UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Fiscal Year Ended October 31, 2001.

[ ] 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 1-8649

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

DELAWARE	41-0580470
(State of incorporation)	(I.R.S. Employer Identification Number)

8111 LYNDALE AVENUE SOUTH
BLOOMINGTON, MINNESOTA 55420-1196
TELEPHONE NUMBER: (952) 888-8801

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $1.00 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing price of the Common Stock on January 10, 2002 as reported by the New York Stock Exchange, was approximately $565,050,209.

The number of shares of Common Stock outstanding as of January 10, 2002 was 12,273,028.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held March 14, 2002 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

INTRODUCTION

The company designs, manufactures, and markets professional turf maintenance equipment, turf and agricultural irrigation systems, landscaping equipment, and residential yard products. The company produced its first lawn mower for golf course fairways in 1921 and its first lawn mower for home use in 1939, and has continued to enhance its product lines ever since. The company classifies its operations into three reportable segments, professional, residential, and distribution. A fourth segment called "other" consists of corporate functions and Toro Credit Company, a wholly owned finance subsidiary.

The company emphasizes quality and innovation in its customer service, products, manufacturing, and marketing. The company strives to provide well-built, dependable products supported by an extensive service network. The company's commitment to and funding for engineering costs have contributed to improvement of existing products and new product development efforts. Through these efforts, combined with its acquisition strategy, the company seeks to be responsive to trends that may affect its target markets now and in the future. A significant portion of its revenues in recent years has been attributable to new and enhanced products.

The company was incorporated in Minnesota in 1935 as a successor to a business founded in 1914. It was reincorporated in Delaware in 1983. The company's executive offices are located at 8111 Lyndale Avenue South, Bloomington, Minnesota 55420-1196, telephone number (952) 888-8801. Unless the context indicates otherwise, the terms "company," "Toro," and "we" refer to The Toro Company and its subsidiaries.

PRODUCTS BY MARKET

The company continues to be a leader in transforming advanced technologies into products and services that provide solutions for landscape, turf care maintenance, and residential demands. Following is a summary of Toro's products by market for the professional and residential segments:

PROFESSIONAL - Toro markets professional turf products worldwide through a network of distributors and dealers. Products are then sold to professional users engaged in maintaining and creating landscapes such as golf courses, sports fields, municipal properties, and residential and commercial landscapes. Professional turf maintenance equipment marketed under the Toro(R) brand name is the company's oldest product line, which began in 1921 with tractor-towed mowers for golf courses. Today, the company's expanded product line includes products designed for large turf areas such as golf courses, schools, parks, cemeteries, sports fields, industrial sites, apartments, and townhouse complexes.

Landscape Contractor Market. Products for the landscape contractor market include mid-size walk behind mowers, zero-turning radius riding mowers, and compact utility loaders. These products are sold through distributors, dealers, and rental centers to individuals and companies who maintain and create residential and commercial landscapes on behalf of property owners. The company markets products for landscape contractors under the Toro(R) and Exmark(R) brands. In fiscal 2001, the UltraVac(R) Commercial Collection System, the Turf Tracer(R) HP mower with Enhanced Control System, and Toro(R) brand pistol grip mid-size walk behind mowers were introduced.

Toro's compact utility loader is a cornerstone product for the Toro Sitework Systems business. These products are designed to improve efficiency in the creation of landscapes and include the Dingo(R) TX 400 Series, walk behind track-driven models with three easy-to-use controls. Toro offers over 35 attachments for the compact utility loader, including trenchers, augers, vibratory plows, and backhoes.

In fiscal 2000, the company acquired the operating assets of Sitework Systems, Inc., a nationwide domestic manufacturer's sales representative of the Dingo compact utility loader. In fiscal 2001, Toro began selling these products directly to dealers through the newly acquired sales force.

