, general and administrative	84.4	72.5	153.1	126.4
Amortization of goodwill and other intangibles	7.4	4.9	13.0	9.4
Restructuring and other charges	--	--	--	1.4
Other expense (income), net	(2.5)	0.4	(1.9)	0.3
Income from operations	132.5	117.3	104.4	110.2
Interest expense	25.9	24.6	49.6	34.4
Income before income taxes	106.6	92.7	54.8	75.8
Income taxes	43.2	38.0	22.2	31.1
Net income before extraordinary item	63.4	54.7	32.6	44.7
Extraordinary loss on early extinguishment of debt, net of tax	--	5.4	--	5.8
Net income	63.4	49.3	32.6	38.9
Payments to preferred shareholders	--	2.5	6.4	4.9
Income available to common shareholders	$ 63.4	$ 46.8	$ 26.2	$ 34.0
Basic earnings per common share:				
Before extraordinary item	$ 2.27	$ 2.86	$ 0.94	$ 2.17
Extraordinary item, net of tax	--	0.30	--	0.32
	2.27	2.56	0.94	1.85
Diluted earnings per common share:				
Before extraordinary item	$ 2.15	$ 1.81	$ 0.88	$ 1.48
Extraordinary item, net of tax	--	0.18	--	0.19
	2.15	1.63	0.88	1.29
Common shares used in basic earnings per share calculation	27.9	18.3	28.0	18.3
Common shares and potential common shares used in diluted earnings per share calculation	29.5	30.3	29.8	30.2

See notes to condensed, consolidated financial statements

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

	SIX MONTHS ENDED APRIL 1, 2000 (restated)	SIX MONTHS ENDED APRIL 3, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 32.6	$ 38.9
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	34.3	25.0
Net change in certain components of working capital	(271.4)	(303.9)
Net change in other assets and liabilities and other adjustments	(9.8)	(20.1)
Net cash used in operating activities	(214.3)	(260.1)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment	(20.1)	(26.6)
Investment in acquired businesses, net of cash acquired	(0.8)	(492.4)
Other, net	1.8	(6.4)
Net cash used in investing activities	(19.1)	(525.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings under revolving and bank lines of credit	286.5	327.8
Gross borrowings under term loans	--	525.0
Gross repayments under term loans	(12.4)	--
Issuance of 8 5/8% Senior Subordinated Notes	--	330.0
Extinguishment of $97.1 million 9 7/8% Senior Subordinated Notes	--	(104.1)
Repayment of outstanding balance on previous credit facility	--	(241.0)
Settlement of interest rate locks	--	(12.9)
Financing and issuance fees	--	(22.6)
Payments to preferred shareholders	(6.4)	(7.3)
Repurchase of treasury shares	(23.9)	--
Other, net	(9.4)	(0.6)
Net cash provided by financing activities	234.4	794.3
Effect of exchange rate changes on cash	(1.6)	(0.5)
Net (decrease) increase in cash	(0.6)	8.3
Cash and cash equivalents at beginning of period	30.3	10.6
Cash and cash equivalents at end of period	$ 29.7	$ 18.9
SUPPLEMENTAL CASH FLOW INFORMATION:		
Investment in Acquired Businesses:		
Fair value of assets acquired, net of cash	$ 3.0	$ 631.2
Liabilities assumed	--	(101.8)
Net assets acquired	3.0	529.4
Notes issued to seller	2.2	37.0
Cash paid	0.8	492.4

See notes to condensed, consolidated financial statements

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

	UNAUDITED		
ASSETS	APRIL 1, 2000 (restated)	APRIL 3, 1999	SEPTEMBER 30, 1999
Current assets:			
Cash and cash equivalents	$ 29.7	$ 18.9	$ 30.3
Accounts receivable, less allowances of $14.7, $13.1 and $16.4, respectively	649.3	589.6	201.4
Inventories, net	366.3	334.6	313.2
Current deferred tax asset	26.5	22.3	29.3
Prepaid and other assets	63.6	52.6	67.5
Total current assets	1,135.4	1,018.0	641.7
Property, plant and equipment, net	258.1	240.8	259.4
Intangible assets, net	796.2	786.9	794.1
Other assets	80.2	60.2	74.4
Total assets	$ 2,269.9	$ 2,105.9	$ 1,769.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	$ 183.2	$ 213.9	$ 56.4
Accounts payable	281.7	178.2	133.5
Accrued liabilities	287.6	220.8	177.0
Total current liabilities	752.5	612.9	366.9
Long-term debt	1,014.7	1,003.0	893.6
Other liabilities	61.6	58.3	65.8
Total liabilities	1,828.8	1,674.2	1,326.3
Commitments and contingencies			
Shareholders' equity:			
Class A Convertible Preferred Stock, no par value	--	177.3	173.9
Common shares, no par value per share, $.01 stated value per share, issued 31.4, 21.1 and 21.3, respectively	0.3	0.2	0.2
Capital in excess of par value	388.1	208.9	213.9
Retained earnings	156.3	110.6	130.1
Treasury stock, 3.5, 2.8, and 2.9 shares, respectively, at cost	(85.1)	(56.9)	(61.9)
Accumulated other comprehensive expense	(18.5)	(8.4)	(12.9)
Total shareholders' equity	441.1	431.7	443.3
Total liabilities and shareholders' equity	$ 2,269.9	$ 2,105.9	$ 1,769.6

See notes to condensed, consolidated financial statements

NOTES TO CONDENSED, CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(All amounts are in millions except per share data or as otherwise noted)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Scotts Company is engaged in the manufacture and sale of lawn care and garden products. The Company's major customers include mass merchandisers, home improvement centers, large hardware chains, independent hardware stores, nurseries, garden centers, food and drug stores, golf courses, professional sports stadiums, 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.

Organization and Basis of Presentation

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

The condensed, consolidated balance sheets as of April 1, 2000 and April 3, 1999, and the related condensed, consolidated statements of operations and cash flows for the three and six month periods ended April 1, 2000 and April 3, 1999 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 and results of operations. 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 1999 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. For certain large multi-location customers, products may be shipped to third-party warehousing locations. Revenue is not recognized until the customer places orders against that inventory and acknowledges in writing ownership of the goods. Provisions for estimated returns and allowances are recorded at the time of shipment based on historical rates of return as a percentage of sales.

Advertising and Promotion

The Company advertises its branded products through national and regional media, and through cooperative advertising programs with retailers. Retailers are also offered pre-season stocking and in-store promotional 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. The most significant of these estimates are related to the allowance for doubtful accounts, inventory valuation reserves, expected useful lives assigned to property, plant and equipment and goodwill and other intangible assets, legal and environmental accruals, post-retirement benefits, promotional and consumer rebate liabilities, income taxes and contingencies. 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 2000 classifications.

2. RESTATEMENT OF QUARTERLY FINANCIAL STATEMENTS

The Company has restated its financial statements as of April 1, 2000 and for the three and six months then ended. As disclosed in Note 3 to these financial statements, the Company paid Monsanto Company ("Monsanto") a marketing fee of $32 million in connection with the Roundup Agency and marketing Agreement (the "Agreement"). The earnings originally reported for fiscal 1999 and the first two quarters of fiscal 2000 reflected amortization of the marketing fee over a period of 20 years. However, the Company believes that it is unlikely that the Agreement will continue beyond ten years. Accordingly, the financial statements as of and for the six months ended April 1, 2000 have been restated to correct for the error in the amortization period and now reflect amortization of the marketing fee over a period of ten years.

"Costs associated with agency agreement" in the Company's Statements of Operations for the three and six months ended April 1, 2000 have been restated to reflect the additional amortization of $1.6 million that was not recognized in fiscal 1999 and the additional amortization to be recognized in fiscal 2000. The Balance Sheet as of April 1, 2000 and the Statements of Cash Flows for the six months ended April 1, 2000 have been restated for this correction. The impact of this restatement on the Company's financial results as originally reported is summarized below:

	As reported	As restated
Three months ended April 1, 2000		
Net income	$63.6	$63.4
Basic earnings per common share	$2.28	$2.27
Diluted earnings per common share	$2.16	$2.15
Retained earnings, end of period	$157.7	$156.3
Six months ended April 1, 2000		
Net income	$34.0	$32.6
Basic earnings per common share	$0.99	$0.94
Diluted earnings per common share	$0.93	$0.88
Retained earnings, end of period	$157.7	$156.3

3. AGENCY AGREEMENT

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

The agreement requires the Company to make fixed annual payments to Monsanto as a contribution against the overall expenses of the Roundup 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 is required for the second year and a payment of $15 million is required for the third year so that a total of $40 million of the contribution payments are deferred. Beginning in the fifth year of the agreement, the annual payments to Monsanto increase to at least $25 million, which include per annum charges at 8%. The annual payments may be increased above $25 million if certain significant earnings targets are achieved. 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 such time that 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 amounts are 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. Our 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 not 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 April 1, 2000, contribution payments and related per annum charges of approximately $29.2 million had been deferred under the agreement. This amount is considered a contingent obligation and has not been reflected in the financial statements as of and for the six months 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 sale of the Roundup 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 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 and 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 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 balances over ten years, which is the estimated likely term of the agreement.

In fiscal 1999, the Company recognized commission income under the agreement during interim periods based on the estimated percentage of EBIT that would be payable to the Company as commission for the year applied to the actual EBIT for the Roundup(R) business for the interim period. Commission income recorded for the full year is calculated by applying the threshold commission structure for that year to the actual EBIT of the Roundup business for the year. Beginning with the first quarter of fiscal 2000, the Company has adopted SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements". Accordingly, the Company will not recognize commission income until actual Roundup EBIT reaches the first commission threshold for the year. The annual contribution payment, if any, is recognized ratably throughout the year.

4. RESTRUCTURING AND OTHER CHARGES

1999 Charges

During fiscal 1999, the Company recorded $1.4 million of restructuring charges associated with management's decision to reorganize the North American Professional Business Group to strengthen distribution and technical sales support, integrate brand management across market segments and reduce annual operating expenses. These charges represent the cost to sever approximately 60 in-house sales associates that were terminated in fiscal 1999. Approximately $1.1 million of severance payments were made to these former associates during fiscal 1999 and substantially all of the remainder has been paid in fiscal 2000.

1998 Charges

During fiscal 1998, the Company recorded charges of $9.3 million in connection with its decision to close nine composting sites. As of September 30, 1999, $0.9 million remained accrued in the Company's consolidated balance sheet for losses to be incurred under contractual commitments and remaining lease obligations (a detailed discussion and rollforward is included in the Company's fiscal 1999 Annual Report on Form 10-K). For the first six months of fiscal 2000, $0.5 million of the remaining obligations had been paid. The Company expects to make all remaining payments in fiscal 2000.

5. ACQUISITIONS

In January 1999, the Company acquired the assets of Monsanto's consumer lawn and garden businesses, exclusive of the Roundup(R) business ("Ortho"), for approximately $300 million, subject to adjustment based on working capital as of the closing date and as defined in the purchase agreement. Based on the estimate of working capital received from Monsanto, the Company made an additional payment of $39.9 million at the closing date. The Company has subsequently provided Monsanto with its estimate of working capital, which would result in a substantial reduction in the total purchase price. Monsanto has subsequently provided the Company with a revised assessment of working capital which would increase the final purchase price. The Company and Monsanto have resolved many of the items in dispute and are currently in negotiations to resolve the remaining disputed items. If the final purchase price differs from the original estimate, it is likely that any difference would not be amortized over future periods, but rather would be reflected as an adjustment to working capital.