Grounds Maintenance Market and Other Professional Products. Products for the grounds maintenance market include riding rotary units with cutting decks ranging from 52 inches to 16 feet, aerators, attachments, and debris management products. These products are sold through distributors who then sell to owners and/or superintendents of sports fields, municipal properties, cemeteries, and facilities such as airports and corporate headquarters. Other products include multipurpose vehicles, such as the Workman(R), which can be used for both turf maintenance and industrial hauling. In addition, the acquisition of Goossen

Industries, Inc. (Goossen) expanded the company's line of debris management equipment in fiscal 2001, which includes versatile debris vacuums and blowers.

Residential/Commercial Irrigation Market. Turf irrigation products marketed under the Toro(R) and Irritrol(R) brand names include sprinkler heads, brass and plastic valves, and electric and hydraulic control devices designed to be used in residential and commercial turf irrigation systems. These products are professionally installed in new systems and can also be used to replace or retrofit existing systems. Most of the product line is designed for underground irrigation systems. Electric and hydraulic controllers activate valves and sprinkler heads in a typical irrigation system. In fiscal 2001, the company introduced new sprinkler heads in some key markets. If automation equipment necessary for larger scale manufacturing is available, these new products are expected to be introduced worldwide in fiscal 2002. In fiscal 2001, the company acquired Electronic Industrial Controls, Inc. (EICON), a provider of innovative computer control systems for the irrigation product line.

Golf Course Market. Products for the golf course market include large reel and rotary riding products for fairway, rough and trim cutting; riding and walking mowers for putting greens and specialty areas; turf sprayer equipment, utility vehicles, turf aeration, and sandtrap maintenance equipment for general maintenance. Among many new fiscal 2002 products will be the Groundsmaster 4500-D and 4700-D, two new rotary mowers that feature enhanced power, ground-following, and striping ability. The company also manufactures underground irrigation systems including sprinkler heads and controllers that activate electric, battery-operated, or hydraulic valves. Toro's professional irrigation systems are designed to use computerized management systems and a variety of technologies to help customers reduce water use. In fiscal 2001, Toro introduced the PRISM(TM) (which stands for Pocket PC Remote Irrigation System Manager) that can be used on existing Toro irrigation systems as well as new installations. Toro also introduced the 800S Series of golf sprinklers in fiscal 2001.

Management believes that golf courses will continue to be a significant market for turf maintenance equipment and irrigation systems. However, the rate of new golf course construction has slowed significantly, and management expects little growth in the new golf market for fiscal 2002. However, Toro believes the market for replacement and renovation of existing courses should provide the greatest golf-related market potential. In fiscal 2002, Toro will seek to continue to differentiate itself with new enhanced products to maintain its role as the market leader.

Agricultural Irrigation Market. Products for the agricultural irrigation market include irrigation emission devices that regulate the flow of drip irrigation, including Blue Stripe(TM) polyethylene tubing, Aqua-TraXX(R) irrigation tape, and Drip In(R) drip line, all used in low water volume agricultural applications. These products are sold through dealers who then sell to growers for use primarily in vegetable fields, fruit and nut orchards, and vineyards.

RESIDENTIAL - Toro markets its residential products to homeowners through a variety of distribution channels, including dealers, hardware retailers, home centers, mass retailers, and over the Internet. These products are sold mainly in North America, Europe, Asia, and Australia, with the exception of snow removal products, which are primarily sold in North America and Europe.

Walk Power Mowers. The company has manufactured walk power mowers for residential use since 1939. The company manufactures numerous models under its brand names Toro(R) and Lawn-Boy(R), including both four-cycle and two-cycle gasoline powered engines. Models differ as to cutting width, type of starter mechanism, mulching and bagging attachments, cast aluminum or steel decks, controls, and power sources, and are either self-propelled or push mowers. Some Toro brand lawn mowers are backed by the company's "Guaranteed To Start" program and some Lawn-Boy models are equipped with a two-cycle engine manufactured by the company.

For fiscal 2002, Toro is adopting a new lawn mower product strategy by introducing three moderate price, steel deck, Toro brand walk behind lawn mowers that will be sold exclusively through The Home Depot, Inc. (The Home Depot) and Toro dealers.