In October 1998, the Company acquired Rhone-Poulenc Jardin ("RPJ"), continental Europe's largest consumer lawn and garden products company. Management's initial estimate of the purchase price for Rhone-Poulenc Jardin was $193 million; however, subsequent adjustments for reductions in acquired working capital have resulted in a final purchase price of approximately $147 million.

In connection with the acquisition, the Company entered into a Research and Development Access Rights Agreement with Rhone-Poulenc. In exchange for the rights provided under the agreement, the Company will make four annual payments of 39 million French Francs each beginning on October 1, 1999. The present value of the payments (approximately $23.2 million) is being amortized over the life of the agreement.

Each of the above acquisitions was made in exchange for cash or notes due to seller and was accounted for under the purchase method of accounting. Accordingly, the purchase prices have been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Final determination of the purchase price of the Ortho business, as well as the allocation of the purchase price to the net assets acquired was not complete as of April 1, 2000. The excess of the estimated purchase price for the Ortho business over the value of tangible assets acquired is currently recorded as an intangible asset and is being amortized over a period of 35 years.

The following unaudited pro forma results of operations give effect to the Ortho acquisition as if it had occurred on October 1, 1998.

	SIX MONTHS ENDED APRIL 3, 1999
Net sales	$ 848.9
Income before extraordinary loss	36.3
Net income	30.5
Basic earnings per share:	
Before extraordinary loss	$ 1.72
After extraordinary loss	1.40
Diluted earnings per share:	
Before extraordinary loss	$ 1.20
After extraordinary loss	$ 1.01

The pro forma information provided does not purport to be indicative of actual results of operations if the Ortho acquisition had occurred as of October 1, 1998 and is not intended to be indicative of future results or trends.

6. INVENTORIES

Inventories, net of provisions for slow moving and obsolete inventory of $27.8 million, $21.5 million, and $30.5 million, respectively, consisted of:

	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
Finished goods	$ 281.7	$ 246.8	$ 206.4
Raw materials	83.6	87.4	106.5
FIFO cost	365.3	334.2	312.9
LIFO reserve	1.0	0.4	0.3
Total	$ 366.3	$ 334.6	$ 313.2

7. INTANGIBLE ASSETS, NET

	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
Goodwill	$ 526.2	$ 625.8	$ 508.6
Trademarks	192.8	137.9	207.9
Other	77.2	23.2	77.6
Total	$ 796.2	$ 786.9	$ 794.1

8. LONG-TERM DEBT

	APRIL 1, 2000	APRIL 3, 1999	SEPTEMBER 30, 1999
Revolving loans under credit facility	$ 349.5	$ 322.8	$ 64.2
Term loans under credit facility	481.4	509.9	509.0
Senior Subordinated Notes	318.6	320.0	318.0
Notes due to sellers	36.6	37.5	37.0
Foreign bank borrowings and term loans ...	9.6	22.0	17.6
Capital lease obligations and other	2.2	4.7	4.2
	1,197.9	1,216.9	950.0
Less current portions	183.2	213.9	56.4
	$ 1,014.7	$ 1,003.0	$ 893.6

On December 4, 1998, the Company and certain of its subsidiaries entered into a credit facility which provides for borrowings in the aggregate principal amount of $1.025 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million. Financial covenants included as part of the facility include, amongst others, minimum net worth, interest coverage and net leverage ratios. The Company was in violation of the minimum net worth covenant measured as of January 1, 2000. The violation was reported to the administrative agent on February 11, 2000, as required by the credit facility. On February 15, 2000, the Company obtained a waiver of this covenant violation from its bank group for the first quarter violation only. The Company was in compliance with all of its debt covenants as of April 1, 2000.

In January 1999, the Company completed an offering of $330 million of 8 5/8% Senior Subordinated Notes ("the Notes") due 2009. The net proceeds from the offering, together with borrowings under the Company's credit facility, were used to fund the Ortho acquisition and to repurchase approximately 97% of Scotts $100.0 million outstanding 9 7/8% Senior Subordinated Notes due August 2004. In August 1999, the Company repurchased the remaining $2.9 million of the 9 7/8% Senior Subordinated Notes.

The Company entered into two interest rate locks in fiscal 1998 to hedge its anticipated interest rate exposure on the Notes offering. The total amount paid under the interest rate locks of $12.9 million has been recorded as a reduction of the Notes' carrying value and is being amortized over the life of the Notes as interest expense.

In conjunction with the acquisitions of Rhone-Poulenc Jardin and Sanford Scientific, Inc., notes were issued for certain portions of the total purchase price or other consideration that are to be paid in annual installments over a four-year period. The present value of remaining note payments is $25.1 million and $4.0 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 March 2000, the Company acquired certain residual international intellectual property including peat marketing rights and goodwill from Bord na Mona Horticulture Limited. The purchase of the intellectual property was made through the issuance of a promissory note containing five annual payments. The present value of these payments, approximately $5.2 million, is included in Notes Due to Sellers above. The Company is imputing interest on the notes using an 8% interest rate.

The foreign term loans of $3.9 million issued on December 12, 1997, have an 8-year term and bear interest at 1% below LIBOR. The loans are denominated in Pounds Sterling and can be redeemed, on demand, by the note holder. The foreign bank borrowings of $5.7 million at April 1, 2000 represent lines of credit for foreign operations and are denominated in French Francs and Canadian Dollars.

9. EARNINGS PER COMMON SHARE

The following table presents information necessary to calculate basic and diluted earnings per common share ("EPS").

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 2000 (restated)	APRIL 3, 1999	APRIL 1, 2000 (restated)	APRIL 3, 1999
Net income before extraordinary item	$ 63.4	$ 54.7	$ 32.6	$ 44.7
Extraordinary loss on early extinguishment of debt, net of taxes	--	5.4	--	5.8
Net income	63.4	49.3	32.6	38.9
Payments to preferred shareholders	--	2.5	6.4	4.9
Income available to common shareholders	$ 63.4	$ 46.8	$ 26.2	$ 34.0
Weighted-average common shares outstanding during the period ...	27.9	18.3	28.0	18.3
Assuming conversion of Class A Convertible Preferred Stock	--	10.3	--	10.3
Assuming exercise of warrants	0.9	0.9	1.0	0.8
Assuming exercise of options	0.7	0.8	0.8	0.8
Weighted-average number of common shares outstanding and potential common shares	29.5	30.3	29.8	30.2
Basic earnings per common share:				
Before extraordinary loss	2.27	2.86	0.94	2.17
Extraordinary loss, net of tax	--	0.30	--	0.32
	$ 2.27	$ 2.56	$ 0.94	$ 1.85
Diluted earnings per common share:				
Before extraordinary loss and impact of early conversion of preferred shares	2.15	1.81	1.09	1.48
Extraordinary loss, net of tax	--	0.18	--	0.19
Impact of early conversion of preferred shares	--	--	0.21	--
	$ 2.15	$ 1.63	$ 0.88	$ 1.29

10. STATEMENT OF COMPREHENSIVE INCOME

Effective October 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income". SFAS 130 requires that changes in the amounts of certain items, including foreign currency translation adjustments, be presented in the Company's financial statements. The components of other comprehensive income and total comprehensive income for the three and six months ended April 1, 2000 and April 3, 1999 are as follows:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	APRIL 1, 2000	APRIL 3, 1999	APRIL 1, 2000	APRIL 3, 1999
	(restated)		(restated)	
Net income	$ 63.4	$ 49.3	$ 32.6	$ 38.9
Other comprehensive income (expense):				
Foreign currency translation adjustments	(2.2)	(4.8)	(5.6)	(5.2)
Comprehensive income	$ 61.2	$ 44.5	$ 27.0	$ 33.7

11. 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.

Ohio Environmental Protection Agency

The Company has assessed and addressed environmental issues regarding the wastewater treatment plants which had operated at the Marysville facility. The Company decommissioned the old wastewater treatment plants and has connected the facility's wastewater system with the City of Marysville's municipal treatment system. Additionally, the Company has been assessing, under Ohio's Voluntary Action Program ("VAP"), the possible remediation of several discontinued on-site waste disposal areas dating back to the early operations of its Marysville facility.

In February 1997, the Company learned that the Ohio Environmental Protection Agency was referring certain matters relating to environmental conditions at the Company's Marysville site, including the existing wastewater treatment plants and the discontinued on-site waste disposal areas, to the Ohio Attorney General's Office. Representatives from the Ohio Environmental Protection Agency, the Ohio Attorney General and the Company continue to meet to discuss these issues.

In June 1997, the Company received formal notice of an enforcement action and draft Findings and Orders from the Ohio Environmental Protection Agency. The draft Findings and Orders elaborated on the subject of the referral to the Ohio Attorney General alleging: potential surface water violations relating to possible historical sediment contamination possibly impacting water quality; inadequate treatment capabilities of the Company's existing and currently permitted wastewater treatment plants; and that the Marysville site is subject to corrective action under the Resource Conservation Recovery Act ("RCRA"). In late July 1997, the Company received a draft judicial consent order from the Ohio Attorney General which covered many of the same issues contained in the draft Findings and Orders including RCRA corrective action. As a result of on-going discussions, the Company received a revised draft of a judicial consent order from the Ohio Attorney General in late April 1999. Subsequently, the Company replied to the Ohio Attorney General with another revised draft. Comments on that draft were received from the Ohio Attorney General in February 2000, and Scotts replied with another revised draft in March 2000.

In accordance with the Company's past efforts to enter into Ohio's VAP, the Company submitted to the Ohio Environmental Protection Agency a "Demonstration of Sufficient Evidence of VAP Eligibility Compliance" on July 8, 1997. Among other issues contained in the VAP submission, was a description of the Company's ongoing efforts to assess potential environmental impacts of the discontinued on-site waste disposal areas as well as potential remediation efforts. Under the statutes covering VAP, an eligible participant in the program is not subject to State enforcement actions for those environmental matters being addressed. On October 21, 1997, the Company received a letter from the Director of the Ohio Environmental Protection Agency denying VAP eligibility based upon the timeliness of and completeness of the submittal. The Company has appealed the Director's action to the Environmental Review Appeals Commission. No hearing date has been set and the appeal remains pending. While negotiations continue, the Company has been voluntarily addressing a number of the historical onsite waste disposal areas with the knowledge of the Ohio Environmental Protection Agency. Interim measures consisting of capping two onsite waste disposal areas have been implemented.

The Company is continuing to meet with the Ohio Attorney General and the Ohio Environmental Protection Agency in an effort to negotiate an amicable resolution of these issues but is unable at this stage to predict the outcome of the negotiations. While negotiations have narrowed the unresolved issues between the Company and the Ohio Attorney General/Ohio Environmental Protection Agency, several critical issues remain the subject of ongoing discussions. The Company believes that it has viable defenses to the State's enforcement action, including that it had been proceeding under VAP to address specified environmental issues, and will assert those defenses in any such action.

Since receiving the notice of enforcement action in June 1997, management has continually assessed the potential costs that may be incurred to satisfactorily remediate the Marysville site and to pay any penalties sought by the State. Because the Company and the Ohio Environmental Protection Agency have not agreed as to the extent of any possible contamination and an appropriate remediation plan, the Company has developed and initiated an action plan to remediate the site based on its own assessments and consideration of specific actions which the Ohio Environmental Protection Agency will likely require. Because the extent of the ultimate remediation plan is uncertain, management is unable to predict with certainty the costs that will be incurred to remediate the site and to pay any penalties. Management estimates that the range of possible loss that could be incurred in connection with this matter is $2 million to $10 million. The Company has accrued for the amount it considers to be the most probable within that range and believes the outcome will not differ materially from the amount reserved. Many of the issues raised by the State are already being investigated and addressed by the Company during the normal course of conducting business.

Lafayette

In July 1990, the Philadelphia District of the U.S. Army Corps of Engineers ("Corps") directed that peat harvesting operations be discontinued at Hyponex's Lafayette, New Jersey facility, based on its contention that peat harvesting and related activities result in the "discharge of dredged or fill material into waters of the United States" and, therefore, require a permit under Section 404 of the Clean Water Act. In May 1992, the United States filed suit in the U.S. District Court for the District of New Jersey seeking a permanent injunction against such harvesting, and civil penalties in an unspecified amount. If the Corps' position is upheld, it is possible that further harvesting of peat from this facility would be prohibited. The Company is defending this suit and is asserting a right to recover its economic losses resulting from the government's actions. The suit was placed in administrative suspense during fiscal 1996 in order to allow the Company and the government an opportunity to negotiate a settlement, and it remains suspended while the parties develop, exchange and evaluate technical data. In July 1997, the Company's wetlands consultant submitted to the government a draft remediation plan. Comments were received and a revised plan was submitted in early 1998. Further comments from the government were received during 1998 and 1999. The Company believes agreement on the remediation plan has essentially been reached. Before this suit can be fully resolved, however, the Company and the government must reach agreement on the government's civil penalty demand. The Company has reserved for its estimate of the probable loss to be incurred under this proceeding. Furthermore, management believes the Company has sufficient raw material supplies available such that service to customers will not be materially adversely affected by continued closure of this peat harvesting operation.

Agrevo Environmental Health

On June 3, 1999, AgrEvo Environmental Health, Inc. ("AgrEvo") filed a complaint in the District Court for the Southern District of New York, 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 contact by Monsanto. The Company purchased a consumer herbicide business from AgrEvo in May 1998. AgrEvo claims in the suit that the Company's subsequent agreement to become Monsanto's exclusive sales and marketing agent for Monsanto's consumer Roundup(R) business violated the federal antitrust laws. AgrEvo contends that Monsanto attempted to or did monopolize the market for non-selective herbicides and conspired with the Company to eliminate the herbicide the Company 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 the Company's execution of various agreements with Monsanto, including the Roundup(R) marketing agreement, as well as the Company's subsequent actions, violated the purchase agreements between AgrEvo and the Company.

AgrEvo is requesting unspecified damages as well as affirmative injunctive relief, and seeking to have the court invalidate the Roundup(R) marketing agreement as violative of the federal antitrust laws. On September 20, 1999, the Company filed an answer denying liability and asserting counterclaims that it was fraudulently induced to enter into the agreement for purchase of the consumer herbicide business and the related agreements, and that AgrEvo breached the representations and warranties contained in those agreements. On October 1, 1999, the Company 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 the Company's counterclaims. On January 27, 2000, AgrEvo sought leave to move to amend its complaint to add a claim for fraud and to incorporate the Delaware action described below. Under the indemnification provisions of the Roundup(R) marketing agreement, Monsanto and the Company each have requested that the other indemnify against any losses arising from this lawsuit.

On June 29, 1999, AgrEvo also filed a complaint in the Superior Court of the State of Delaware against two of the 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 (a) the resolution of a motion to amend the action in the Southern District of New York and (b) resolution of the New York action.

Bramford

In the United Kingdom, major discharges of waste to air, water and land are regulated by the Environment Agency. The Scotts (UK) Ltd. fertilizer facility in Bramford (Suffolk), United Kingdom, is subject to environmental regulation by this Agency. Two manufacturing processes at this facility require process authorizations and previously required a waste management license (discharge to a licensed waste disposal lagoon having ceased in July 1999). The Company expects to surrender the waste management license in consultation with the Environment Agency. In connection with the renewal of an authorization, the Environment Agency has identified the need for remediation of the lagoon, and the potential for remediation of a former landfill at the site. The Company intends to comply with the reasonable remediation concerns of the Environment Agency. The Company previously installed an environmental enhancement to the facility to the satisfaction of the Environment Agency and believes that it has adequately addressed the environmental concerns of the Environment Agency regarding emissions to air and groundwater. Although The Scotts Company (UK) Ltd. has retained an environmental consulting firm to research remediation designs, The Scotts Company (UK) Ltd. and the Environment Agency have not agreed on a final plan for remediating the lagoon and the landfill. The Company has reserved for its estimate of the probable loss to be incurred in connection with this matter.

Other

The Company has determined that quantities of cement containing asbestos material at certain manufacturing facilities in the United Kingdom should be removed. The Company has reserved for the estimate of costs to be incurred for this matter.

General

The Company has accrued $9.9 million at April 1, 2000 for the environmental matters described above. The significant components of the accrual are: (i) costs for site remediation of $6.9 million; (ii) costs for asbestos abatement of $2.5 million; and (iii) fines and penalties of $0.5 million. The significant portion of the costs accrued as of April 1, 2000 are expected to be paid in fiscal 2000 and 2001; however, payments are expected to be made through fiscal 2003 and possibly for a period thereafter.

The Company believes that the amounts accrued as of April 1, 2000 are adequate to cover its known environmental expenses based on current facts and estimates of likely outcome. However, the adequacy of these accruals is based on several significant assumptions:

(i) that the Company has 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;
(iii) that potentially contaminated soil can be remediated in place rather than having to be removed; and
(iv) that only specific stream sediment sites with unacceptable levels of potential contaminant will be remediated.

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.

12. CONVERSION OF PREFERRED STOCK

In October 1999, all of the then outstanding shares of Class A Convertible Preferred Stock were converted into approximately 10.1 million common shares. The Company paid the holders of the Preferred Stock $6.4 million. The amount represents the dividends on the Preferred Stock that otherwise would have been payable through May 2000, the month during which the Preferred Stock could first be redeemed by the Company. In fiscal 1999, certain of the Preferred Stock was converted into 0.2 million common shares at the holders option.

13. NEW ACCOUNTING STANDARDS

In August 1998, the FASB issued SFAS No. 133, "Accounting For Derivative Instruments and Hedging Activities." SFAS No. 133 (as amended) is effective for fiscal years beginning after June 15, 2000.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company has not yet determined the impact this statement will have on its operating results. The Company plans to adopt SFAS No. 133 in fiscal 2001.

In December 1999, the Securities and Exchange Commission issued SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." This staff accounting bulletin summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company believes its annual accounting policies are consistent with the staff's views. The Company is required, however, to conform its interim period revenue recognition policies for the commission under the Roundup(R) marketing agreement to be consistent with the staff's views and has adopted the guidance in the first quarter of fiscal 2000. Under the new guidance, the Company must defer the recognition of commission earned in interim periods until minimum earnings thresholds are achieved. There will be no impact on the commission earned on an annual basis.

14. SEGMENT INFORMATION

The Company is divided into three reportable segments--North American Consumer, Professional and International. The North American Consumer segment consists of the Lawns, Gardens, Growing Media, Ortho and Canadian business units.

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 pesticides products. Products are marketed to mass merchandisers, home improvement centers, large hardware chains, nurseries and gardens centers.

The Professional segment is focused on a full line of turf and 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 golf courses, professional baseball, football and soccer stadiums, lawn and landscape service companies, commercial nurseries and greenhouses and specialty crop growers.

The International segment provides a broad range of controlled-release and water-soluble fertilizers and related products, including ornamental horticulture, turf and landscape, and consumer lawn and garden products which are sold to all customer groups mentioned above.

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). Amounts as of and for the three and six month periods ended April 1, 2000 have been restated as discussed in Note 2.

(in millions)		N.A. CONSUMER	PROFESSIONAL	INTERNATIONAL	OTHER/ CORPORATE	TOTAL
Sales:						
	2000 YTD	$ 650.3	$ 65.2	$ 196.8		$ 912.3
	1999 YTD	$ 531.7	$ 73.4	$ 210.8		$ 815.9
	2000 Q2	$ 548.7	$ 41.5	$ 130.5		$ 720.7
	1999 Q2	$ 458.9	$ 40.9	$ 131.7		$ 631.5
Operating Income (Loss):						
	2000 YTD	$ 121.5	$ 3.4	$ 19.4	$ (39.9)	$ 104.4
	1999 YTD	$ 101.7	$ 6.4	$ 33.9	$ (31.8)	$ 110.2
	2000 Q2	$ 128.3	$ 3.8	$ 21.3	$ (20.9)	$ 132.5
	1999 Q2	$ 104.3	$ 6.4	$ 23.4	$ (16.8)	$ 117.3
Operating Margin:						
	2000 YTD	18.7%	5.2%	9.9%	nm	11.4%
	1999 YTD	19.1%	8.7%	16.1%	nm	13.5%
	2000 Q2	23.4%	9.2%	16.3%	nm	18.4%
	1999 Q2	22.7%	15.6%	17.8%	nm	18.6%
Total Assets:						
	2000 YTD	$ 1,410.5	$ 205.4	$ 566.6	$ 87.4	$ 2,269.9
	1999 YTD	$ 1,239.9	$ 220.1	$ 589.0	$ 56.9	$ 2,105.9

nm Not meaningful.

Operating income reported for the Company's three operating segments represents earnings before amortization of intangible assets, interest and taxes, since this is the measure of profitability used by management. Accordingly, Corporate operating loss for the six month periods ended April 1, 2000 and April 3, 1999 includes amortization of certain intangible assets, corporate general and administrative expenses, and certain "other" income/expense not allocated to the business segments. In the first quarter of fiscal 2000, management changed the measure of profitability for the business segments as compared to the method used at September 30, 1999, to include the allocation of certain costs to the business segments which historically were included in Corporate costs. Such costs include research and development, administrative and certain "other" income/expense items which could be directly attributable to a business segment. The results shown above for the six months of fiscal 1999 have been adjusted to conform to the fiscal 2000 basis of presentation.

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

15. SUBSEQUENT EVENTS

The Company has recently become aware of consumer complaints relating to the dispensing system for two pesticide products, one of which is marketed through the agency agreement with Monsanto. The Company has brought the situation to the attention of the appropriate governmental regulatory agencies and its retail partners. It is currently evaluating potential alternative courses of action including: relabeling products currently in inventory and at retailers to enhance instructions on the proper use of the dispensing system; making adjustments to the dispensing system for those products; and implementing voluntary return programs. The Company is evaluating the possible costs associated with these potential courses of action but, as of this filing, is uncertain as to the actual courses of action and therefore their ultimate cost. It is also uncertain what portion of the final costs will be borne by the Company because of the agency agreement, possible insurance recoveries, and potential recourse from third party manufacturers. The Company anticipates that any costs that it will bear will be incurred in the third and fourth quarters of fiscal 2000.