Riding Products. The company manufactures riding products under its brand names Toro(R) and Toro(R) Wheel Horse(R). Riding mowers and tractors range from an eight horsepower rear engine rider model with a 25-inch deck to a 23 horsepower diesel engine garden tractor model with a 60-inch deck. Many models are available with a variety of decks and accessories. Recycler(R) cutting decks are available on some models. Models can be equipped with manual or hydrostatic transmissions. In fiscal 2001, Toro introduced the TimeCutter(TM) zero-turning radius riding lawn mower and the Twister(TM), an action-in-frame (twisting) suspension utility vehicle for hauling. Toro also manufactures riding mower products and a consumer utility vehicle plus attachments for third parties under private label agreements.

Home Solutions Products. The company designs and markets electrical products under the Toro(R) brand name. These products include electric and cordless flexible line grass and hedge trimmers, electric blowers, and electric blower vacuums, and are intended to require little or no after-purchase service. In fiscal 2001, the company introduced its newest generation of electric blowers and electric blower vacuums. In fiscal 2002, Toro plans to introduce two new cordless electric trimmers and a new electric blower vacuum.

Retail Irrigation Products. Toro designs and markets retail irrigation products under the Toro(R) and Lawn Genie(R) brand names. In Australia, Toro also designs and markets retail irrigation products under the Pope brand name. These products are designed for homeowner installation and include sprinkler heads, plastic valves, and electronic and mechanical timers. The company also designs and markets landscape drip systems primarily for residential landscapes and gardens. In fiscal 2002, Toro will introduce new electric timers and sprinkler heads under the Toro(R) and Lawn Genie(R) brand names.

Snow Removal Products. The company manufactures and markets a range of electric and gas single-stage and gas two-stage snowthrower models under the Toro(R) and Lawn-Boy(R) brand names. Single-stage snowthrowers, developed by the company and first introduced in 1965, are walk behind units with lightweight two-cycle gasoline engines or electric motors, and most include Power Curve(R) snowthrower technology for general residential use. Two-stage snowthrowers are designed for relatively large areas and use four-cycle engines ranging from six to 13 horsepower. Units with nine horsepower and above can be equipped with Toro's Power Shift(R) snowthrower technology. In early fiscal 2001, Toro introduced the Toro Snow Commander(TM), a hybrid model of single and two-stage snowthrower technology that is self-propelling, providing the operational ease of a single-stage snowthrower with the power of a two-stage unit.

INTERNATIONAL OPERATIONS

The company currently distributes its products worldwide with sales and/or distribution offices in the United States, Canada, Belgium, the United Kingdom, Australia, Singapore, Japan, China, and Italy. New product development is pursued primarily in the United States.

MANUFACTURING AND PRODUCTION

In some areas of its business, Toro is primarily an assembler, while in others it serves as a fully integrated manufacturer. The company has strategically identified specific core manufacturing competencies for vertical integration and has chosen outside vendors to provide other parts. The company designs component parts in cooperation with its vendors, contracts with them for the development of tooling, and then enters into agreements with these vendors to purchase component parts manufactured using the tooling. In addition, the company's vendors regularly test and apply new technologies to the design and production of component parts. Manufacturing operations include robotic and computer-automated equipment to speed production, reduce costs, and improve quality, fit, and finish of every product. Operations are also designed to be flexible enough to accommodate product design changes required to respond to market demand.

In order to utilize manufacturing facilities and technology more effectively, Toro pursues continuous improvements in manufacturing processes. The company has flexible assembly lines that can handle a wide product mix and deliver products when customers require them. Additionally, considerable effort is directed at reducing manufacturing cost through process improvement, product and platform design, advanced technology, enhanced environmental management systems, sku rationalization, and supply-chain management. Toro also pursues opportunities for manufacturing and supplying products to third parties on a competitive basis.

The company's professional products are manufactured throughout the year. The company's residential spring and summer products are generally manufactured in the winter and spring months and its residential fall and winter products are generally manufactured in the summer and fall months. In addition, the company's products are tested in conditions and locations similar to those in which they are used. The company uses computer-aided design and manufacturing systems to shorten the time between initial concept and final production.