16. 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 1993. The Company is in the process of registering these Notes under the Securities Act.

The Notes are general obligations of the 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) domestic subsidiaries of the Company. These subsidiary guarantors jointly and severally guarantee the 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, Statements of Cash Flows and Balance Sheets for the three and six-month periods ended April 1, 2000 and April 3, 1999.

Separate unaudited financial statements of the individual guarantor subsidiaries have not been provided because management does not believe they would be meaningful to investors.

STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED AND RESTATED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales	$437.6	$150.0	$133.1		$720.7
Cost of sales	253.0	79.9	74.7		407.6
Gross profit	184.6	70.1	58.4	--	313.1
Gross commission earned from agency agreement	7.3	0.3	1.4		9.0
Costs associated with agency agreement	1.9	--	0.2		2.1
Net commission	5.4	0.3	1.2	--	6.9
Operating Expenses:					
Advertising and promotion	60.7	19.6	17.9		98.2
Selling, general and administrative	52.5	7.0	24.9		84.4
Amortization of goodwill and other intangibles	4.0	1.2	2.2		7.4
Equity income	(28.9)			28.9	--
Intracompany allocations	(9.9)	7.1	2.8		--
Other expense (income), net	1.1	(3.6)			(2.5)
Income (loss) from operations	110.5	39.1	11.8	(28.9)	132.5
Interest expense	23.6	(3.6)	5.9		25.9
Income (loss) before income taxes	86.9	42.7	5.9	(28.9)	106.6
Income taxes	23.5	17.1	2.6		43.2
Net income (loss)	$63.4	25.6	3.3	(28.9)	63.4

FOR THE SIX MONTHS ENDED APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED AND RESTATED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales	$518.5	$191.6	$202.2		$ 912.3
Cost of sales	304.5	107.5	113.3		525.3
Gross profit	214.0	84.1	88.9	--	387.0
Gross commission earned from agency agreement	6.7	0.4	2.1		9.2
Costs associated with agency agreement	5.2	0.1	0.4		5.7
Net commission	1.5	0.3	1.7	--	3.5
Operating Expenses:					
Advertising and promotion	71.4	23.5	27.0		121.9
Selling, general and administrative	90.3	14.0	48.8		153.1
Amortization of goodwill and other intangibles	5.0	3.6	4.4		13.0
Equity income	(22.9)			22.9	--
Intracompany allocations	(12.1)	7.9	4.2		--
Other expense (income), net	3.4	(5.2)	(0.1)		(1.9)
Income (loss) from operations	80.4	40.6	6.3	(22.9)	104.4
Interest expense	41.2	(3.7)	12.1		49.6
Income (loss) before income taxes	39.2	44.3	(5.8)	(22.9)	54.8
Income taxes	6.6	17.9	(2.3)		22.2
Net income (loss)	32.6	26.4	(3.5)	(22.9)	32.6

STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED AND RESTATED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 32.6	$ 26.3	$ (3.5)	$ (22.8)	$ 32.6
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization	17.3	9.2	7.8		34.3
Equity income	(22.8)			22.8	0.0
Net change in certain components of working capital	(155.3)	(79.9)	(36.2)		(271.4)
Net changes in other assets and liabilities and other adjustments	(4.5)	(6.3)	1.0		(9.8)
Net cash used in operating activities	(132.7)	(50.7)	(30.9)	0.0	(214.3)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(12.2)	(2.4)	(5.5)		(20.1)
Investments in acquired businesses			(0.8)		(0.8)
Other, net	0.1		1.7		1.8
Net cash used in investing activities	(12.1)	(2.4)	(4.6)	0.0	(19.1)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	248.4	1.2	36.9		286.5
Gross repayments under term loans	(1.0)		(11.4)		(12.4)
Payments to preferred shareholders	(6.4)				(6.4)
Repurchase of treasury shares	(23.9)				(23.9)
Intracompany financing	(58.3)	49.5	8.8		--
Other, net	(3.4)		(6.0)		(9.4)
Net cash provided by financing activities	155.4	50.7	28.3	0.0	234.4
Effect of exchange rate changes on cash	0.0	0.0	(1.6)	0.0	(1.6)
Net increase (decrease) in cash	10.6	(2.4)	(8.8)	0.0	(0.6)
Cash and cash equivalents, beginning of period	8.5	3.1	18.7		30.3
Cash and cash equivalents, end of period	$ 19.1	$ 0.7	$ 9.9	$ 0.0	$ 29.7

BALANCE SHEET

AS OF APRIL 1, 2000 (IN MILLIONS)
(UNAUDITED AND RESTATED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 19.1	$ 0.7	$ 9.9		$ 29.7
Accounts receivable, net	363.0	122.8	163.5		649.3
Inventories, net	207.1	89.3	69.9		366.3
Current deferred tax asset	26.5				26.5
Prepaid and other assets	32.3		31.3		63.6
Total current assets	648.0	212.8	274.6	--	1,135.4
Property, plant and equipment, net	162.8	55.3	40.0		258.1
Intangible assets, net	260.3	271.2	264.7		796.2
Other assets	60.7	6.6	12.9		80.2
Investment in affiliates	807.4			(807.4)	0.0
Intracompany assets		320.6		(320.6)	0.0
Total assets	$1,939.2	866.5	592.2	(1,128.0)	2,269.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Short-term debt	161.8	6.2	15.2		183.2
Accounts payable	144.4	43.6	93.7		281.7
Accrued liabilities	126.5	107.5	53.6		287.6
Total current liabilities	432.7	157.3	162.5	--	752.5
Long-term debt	702.2	1.7	310.8		1,014.7
Other liabilities	40.0		21.6		61.6
Intracompany liabilities	308.9		11.7	(320.6)	0.0
Total liabilities	1,483.8	159.0	506.6	(320.6)	1,828.8
Commitments and contingencies					
Shareholders' equity:					
Investment from parent		489.1	59.8	(548.9)	--
Common shares, no par value per share, $.01 stated value per share	0.3				0.3
Capital in excess of par value	388.1				388.1
Retained earnings	156.3	218.6	39.9	(258.5)	156.3
Treasury stock, 3.4 shares at cost	(85.1)				(85.1)
Accumulated other comprehensive expense	(4.2)	(0.2)	(14.1)		(18.5)
Total shareholders' equity	455.4	707.5	85.6	(807.4)	441.1
Total liabilities and shareholders' equity	$1,939.2	$ 866.5	$ 592.2	$ (1,128.0)	$ 2,269.9

STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales	$ 328.2	$ 169.9	$ 133.4		$ 631.5
Cost of sales	186.0	104.3	72.3		362.6
Gross profit	142.2	65.6	61.1	--	268.9
Gross commission earned from agency agreement	12.6				12.6
Costs associated with agency agreement	0.4				0.4
Net commission	12.2	--	--	--	12.2
Operating Expenses:					
Advertising and promotion	52.7	15.8	17.5		86.0
Selling, general and administrative	42.0	7.1	23.4		72.5
Amortization of goodwill and other intangibles	1.1	2.3	1.5		4.9
Equity income	(23.2)			23.2	-
Intracompany allocations	(14.2)	13.9	0.3		-
Other (income) expenses, net	2.1	(1.2)	(0.5)		0.4
Income (loss) from operations	93.9	27.7	18.9	(23.2)	117.3
Interest expense	17.8		6.8		24.6
Income (loss) before income taxes	76.1	27.7	12.1	(23.2)	92.7
Income taxes	21.4	11.7	4.9		38.0
Net income (loss)	$ 54.7	$ 16.0	$ 7.2	$ (23.2)	$ 54.7

FOR THE SIX MONTHS ENDED APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
Net Sales	$ 383.8	$ 217.7	$ 214.4		$ 815.9
Cost of sales	225.8	139.4	117.1		482.3
Gross profit	158.0	78.3	97.3	--	333.6
Gross commission earned from agency agreement	17.6				17.6
Costs associated with agency agreement	0.8				0.8
Net commission	16.8	--	--	--	16.8
Operating Expenses:					
Advertising and promotion	58.3	19.2	25.2		102.7
Selling, general and administrative	71.4	12.1	42.9		126.4
Amortization of goodwill and other intangibles	1.3	4.5	3.6		9.4
Restructuring and other charges	1.4	-			1.4
Equity income	(23.3)	-		23.3	--
Intracompany allocations	(21.4)	20.3	1.1		--
Other (income) expenses, net	3.5	(2.7)	(0.5)		0.3
Income (loss) from operations	83.6	24.9	25.0	(23.3)	110.2
Interest expense	24.3	0.1	10.0		34.4
Income (loss) before income taxes	59.3	24.8	15.0	(23.3)	75.8
Income taxes	14.6	10.4	6.1		31.1
Income (loss) before extraordinary item	44.7	14.4	8.9	(23.3)	44.7
Extraordinary loss on early extinguishment of debt, net of income tax	5.8				5.8
Net income (loss)	$ 38.9	$ 14.4	$ 8.9	$ (23.3)	$ 38.9

STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income	$ 38.9	$ 14.4	$ 8.9	$ (23.3)	$ 38.9
Adjustments to reconcile net income to net cash used in operating activities:					
Depreciation and amortization	9.1	8.8	7.1		25.0
Equity income	(23.3)			23.3	
Net change in certain components of working capital	(218.3)	36.6	(122.2)		(303.9)
Net changes in other assets and liabilities and other adjustments	(22.6)	(3.7)	6.2		(20.1)
Net cash used in operating activities	(216.2)	56.1	(100.0)	--	(260.1)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in property, plant and equipment	(22.7)	(2.0)	(1.9)		(26.6)
Investments in acquired businesses, net of cash acquired	(337.8)	(3.5)	(151.1)		(492.4)
Other, net	(7.0)	1.6	(1.0)		(6.4)
Net cash used in investing activities	(367.5)	(3.9)	(154.0)	--	(525.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net borrowings under revolving and bank lines of credit	379.3	(0.7)	(50.8)		327.8
Gross borrowings under term loans	260.0		265.0		525.0
Repayment of outstanding balance on previous credit facility	(241.0)				(241.0)
Issuance of 8 5/8% Senior Subordinated Notes	330.0				330.0
Extinguishment of 9 7/8% Senior Subordinated Notes	(104.1)				(104.1)
Dividends on Class A Convertible Preferred Stock	(7.3)				(7.3)
Intracompany financing	10.9	(51.0)	40.1		
Other, net	(36.1)				(36.1)
Net cash provided by financing activities	591.7	(51.7)	254.3	--	794.3
Effect of exchange rate changes on cash	0.0	0.0	(0.5)	0.0	(0.5)
Net increase (decrease) in cash	8.0	0.5	(0.2)	--	8.3
Cash and cash equivalents, beginning of period	4.9	(2.1)	7.8	--	10.6
Cash and cash equivalents, end of period	$ 12.9	$ (1.6)	$ 7.6	$ --	$ 18.9

BALANCE SHEET

AS OF APRIL 3, 1999 (IN MILLIONS)
(UNAUDITED)

	PARENT	SUBSIDIARY GUARANTORS	NON-GUARANTORS	ELIMINATIONS	CONSOLIDATED
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 12.9	$ (1.6)	$ 7.6		$ 18.9
Accounts receivable, net	403.7	4.9	181.0		589.6
Inventories, net	186.3	72.4	75.9		334.6
Current deferred tax asset	22.3				22.3
Prepaid and other assets	34.8	5.0	12.8		52.6
Total current assets	660.0	80.7	277.3	--	1,018.0
Property, plant and equipment, net	140.9	61.6	38.3		240.8
Intangible assets, net	220.9	273.5	292.5		786.9
Other assets	56.0	2.6	1.6		60.2
Investment in affiliates	749.7			(749.7)	0.0
Intracompany assets		322.1		(322.1)	0.0
Total assets	1,827.5	740.5	609.7	(1,071.8)	2,105.9
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Short-term debt	189.8	0.4	23.7		213.9
Accounts payable	109.9	18.2	50.1		178.2
Accrued liabilities	97.9	69.1	53.8		220.8
Total current liabilities	397.6	87.7	127.6	--	612.9
Long-term debt	650.8	2.5	349.7		1,003.0
Other liabilities	31.1	6.2	21.0		58.3
Intracompany liabilities	308.1		14.0	(322.1)	0.0
Total liabilities	1,387.6	96.4	512.3	(322.1)	1,674.2
Commitments and contingencies					
Shareholders' equity:					
Class A Convertible Preferred Stock, no par value	177.3	489.1			177.3
Investment from parent			57.4	(546.5)	0.0
Common shares, no par value per share, $.01 stated value per share	0.2				0.2
Capital in excess of par value	208.9				208.9
Retained earnings	110.6	155.0	48.2	(203.2)	110.6
Treasury stock, 2.8 shares at cost	(56.9)				(56.9)
Accumulated other comprehensive expense	(0.2)		(8.2)		(8.4)
Total shareholders' equity	439.9	644.1	97.4	(749.7)	431.7
Total liabilities and shareholders' equity	$ 1,827.5	$ 740.5	$ 609.7	$ (1,071.8)	$ 2,105.9

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

(ALL AMOUNTS ARE IN MILLIONS EXCEPT PER SHARE DATA OR AS OTHERWISE NOTED)

Overview

Scotts is a leading manufacturer and marketer of consumer branded products for lawn and garden care, professional turf care and professional horticulture businesses in the United States and Europe. Our operations are divided into three business segments: North American Consumer, Professional and International. The North American Consumer segment includes the Lawns, Gardens, Growing Media and Ortho 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 product through the retail distribution channels. During the first six months of fiscal 2000, we spent $121.9 million on advertising and promotional activities, which is a significant increase over fiscal 1999 spending levels. 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 increased marketing expenditures. For example, sales in our Consumer Lawns business group increased 16.7% for the first six months of fiscal 2000 compared to the same period in fiscal 1999. We believe that this dramatic sales growth resulted primarily from our increased consumer-oriented marketing efforts. We expect that we will continue to focus our marketing efforts toward the consumer and to increase consumer marketing expenditures in the future to drive market share and sales growth.

Scotts' sales are seasonal in nature and 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 recent acquisitions diversify both our product line risk and geographic risk to weather conditions.

On September 30, 1998, Scotts entered into a long-term marketing agreement with Monsanto for its consumer Roundup(R) herbicide products. Under the marketing agreement, Scotts and Monsanto will jointly develop global consumer and trade marketing programs for Roundup(R), and Scotts has assumed responsibility for sales support, merchandising, distribution, logistics and certain administrative functions. In addition, in January 1999 Scotts purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business, for $300 million plus an amount for normalized working capital. These transactions with Monsanto will further our strategic objective of significantly enhancing our position in the pesticides segment of the consumer lawn and garden category. These businesses make up the Ortho business group within the North American Consumer segment.

We believe that these transactions provide us with several strategic benefits including immediate market penetration, geographic expansion, brand leveraging opportunities, and the achievement of substantial cost savings. With the Ortho acquisition, we are currently a leader by market share in all five segments of the U.S. consumer lawn and garden category: lawn fertilizer, garden fertilizer, growing media, grass seeds and pesticides. We believe that we are now positioned as the only national company with a complete offering of consumer products.

The addition of strong pesticide brands completes our product portfolio of powerful branded consumer lawn and garden products that should provide Scotts with brand leveraging opportunities for revenue growth. For example, our strengthened market position should create category management opportunities to enhance shelf positioning, consumer communication, trade incentives and trade programs. In addition, significant synergies have been and should continue to be realized from the combined businesses, including reductions in general and administrative, sales, distribution, purchasing, research and development and corporate overhead costs. We have redirected, and expect to continue to redirect, a portion of these cost savings into increased consumer marketing spending in support of the Ortho(R) brand.

Over the past few years, we have made several other acquisitions to strengthen our global market position in the lawn and garden category. In October 1998, we purchased Rhone-Poulenc Jardin, a leading European lawn and garden business, for approximately $147.0 million. This acquisition provides a significant addition to our existing European platform and strengthens our foothold in the continental European consumer lawn and garden market. Through this acquisition, we have established a strong presence in France, Germany, Austria, and the Benelux countries. This acquisition may also mitigate, to a certain extent, our susceptibility to weather conditions by expanding the regions in which we operate.

In December 1998, we acquired Asef Holding B.V., a privately-held Netherlands-based lawn and garden products company. In February 1998, we acquired EarthGro, Inc., a Northeastern U.S. growing media producer. In December 1997, we acquired Levington Group Limited, a leading producer of consumer and professional lawn fertilizer and growing media in the United Kingdom. In January 1997, we acquired the approximate two-thirds interest in Miracle Holdings Limited which we did not already own. Miracle Holdings owns Miracle Garden Care Limited, a manufacturer and distributor of lawn and garden products in the United Kingdom. These acquisitions are consistent with our stated objective of becoming the world's foremost branded lawn and garden company.

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, 1999 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.

RESULTS OF OPERATIONS

The following table sets forth sales by business segment for the three and six months ended April 1, 2000 and April 3, 1999:

	For the Three Months Ended		For the Six Months Ended	
	April 1, 2000	April 3, 1999	April 1, 2000	April 3, 1999
North American Consumer:				
Lawns	$ 282.6	$ 244.1	$ 330.5	$ 283.2
Gardens	69.5	61.3	83.7	74.5
Growing Media	98.4	79.3	118.2	99.4
Ortho	84.4	63.8	102.6	63.8
Canada	13.8	10.4	15.3	10.8
Total	548.7	458.9	650.3	531.7
Professional	41.5	40.9	65.2	73.4
International	130.5	131.7	196.8	210.8
Consolidated	$ 720.7	$ 631.5	$ 912.3	$ 815.9

The following table sets forth the components of income and expense as a percentage of sales for the three and six months ended April 1, 2000 and April 3, 1999:

	For the Three Months Ended April 1, 2000	For the Three Months Ended April 3, 1999	For the Six Months Ended April 1, 2000	For the Six Months Ended April 3, 1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	56.6	57.4	57.6	59.1
Gross profit	43.4	42.6	42.4	40.9
Gross commission earned from agency agreement	1.3	2.0	1.0	2.2
Contribution expenses under agency agreement	0.3	--	0.6	
Net commission	1.0	2.0	0.4	2.2
Operating expenses:				
Advertising and promotion	13.6	13.6	13.4	12.6
Selling, general and administrative	11.7	11.5	16.7	15.5
Amortization of goodwill and other intangibles	1.1	0.8	1.5	1.3
Restructuring and other charges	--	--	--	0.2
Other expense (income), net	(0.3)	0.1	(0.2)	0.0
Income from operations	18.3	18.6	11.4	13.5
Interest expense	3.6	3.9	5.4	4.2
Income before income taxes	14.7	14.7	6.0	9.3
Income taxes	5.9	6.0	2.4	3.8
Net income before extraordinary item	8.8	8.7	3.6	5.5
Extraordinary item, net of tax	0.0	0.9	--	0.7
Net income	8.8	7.8	3.6	4.8
Payments to preferred shareholders	0.0	0.4	0.7	0.6
Income available to common shareholders	8.8%	7.4%	2.9%	4.2%

THREE MONTHS ENDED APRIL 1, 2000 VERSUS THREE MONTHS ENDED APRIL 3, 1999

Sales for the second quarter ended April 1, 2000 were $720.7 million, an increase of 14.1% over the second quarter ended April 3, 1999 of $631.5 million. On a pro forma basis, assuming that the Ortho acquisition had occurred on October 1, 1998, sales for the second quarter of fiscal 2000 were 11.8% higher than pro forma sales for the second quarter of fiscal 1999 of $644.6 million. The increase in pro forma sales was driven primarily by increases in sales in the North American Consumer segment.

North American Consumer segment sales were $548.7 million in the second quarter of fiscal 2000, an increase of $89.8 million, or 19.6%, over sales for the second quarter of fiscal 1999 of $458.9 million. Sales in the Consumer Lawns business group within this segment increased $38.5 million, or 15.8%, from fiscal 1999 to fiscal 2000, primarily due to continuing category growth being driven by successful pull marketing strategies. Sales in the Consumer Gardens business group increased $8.2 million, or 13.4%, from the second quarter of fiscal 1999 to fiscal 2000, primarily due to strong volume in the specialty fertilizers and feeders product lines, as well as the introduction of new products such as Weed Prevent(R) introduced in fiscal 2000. Sales in the Consumer Growing Media business group increased $19.1 million, or 24.1%, from the second quarter of fiscal 1999, primarily due to increased demand for value-added products such as Miracle-Gro Potting Soils(R). On a proforma basis, sales in the Ortho business group increased 9.8% from the second quarter of fiscal 1999, reflecting improved volume at certain large retailers and increased investment in media advertising. Selling price changes did not have a material impact in the North American Consumer segment in the second quarter of fiscal 2000.

Professional segment sales of $41.5 million in the second quarter of fiscal 2000 were slightly higher than the second quarter of fiscal 1999 sales of $40.9 million. The slight increase is due to improvement in sales of Horticulture products within this segment, offset by a decrease in sales for the Professional Turf group primarily due to lower sales of ProTurf(R) products. In the second quarter of fiscal 1999, we changed from selling direct to customers to selling through distributors. The timing of this change and continuing performance issues with one of our largest ProTurf(R) distributors caused sales to decrease when compared to the prior year.

International segment sales of $130.5 million in the second quarter of fiscal 2000 were slightly lower than sales for the second quarter of fiscal 1999 of $131.7 million. Excluding a $10.9 million adverse impact of changes in exchange rates, sales for the International segment increased 7.4% compared to the prior year period. The increase is primarily due to improved results in the segment's continental European consumer businesses, driven by increased consumer marketing spending.

Gross profit increased to $313.1 million in the second quarter of fiscal 2000, an increase of 16.4% over fiscal 1999 gross profit of $268.9 million. As a percentage of sales, gross profit was 43.4% of sales for fiscal 2000 compared to 42.6% of sales for the second quarter of fiscal 1999. This increase in profitability on sales was driven by a successful shift to direct distribution, higher production levels and improved efficiencies in the Company's production plants, and a shift in sales mix toward higher margin products, particularly within the Consumer Lawns and Consumer Growing Media business groups.