Toro's production levels and inventory management goals are based on estimates of demand for the company's products, taking into account production capacity, timing of shipments, and field inventory levels. The company also periodically shuts down production to allow for maintenance, rearrangement, and capital equipment installation at the manufacturing facilities.

A majority of the company's manufacturing facilities are located in the United States, but Toro also has facilities located in Australia, Mexico, and Italy. In fiscal 2001, the company added manufacturing facilities through acquisitions and began expansion of selected existing manufacturing facilities to add capacity. The company also began production of landscape mowing equipment and some residential segment products earlier than normal in fiscal 2001 to accommodate an anticipated increase in demand for fiscal 2002 as a result of introducing new products at The Home Depot. The company plans to continue expanding existing manufacturing facilities in fiscal 2002 and began construction of an additional facility in Juarez, Mexico. Beginning in late calendar 2002, Toro expects to begin production of walk behind lawn mowers in this new facility as part of the company's new moderate price lawn mower strategy. In order to optimally manage manufacturing capacity utilization and reduce product cost, Toro plans to close its Riverside, California and Evansville, Indiana manufacturing facilities during fiscal 2002 and shift production of some products between plants.

SOURCES AND AVAILABILITY OF RAW MATERIALS

Most of the components of the company's products are commercially available from a number of sources. Therefore, the company is generally not dependent on any one supplier, except for engines from Japanese suppliers used in some of the company's professional segment products. Toro has agreed with some of these suppliers to share the impact of exchange rate fluctuations between the U.S. dollar and the Japanese yen on a 50/50 split based on a predetermined range of rates.

In fiscal 2001, Toro experienced no significant or unusual problems in the purchase of raw materials or commodities. The highest value component costs are generally engines, transmissions, electric motors, and resin purchased from several suppliers around the world. In addition, the company manufactures two-cycle engines for some Lawn-Boy brand walk power mowers and some Toro single-stage snowthrower products.

SERVICE AND WARRANTY

Toro products are warranted to the end-user to ensure end-user confidence in design, workmanship, and material quality. Warranty lengths vary depending on whether use is "residential" or "professional" within individual product lines. Some products have an over-the-counter exchange option and some have a 30 day satisfaction guarantee. In general, warranties tend to be for six months to ten years, and cover all parts and labor for non-maintenance repairs and wear items, provided operator abuse, improper use, or negligence did not necessitate the repair. An authorized Toro distributor or dealer must perform warranty work. Distributors and dealers submit claims for warranty reimbursement to Toro and are credited for the cost of repairs and labor as long as the repairs meet Toro's prescribed standards. Warranty expense is accrued at the time of sale based on historical claims experience by individual product lines. Special warranty reserves are also accrued for specific known major product modifications. Service support outside of the warranty period is provided by independent Toro distributors and dealers at the customer's expense. Toro also sells additional warranty coverage on select products when the factory warranty period expires.

TRADEMARKS AND PATENTS

Products manufactured by the company are nationally advertised and sold at the retail level under the trademarks Toro(R), Toro(R) Wheel Horse(R), Lawn-Boy(R), Irritrol(R) Systems, Exmark(R), Toro(R) Dingo(R), Drip In(R), and Lawn Genie(R), all of which are registered in the United States and many of which are registered in the principal foreign countries in which the company markets its products.

The company holds patents in the United States and foreign countries and applies for patents as applicable. Although management believes patents have value to the company, patent protection does not deter competitors from attempting to develop similar products. Patent protection is considered to be very beneficial, and the company is not materially dependent on any one or more of its patents.

To prevent possible infringement of its patents by others, the company periodically reviews competitors' products. To avoid potential liability with respect to others' patents, the company regularly reviews patents issued by the U.S. Patent Office and foreign patent offices as needed. This patent program, consisting of both types of activities, helps the company minimize risk. The company is currently involved in patent litigation cases, both where it is the plaintiff and where it is the defendant. While the ultimate results of these cases are unknown at this time, management believes that the outcome of these cases is unlikely to have a materially adverse effect on the consolidated financial results of the company.