The "commission earned from agency agreement" in the second quarter of fiscal 2000 represents gross commission of $9.0 million, compared to $12.6 million in the second quarter of fiscal 1999. In the prior year, we recorded commission based on our estimated pro-rata share of Roundup(R) EBIT for the second quarter. In fiscal 2000, in accordance with revenue recognition guidance recently put forward by the SEC, we did not record commission under the Roundup(R) agency agreement until minimum EBIT thresholds as required by the agreement were achieved. We do not expect that this policy will have any effect on the recognition of commission on a full-year basis. Contribution costs of $2.1 million recorded in the second quarter of fiscal 2000 represent amortization of $0.8 million related to amortization of the marketing fee paid to Monsanto and $1.3 million related to the fiscal 2000 contribution payment due to Monsanto as required by the marketing agreement.

We have restated our financial statements as of and for the three months ended April 1, 2000. In connection with the Agency and Marketing Agreement with Monsanto for consumer Roundup products, we were required to pay a marketing fee of $32 million. The earnings originally reported for the three months ended April 1, 2000 reflected amortization of the marketing fee over a period of 20 years. However, we believe that it is unlikely that this agreement will continue beyond ten years. Accordingly, the financial statements as of and for the three months ended April 1, 2000 have been restated to correct for the error in the amortization period and now reflect amortization of the marketing fee over a period of ten years. A more detailed discussion of the restatement and the Roundup agreement is presented in Notes 2 and 3 to the quarterly financial statements.

Advertising and promotion expenses for the second quarter of fiscal 2000 were $98.2 million, an increase of $12.2 million, or 14.2% over fiscal 1999 advertising and promotion expenses of $86.0 million. This increase was primarily due to support of the increase in sales within the North American Consumer segment and investments in advertising and promotion to drive future sales growth in the International segment.

Selling, general and administrative expenses in the second quarter of fiscal 2000 were $84.4 million, an increase of $11.9 million, or 16.4% over similar expenses in the second quarter of fiscal 1999 of $72.5 million. As a percentage of sales, selling, general and administrative expenses were 11.7% for the second quarter of fiscal 2000 compared to 11.5% for fiscal 1999. The increase in selling, general and administrative expenses was primarily related to increased infrastructure expenses within the North American Consumer segment and increased legal costs associated with the legal proceedings described in Note 10 to the condensed consolidated financial statements.

Amortization of goodwill and other intangibles increased to $7.4 million in the second quarter of fiscal 2000, compared to $4.9 million in the prior year, due to additional goodwill and other intangibles resulting from revised estimates of the excess purchase price for the Ortho acquisition.

Other income for the second quarter of fiscal 2000 was $2.5 million compared to other expense of $0.4 million in the prior year. The improvement in income was primarily due to increases in royalty income compared to the prior year stemming from additional royalty arrangements in fiscal 2000.

Income from operations for the second quarter of fiscal 2000 was $132.5 million compared to $117.3 million for the second quarter of fiscal 1999. The increase was primarily due to the favorable sales and margin factors described above, partially offset by a reduction in Roundup(R) commission as discussed above.

Interest expense for the second quarter of fiscal 2000 was $25.9 million, an increase of $1.3 million over fiscal 1999 interest expense of $24.6 million. The slight increase in interest expense was due to increased borrowings to fund the Ortho acquisition offset by reductions in working capital, and an increase in average borrowing rates under our credit facility.

Income tax expense was $43.2 million for fiscal 2000 compared to a $38.0 million in the prior year due to increases in income recognized in the second quarter of fiscal 2000. The Company's effective tax rate did not change significantly from fiscal 2000 to fiscal 1999.

In conjunction with the Ortho acquisition, in January 1999 Scotts completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our bank facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the then outstanding $100 million 9 7/8% Senior Subordinated Notes due August 2004. Scotts recorded an extraordinary loss on the extinguishment of the 9 7/8% notes of $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.

Scotts reported net income of $63.4 million for the second quarter of fiscal 2000 (as restated), or $2.15 per common share on a diluted basis, compared to net income of $49.3 million for fiscal 1999, or $1.81 per common share on a diluted basis before the impact of extraordinary items.

SIX MONTHS ENDED APRIL 1, 2000 VERSUS SIX MONTHS ENDED APRIL 3, 1999

Net sales for the six months ended April 1, 2000 were $912.3 million, an increase of 11.8% over the six months ended April 3, 1999 of $815.9 million. On a pro forma basis, assuming that the Ortho acquisition had occurred on October 1, 1998, sales for the six months of fiscal 2000 were 7.5% higher than pro forma sales for the six months of fiscal 1999 of $848.9 million. The increase in pro forma sales was driven primarily by increases in sales in the North American Consumer segment, partially offset by decreases in the Professional and International segments as discussed below.

North American Consumer segment sales were $650.3 million for the six months of fiscal 2000, an increase of $118.6 million, or 22.3%, over sales for the six months of fiscal 1999 of $531.7 million. Sales in the Consumer Lawns business group within this segment increased $47.3 million, or 16.7%, from fiscal 1999 to fiscal 2000, primarily due to continuing category growth being driven by successful pull marketing strategies. Sales in the Consumer Gardens business group increased $9.2 million, or 12.4%, from the six months of fiscal 1999 to fiscal 2000, primarily due to strong volume in the specialty fertilizers and feeders product lines, as well as the introduction of new products such as Weed Prevent(R) introduced in fiscal 2000. Sales in the Consumer Growing Media business group increased $18.8 million, or 18.9%, from the six months of fiscal 1999, primarily due to increased demand for value-added products such as Miracle-Gro Potting Soils(R). On a proforma basis, sales in the Ortho business group increased 6.0% from the six months of fiscal 1999, reflecting improved volume at certain large retailers and increased investment in media advertising. Selling price changes did not have a material impact in the North American Consumer segment in the six months of fiscal 2000.

Professional segment sales of $65.2 million in the six months of fiscal 2000 were $8.2 million lower than the six months of fiscal 1999 sales of $73.4 million. The decrease in sales for the Professional segment was primarily due to lower sales of ProTurf(R) products. In the second quarter of fiscal 1999, we changed from selling direct to customers to selling through distributors. The timing of this change and continuing performance issues with one of our largest ProTurf(R) distributors caused sales to decrease when compared to the prior year. Sales of horticulture products within this segment were slightly improved in comparison to the prior year period.

International segment sales of $196.8 million in the six months of fiscal 2000 were $14.0 million lower than sales for the six months of fiscal 1999 of $210.8 million. Excluding a $17.0 million adverse impact of changes in exchange rates, sales for the International segment increased slightly compared to the prior year period. The slight increase is primarily due to improved results in the segment's continental European consumer businesses, partially offset by decreases in the segment's U.K. consumer business. The results for the consumer U.K. business reflect a change in distribution methods that shift certain sales from the first and second quarters to the second and third quarters.

Gross profit increased to $387.0 million in the six months of fiscal 2000, an increase of 16.0% over fiscal 1999 gross profit of $333.6 million. As a percentage of sales, gross profit was 42.4% of sales for fiscal 2000 compared to 40.9% of sales for the six months of fiscal 1999. This increase in profitability on sales was driven by a successful shift to direct distribution, higher production levels and improved efficiencies in the Company's production plants, and a shift in sales mix toward higher margin products, particularly within the Consumer Lawns and Consumer Growing Media business groups.

The "commission earned from agency agreement" in the six months of fiscal 2000 represents gross commission of $9.2 million, compared to $17.6 million in the six months of fiscal 1999. In the prior year, we recorded commission based on our estimated pro-rata share of Roundup(R) EBIT for the six months. In fiscal 2000, in accordance with revenue recognition guidance recently put forward by the SEC, we did not record commission under the Roundup(R) agency agreement until minimum EBIT thresholds as required by the agreement were achieved. The decrease in commission is primarily due to a reduction in trade inventory levels as compared to the prior year. We do not expect that this policy will have any effect on the recognition of commission on a full-year basis. Costs associated with the agency agreement of $5.7 million recorded in the six months of fiscal 2000 represent amortization of $3.2 million related to amortization of the marketing fee paid to Monsanto and $2.5 million related to the fiscal 2000 contribution payment due to Monsanto as required by the marketing agreement.

We have restated our financial statements as of and for the six months ended April 1, 2000. In connection with the Agency and Marketing Agreement with Monsanto for consumer Roundup products, we were required to pay a marketing fee of $32 million. The earnings originally reported for the six months ended April 1, 2000 reflected amortization of the marketing fee over a period of 20 years. However, we believe that it is unlikely that this agreement will continue beyond ten years. Accordingly, the financial statements as of and for the six months ended April 1, 2000 have been restated to correct for the error in the amortization period and now reflect amortization of the marketing fee over a period of ten years. A more detailed discussion of the restatement and the Roundup agreement is presented in Notes 2 and 3 to the quarterly financial statements.

Advertising and promotion expenses for the six months of fiscal 2000 were $121.9 million, an increase of $19.2 million, or 18.7%, over fiscal 1999 advertising and promotion expenses of $102.7 million. This increase was primarily due to advertising and promotion expenses for the Ortho business, support of the increase in sales within the North American Consumer segment and investments in advertising and promotion to drive future sales growth in the International segment.

Selling, general and administrative expenses in the six months of fiscal 2000 were $153.1 million, an increase of $26.7 million, or 21.1%, over similar expenses in the six months of fiscal 1999 of $126.4 million. As a percentage of sales, selling, general and administrative expenses were 16.7% for the six months of fiscal 2000 compared to 15.5% for fiscal 1999. The increase in selling, general and administrative expenses was primarily related to additional selling and administrative costs needed to support the increased sales levels in the Consumer Lawns business group, infrastructure expenses within the International segment, and selling, general and administrative expenses for the Ortho business group which were not incurred in the first quarter of fiscal 1999 due to the timing of the acquisition in January 1999.

Amortization of goodwill and other intangibles increased to $13.0 million in the six months of fiscal 2000, compared to $9.4 million in the prior year, due to additional intangibles resulting from the Ortho acquisition.

Restructuring and other charges were $1.4 million in the six months of fiscal 1999. These charges represent severance costs associated with the reorganization of North American Professional Business Group to strengthen distribution and technical sales support, integrate brand management across market segments and reduce annual operating expenses. To date, substantially all payments have been made.

Other income for the six months of fiscal 2000 was $1.9 million compared to other expense of $0.3 million in the prior year. The increase in income was primarily due to increases in royalty income compared to the prior year stemming from additional royalty arrangements in fiscal 2000.

Income from operations for the six months of fiscal 2000 was $104.4 million compared to $110.2 million for the six months of fiscal 1999. The decrease was primarily due to a reduction in Roundup(R) commission as discussed above, partially offset by the improved sales and margins described above.

Interest expense for the six months of fiscal 2000 was $49.6 million, an increase of $15.2 million over fiscal 1999 interest expense of $34.4 million. The increase in interest expense was due to increased borrowings to fund the Ortho acquisition and an increase in average borrowing rates under our credit facility, partially offset by reduced working capital requirements.

Income tax expense was $22.2 million for fiscal 2000 compared to a $31.1 million in the prior year due to reduced income recognized in the six months of fiscal 2000. The Company's effective tax rate did not change significantly from fiscal 2000 to fiscal 1999.

In conjunction with the Ortho acquisition, in January 1999 Scotts completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our credit facility, were used to fund the Ortho acquisition and repurchase the then outstanding $100 million 9 7/8% Senior Subordinated Notes due August 2004. Scotts recorded an extraordinary loss on the extinguishment of the 9 7/8% notes of $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.

Scotts reported net income of $32.6 million for the six months of fiscal 2000 (as restated), or $0.88 per common share on a diluted basis, compared to net income of $38.9 million for fiscal 1999, or $1.48 per common share on a diluted basis before the impact of extraordinary items. The diluted earnings per share for the six months of fiscal 2000 is net of a one-time reduction of $0.21 per share resulting from the early conversion of preferred stock in October 1999.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities totaled $214.3 million for the six months ended April 1, 2000 compared to a use of $260.1 million for the six months ended April 3, 1999. The seasonal nature of our operations generally requires cash to fund significant increases in working capital (primarily inventory and accounts receivable) during the first and second quarters. The third fiscal quarter is a period for collecting accounts receivable and liquidating inventory levels. The decrease in cash used in operating activities for the six months of fiscal 2000 compared to the prior year is attributable to a significant decrease in the amount of working capital used during the period as well as the payment of Roundup(R) marketing fees made in the first quarter of fiscal 1999.

Cash used in investing activities was $19.1 million for the six months of fiscal 2000 compared to $525.4 million in the prior year. In the first quarter of fiscal 1999, we purchased the Rhone-Poulenc Jardin and Asef businesses for approximately $170 million (excluding consideration for rights acquired under an access rights agreement with Rhone-Poulenc Jardin). In the second quarter of fiscal 1999, we purchased from Monsanto the assets of its worldwide consumer lawn and garden businesses, exclusive of the Roundup(R) business, for $300 million plus an amount for normalized working capital. Additionally, capital investments decreased by $6.5 million to $20.1 million in the six months of fiscal 2000 compared to $26.6 million in the six months of fiscal 1999.

Financing activities generated cash of $234.4 million for the six months ended April 1, 2000 compared to $794.3 million in the prior year. In the first quarter of fiscal 1999, Scotts borrowed funds under its credit facility in order to purchase the Rhne-Poulenc Jardin and Asef businesses, to pay marketing fees associated with the Roundup(R) agency agreement, to pay financing fees associated with the new credit facility and to settle the then outstanding interest rate locks (as described below). In the second quarter of fiscal 1999, Scotts completed an offering of $330 million of 8 5/8% Senior Subordinated Notes due 2009. The net proceeds from this offering, together with borrowings under our credit facility, were used to fund the Ortho acquisition and repurchase approximately 97% of the then outstanding $100 million 9 7/8% Senior Subordinated Notes due August 2004.

Total debt was $1,197.9 million as of April 1, 2000, an increase of $247.9 million compared with debt at September 30, 1999 and a decrease of $19.0 compared with debt levels at April 3, 1999. The decrease in debt compared to April 3, 1999 was primarily due to the reduction in working capital levels as described above.

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 $1.025 billion and consists of term loan facilities in the aggregate amount of $525 million and a revolving credit facility in the amount of $500 million.

We funded the acquisition of the Rhone-Poulenc Jardin and Asef businesses with borrowings under our credit facility. Additional borrowings under the credit facility, along with proceeds from the January 1999 offering of $330 million of 10-year 8 5/8% Senior Subordinated Notes due 2009, were used to fund the Ortho acquisition and to repurchase approximately 97% of Scotts' then outstanding $100.0 million 9 7/8% Senior Subordinated Notes.

Coincidental with the notes offering, Scotts settled its then outstanding interest rate lock for approximately $3.6 million. We entered into two interest rate locks in fiscal 1998 to hedge the anticipated interest rate exposure on the $330 million note offering. In October 1998, we terminated one of the interest rate locks for $9.3 million and entered into a new interest rate lock instrument. The total amount paid under the interest rate locks of $12.9 million has been deferred and is being amortized over the life of the notes.

In July 1998, our Board of Directors authorized the repurchase of up to $100 million of our common shares on the open market or in privately negotiated transactions on or prior to September 30, 2001. As of April 1, 2000, 1,106,295 common shares (or $40.6 million) have been repurchased under this repurchase program limit. The timing and amount of any purchases under the repurchase program will be at our discretion and will depend upon market conditions and our operating performance and liquidity.

Any repurchase will also be subject to the covenants contained in our credit facility as well as our other debt instruments. The repurchased shares will be held in treasury and will thereafter be used for the exercise of employee stock options and for other valid corporate purposes. We anticipate that any repurchases will be made in the open market or in privately negotiated transactions, and that Hagedorn Partnership, L.P. will sell its pro rata share (approximately 42%) of such repurchased shares in the open market.

The Company was in violation of the minimum net worth covenant measured as of January 1, 2000. The violation was reported to the administrative agent on February 11, 2000, as required by the credit facility. On February 15, 2000, the Company obtained a waiver of this covenant violation from its bank group for the first quarter violation only. The Company was in compliance with all its debt covenants as of April 1, 2000.

In our opinion, cash flows from operations and capital resources will be sufficient to meet debt service and working capital needs during fiscal 2000, and thereafter for the foreseeable future. However, we cannot ensure that our business groups will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or at all, 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 environmental related legal actions with various governmental agencies. 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 10 to the Company's unaudited Condensed, Consolidated Financial Statements as of and for the three and six months ended April 1, 2000 and in the 1999 Annual Report on Form 10-K under "ITEM 1. BUSINESS - -- ENVIRONMENTAL AND REGULATORY CONSIDERATIONS" and "ITEM 3. LEGAL PROCEEDINGS" sections.

YEAR 2000 READINESS

In order to address issues surrounding the potential inability of our computer software applications and other business systems to properly identify the Year 2000, we established a readiness program to assess the extent and impact of potential business interruptions and other risks. The readiness program included a review of all significant information technology systems within the Company, as well as significant non-information technology business systems including machinery and equipment operating control systems, telecommunications systems, building air management systems, security and fire control systems and electrical and natural gas systems. Remediation, upgrade or replacement of the affected systems was made as necessary.

The readiness program also included evaluation of the year 2000 readiness of significant third-party suppliers through confirmation and follow-up procedures, including selected site assessments, where necessary.

Excluding the cost of internally dedicated resources, we incurred approximately $5.5 million to address potential year 2000 risks. These costs, with the exception of relatively small capital expenditures, were expensed as incurred and were funded through operating cash flows or from borrowings under our credit facility. We do not expect to incur any significant additional costs related to the year 2000 issue.

Through April 2000, we have not experienced any significant issues related to the ability of our information technology and business systems to recognize the year 2000. In addition, we have not experienced any significant supply difficulties related to our vendors' year 2000 readiness. While we believe that we have taken adequate precautions against year 2000 systems issues, there can be no assurance that we will not encounter business interruption or other issues related to the year 2000 in the future.

ENTERPRISE RESOURCE PLANNING ("ERP")

In July 1998, we announced a project designed to bring our information system resources in line with our current strategic objectives. The project includes the redesign of certain key business processes in connection with the installation of new software on a world-wide basis over the course of the next several fiscal years. We estimate that the project will cost approximately $65 million, of which we expect 75% will be capitalized and depreciated over a period of four to eight years. SAP has been selected as the primary software provider for this project.

EURO

A new currency called the "Euro" has been introduced in certain Economic and Monetary Union countries. During 2002, all EMU countries are expected to be operating with the Euro as their single currency. Uncertainty exists as to the effects the Euro currency will have on the marketplace. We are assessing the impact the EMU formation and Euro implementation will have on our internal systems and the sale of our products. We expect to take appropriate actions based on the results of this assessment. We have not yet determined the cost related to addressing this issue and there can be no assurance that this issue and its related costs will not have a materially adverse effect on our business, operating results and financial condition.

RECENT DEVELOPMENTS

On March 29, 2000, the Company signed a definitive agreement to sell its North American Professional Turf business. The Company expects the transaction to close in the third quarter of fiscal 2000. The Company will retain the professional horticulture and grass seed segments of its Professional Business Segment.

MANAGEMENT'S OUTLOOK

Results for the first six months of fiscal 2000 are in line with management's expectations and position us to continue our trend of significant sales and earnings growth. We are coming off a very strong fiscal 1999 as we reported record sales of $1.65 billion, achieved market share growth in every one of our major U. S. categories and established a number one market share position in most of the significant lawn and garden categories across the world. The performance in 1999 reflected the successful continuation of our primary growth drivers: to emphasize consumer-oriented marketing efforts to pull demand through distribution channels, and to make strategic acquisitions to increase market share in global markets and within segments of the lawn and garden category.

Looking forward, we maintain the following broad tenets to our strategic plan:

(1) Promote and capitalize on the strengths of the Scotts(R), Miracle-Gro(R), Hyponex(R) and Ortho(R) industry-leading brands, as well as our portfolio of powerful brands in our international markets. This involves a commitment to investors and retail partners that we will support these brands through advertising and promotion unequaled in the lawn and garden consumables market. In the Professional categories, it signifies a commitment to customers to provide value as an integral element in their long-term success;

(2) Commit to continuously study and improve knowledge of the market, the consumer and the competition;

(3) Simplify product lines and business processes, to focus on those that deliver value, evaluate marginal ones and eliminate those that lack future prospects; and

(4) Achieve world leadership in operations, leveraging technology and know-how to deliver outstanding customer service and quality.

As part of our ongoing strategic plans, management has established challenging, but realistic, financial goals, including:

(1) Sales growth of 10% per year;

(2) An aggregate operating margin improvement of 1/2 to 1% per year;

(3) Minimum compounded annual earnings per share growth of 15% to 20%; and

(4) Return on equity of 18%.

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 OUR 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 pesticides sales and therefore our financial results.

- OUR HISTORICAL SEASONALITY COULD IMPAIR OUR ABILITY TO MAKE INTEREST PAYMENTS ON INDEBTEDNESS.

  Because our products are used primarily in the spring and summer, our business is highly seasonal. For the past two fiscal years, approximately 70% to 75% of our sales have occurred in the second and third fiscal quarters combined. Our working capital needs and our borrowings peak during our first 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 cover interest payments due on our indebtedness at a time when we are unable to draw on our credit facility, this seasonality could adversely affect our ability to make interest payments as required by our indebtedness. 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, herbicides and pesticides, bearing one of our brands. On occasion, customers allege that some of these products fail to perform up to expectations or cause 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.

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

  Our substantial indebtedness could:

  - make it more difficult for us to satisfy our obligations;

  - increase our vulnerability to general adverse economic and industry conditions;

  - limit our ability to fund future working capital, capital expenditures, research and development costs and other general corporate requirements;

  - require us to dedicate a substantial portion of cash flow from operations to payments on our indebtedness, which would reduce the cash flow 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; and

- limit our ability to borrow additional funds.

If we fail to comply with any of the financial or other restrictive covenants of our indebtedness, our indebtedness could become due and payable in full prior to its stated due date. We cannot be sure that our lenders would waive a default or that we could pay the indebtedness in full if it were accelerated.

- TO SERVICE OUR INDEBTEDNESS, WE WILL REQUIRE A SIGNIFICANT AMOUNT OF CASH, WHICH WE MAY NOT BE ABLE TO GENERATE.

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 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.

- WE MIGHT NOT BE ABLE TO INTEGRATE OUR RECENT ACQUISITIONS INTO OUR BUSINESS OPERATIONS SUCCESSFULLY.

We have made several substantial acquisitions in the past four years. The acquisition of the Ortho business represents the largest acquisition we have ever made. The success of any completed acquisition depends, and the success of the Ortho acquisition will depend, on our ability to effectively integrate the acquired business. We believe that our recent acquisitions provide us with significant cost saving opportunities. However, if we are not able to successfully integrate Ortho, Rhone-Poulenc Jardin or our other acquired businesses, we will not be able to maximize such cost saving opportunities. Rather, the failure to integrate these acquired businesses, because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors, could materially adversely affect our financial results.

- 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 52% of our fiscal 1999 sales and 41% of our outstanding accounts receivable as of September 30, 1999. Our top three customers, Home Depot, Wal*Mart and Kmart represented approximately 17%, 12% and 9% of our fiscal 1999 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 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.

- 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 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 year fiscal year period; or

- By more than 5% for each of two consecutive fiscal years.

  Monsanto may not terminate the marketing agreement, however, if we can demonstrate that the sales decline was caused by a severe decline of general economic conditions or a severe decline in the lawn and garden market in the region rather than by our failure to perform our duties under the agreement.

- 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), is covered by a patent in the United States that expires in September 2000. Sales in the United States may decline as a result of increased competition after the U.S. patent expires. Any decline in sales would adversely affect our net commission under the marketing agreement for consumer Roundup(R) products and, therefore, our financial results. A sales decline could also trigger Monsanto's regional termination right under the marketing agreement. For fiscal 1999, our commission under the Roundup Marketing Agreement constituted approximately 26% of our income before taxes.

  Our methylene-urea product composition patent, which covers Scotts Turf Builder(R), Scotts Turf Builder(R) with Plus 2(TM) with Weed Control and Scotts Turf Builder(R) with Halts(R) Crabgrass Preventer, is due to expire in July 2001 and 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. For fiscal 1999, sales of products utilizing our methylene-urea product composition patent accounted for approximately 18% of our total sales.

- THE INTERESTS OF THE FORMER MIRACLE-GRO SHAREHOLDERS COULD CONFLICT WITH THOSE OF OUR OTHER SHAREHOLDERS.

  The former shareholders of Stern's Miracle-Gro Products, Inc., through Hagedorn Partnership, L.P., beneficially own approximately 42% of the outstanding common shares of Scotts on a fully diluted basis. The former Miracle-Gro shareholders have sufficient voting power to significantly control the election of directors and the approval of other actions requiring the approval of our shareholders. The interests of the former Miracle-Gro shareholders could conflict with those of our other 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. All products containing pesticides must be registered with the U.S. Environmental Protection Agency and, in many cases, with similar state and/or foreign agencies before they can be sold. The inability to obtain or the cancellation of any registration could have an adverse effect on us. 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. Environmental Protection Agency is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, which are also used on foods, will be evaluated by the U.S. Environmental Protection Agency as part of this non-dietary exposure risk assessment. It is possible that the U.S. Environmental Protection Agency may decide that a pesticide we use in our products, would be limited or made unavailable. We cannot predict the outcome or the severity of the effect of the U.S. Environmental Protection Agency's evaluation. We believe that we should be able to obtain substitute ingredients if selected pesticides are limited or made unavailable, but there can be no assurance that we will be able to do so for all products.

Regulations regarding the use of some pesticide and fertilizer products may include requirements that only certified or professional users apply the product or that the products be used only in specified locations. 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. The use of some ingredients has been banned. 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 its intended use. 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. Since 1990, we have been involved in litigation with the Philadelphia District of the U.S. Army Corps of Engineers involving our peat harvesting operations at Hyponex's Lafayette, New Jersey facility. The Corps of Engineers is seeking a permanent injunction against harvesting and civil penalties in an unspecified amount. While we are unable to predict the outcome of the negotiations on this matter, we have accrued for our estimate of the probable loss. If the ultimate settlement of this proceeding differs significantly from the amount we have accrued, it could material impact our results of operations, financial position or cash flows.

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 gave us formal notice of an enforcement action concerning our old, decommissioned wastewater treatment plants that had once operated at our Marysville facility. The Ohio EPA action alleges surface water violations relating to possible historical sediment contamination, inadequate treatment capabilities at our existing and currently permitted wastewater treatment plants and the need for corrective action under the Resource Conservation Recovery Act. We are continuing to meet with the Ohio EPA and the Ohio Attorney General's office to negotiate an amicable resolution of these issues. We are currently unable to predict the ultimate outcome of this matter.

During fiscal 1999, we made approximately $1.1 million in environmental capital expenditures and $5.9 million in other environmental expenses, compared with approximately $0.7 million in environmental capital expenditures and $3.1 million in other environmental expenses in fiscal 1998. Management anticipates that environmental capital expenditures and other environmental expenses for fiscal 2000 will not differ significantly from those incurred in fiscal 1999. If we are required to significantly increase our actual environmental capital expenditures and other environmental expenses, it could adversely affect our financial results.

- OUR INABILITY, OR THE INABILITY OF OUR SUPPLIERS OR CUSTOMERS, TO RECOGNIZE AND ADDRESS ISSUES RELATED TO THE YEAR 2000 WHICH HAVE YET TO BE ENCOUNTERED, COULD ADVERSELY AFFECT OUR OPERATIONS.

Through April 2000, we have not experienced any significant issues related to the ability of our information technology and business systems to recognize the year 2000. In addition, we have not experienced any significant supply difficulties related to our venders' year 2000 readiness. While we believe that we have taken adequate precautions against year 2000 systems issues, there can be no assurance that we will not encounter business interruption or other issues related to the year 2000 in the future.

- THE IMPLEMENTATION OF THE EURO CURRENCY IN SOME EUROPEAN COUNTRIES BETWEEN 1999 AND 2002 COULD ADVERSELY AFFECT US.

In January 1999, the "Euro" was introduced in some Economic and Monetary Union countries and by 2002, all EMU countries are expected to be operating with the Euro as their single currency. Uncertainty exists as to the effects the Euro currency will have on the marketplace. Additionally, the European Commission has not yet defined and finalized all of the rules and regulations with regard to the Euro currency. We are still assessing the impact the EMU formation and Euro implementation will have on our internal systems and the sale of our products. We expect to take appropriate actions based on the results of our assessment. However, we have not yet determined the cost related to addressing this issue and there can be no assurance that this issue and its related costs will not have a materially adverse effect on us or our operating results and financial condition.

- 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, Ortho and Rhone-Poulenc Jardin and with the marketing agreement for consumer Roundup(R) products. In fiscal 1999, international sales accounted for approximately 24% 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.

The costs related to our international operations could adversely affect our operations and financial results in the future.

- WE COULD EXPERIENCE DIFFICULTIES WITH OUR IMPLEMENTATION OF SAP THAT COULD ADVERSELY AFFECT OUR OPERATIONS.

Our implementation of SAP is in progress and is currently being utilized to provide information to three of our business groups. While the implementation has not created business interruption to this point, there can be no assurance that we will not experience difficulties in the remainder of the implementation process over the next several years.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Footnote 10 to the Condensed, Consolidated Financial Statements.

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

The Annual Meeting of shareholders of the Company (the "Annual Meeting") was held in Columbus, Ohio on February 15, 2000.

The result of the vote of the shareholders for the matter of the election of three directors, for terms of three years each, submitted to the shareholders at the Annual Meeting, is as follows:

NOMINEE	VOTES FOR	WITHHELD
John Kenlon	25,637,513	585,464
John M. Sullivan	25,632,279	590,698
L. Jack Van Fossen	25,633,475	589,502

Each of the nominees was elected. The other directors whose terms of office continue after the Annual Meeting are Joseph P. Flannery, Horace Hagedorn, Albert E. Harris, Patrick J. Norton, Charles M. Berger, James Hagedorn, Karen G. Mills and John Walker, Ph.D.

The result of the vote of the shareholders for the matter of the amendment to the Company's Amended Articles of Incorporation, to increase the authorized number of common shares from 50,000,000 to 100,000,000, is as follows:

VOTES FOR	VOTES AGAINST	ABSTAIN	NOT VOTED
24,245,392	1,954,792	22,793	2,298,029

The proposal to amend the Company's Amended Articles of Incorporation, was adopted.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

(b) The Registrant filed no Current Reports on Form 8-K for the quarter covered by this Report.

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

Dated May 16, 2000

/s/ CHRISTOPHER L. NAGEL

Principal Accounting Officer,
Vice President and Corporate
Controller

THE SCOTTS COMPANY

QUARTERLY REPORT ON FORM 10-Q FOR
FISCAL QUARTER ENDED APRIL 1, 2000

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE NUMBER
3(d)	Certificate of Amendment by Shareholders to Articles of the Registrant as filed with the Ohio Secretary of State on February 25, 2000	*
3(e)	Amended Articles of Incorporation of the Registrant (reflecting amendments through February 25, 2000) [for SEC reporting compliance purposes only -- not filed with the Ohio Secretary of State]	*
4(h)	Waiver No. 2, dated as of February 14, 2000, to the Credit Agreement, dated as of December 4, 1998, as amended by the Waiver, dated as of January 19, 1999, and the Amendment No. 1 and Consent, dated as of October 13, 1999, among the Registrant; OM Scott International Investments Ltd., Miracle Garden Care Limited, Scotts Holdings Limited, Hyponex Corporation, Scotts Miracle-Gro Products, Inc., Scotts-Sierra Horticultural Products Company, Republic Tool & Manufacturing Corp., Scotts-Sierra Investments, Inc., Scotts France Holdings SARL, Scotts Holding GmbH, Scotts Celaflor GmbH & Co. KG, Scotts France SARL, Scotts Asef BVBA (fka Scotts Belgium 2 BVBA), The Scotts Company (UK) Ltd., Scotts Canada Ltd., Scotts Europe B.V., ASEF B.V., Scotts Australia PTY Ltd., and other subsidiaries of the Registrant who are also borrowers from time to time; the lenders party thereto; The Chase Manhattan Bank as Administrative Agent; Salomon Smith Barney, Inc. as Syndication Agent; Credit Lyonnais Chicago Branch and Bank One, Michigan, as successor to NBD Bank, as Co-Documentation Agents; and Chase Securities Inc., as Lead Arranger and Book Manager	*
10(b)	The Scotts Company 1992 Long Term Incentive Plan (as amended through May 15, 2000)	*
10(d)	The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	*
10(l)	Specimen form of Stock Option Agreement for Non-Qualified Stock Options granted to employees under The Scotts Company 1996 Stock Option Plan (as amended through May 15, 2000)	
10(w)	The Scotts Company Millennium Growth Plan (effective October 1, 1999)	*
27	Financial Data Schedule	*

* Previously filed