SEASONALITY

Sales of the company's residential products, which accounted for approximately 32 percent of total consolidated net sales in fiscal 2001, are seasonal, with greater sales of lawn and garden products occurring primarily between February and May, and of snow removal equipment occurring primarily between July and January. Opposite seasons in some global markets somewhat moderate this seasonality of residential product sales. Seasonality of professional product sales also exists, but is tempered because the selling season in the West Coast and Southern states continues for a longer portion of the year than in northern regions. Overall, worldwide sales levels are highest in the second quarter. Historically, accounts receivable balances increase between January and April as a result of higher sales volumes and extended payment terms made available to the company's customers. Accounts receivable balances decrease between May and December when payments are received. Seasonal cash requirements of the business are financed from operations and with short-term bank lines of credit. Peak borrowing usually occurs between February and May.

The following table shows total net sales and net earnings for each quarter as a percentage of the total year:

FISCAL
2001
FISCAL
2000
NET NET
NET NET
QUARTER
SALES

EARNINGS
SALES
EARNINGS
- -----
-- ----
- -----
--- ---
-- ----

FIRST
21% 3%
21% 2%
SECOND
34 60
33 60
THIRD
24 33
26 36
FOURTH
21 4 20
2

DISTRIBUTION AND MARKETING

The company markets the majority of its products through 33 domestic and 99 foreign distributors, as well as a number of hardware retailers, home centers, and mass retailers in more than 65 countries worldwide.

Toro(R) and some Lawn-Boy(R) residential products, such as walk power mowers, riding products, and snowthrowers, are sold to distributors, including Toro-owned distributors, for resale to retail dealers throughout the United States. Toro brand walk power mowers and snowthrowers are also sold in some home centers. Toro(R) and Toro(R) Wheel Horse(R) riding products are sold directly to dealers. Home solutions products, retail irrigation products, and Lawn-Boy products are sold directly to dealers, hardware retailers, home centers, and mass retailers. In fiscal 2000, Toro also began selling selected residential products over the Internet through Internet retailers. Internationally, residential products are sold primarily to distributors for resale to retail dealers and mass merchandisers outside the United States, principally in Australia and European countries. However, in Australia retail irrigation products are sold directly to retail outlets, and in Canada residential products are sold directly to dealers, hardware retailers, home centers, and mass retailers.

Worldwide, professional products are sold to distributors for resale to dealers, sports complexes, industrial facilities, contractors, municipalities, rental stores, and golf courses. Selected residential/commercial irrigation products are also sold directly to professional irrigation distributors. Beginning in fiscal 2001, the Sitework Systems product line was sold directly to domestic dealers.

With the third quarter of fiscal 2001, Toro began to report domestic Toro-owned distribution companies as a separate segment. Toro currently owns four domestic distribution companies. During the past three years, Toro has acquired five domestic distribution companies, of which two have been merged with previously acquired distribution companies. Toro's purpose in owning domestic distributors is to develop a best-practices model of distribution that could be replicated by its independent distributors. The Toro-owned distribution companies sell professional and residential products directly to retail dealers and customers in parts of the United States, Europe, and in Australia. These distribution companies sell both Toro and non-Toro manufactured products.

The company's current marketing strategy is to maintain distinct brands and brand identification for Toro(R), Toro(R) Wheel Horse(R), Lawn-Boy(R), Exmark(R), Toro(R) Sitework Systems, Drip In(R), Lawn Genie(R), Irritrol(R) Systems, and Pope products.

The company's distribution systems for the sale of its products are intended to assure quality of sales and market presence as well as effective after-purchase service. The company considers its distribution network to be a competitive asset in marketing Toro(R), Toro(R) Wheel Horse(R), Lawn-Boy(R), Irritrol(R) Systems, and Exmark(R) products.

The company advertises its residential products during appropriate seasons throughout the year on television, radio, in print, and via the Internet. Professional products are advertised in print and through direct mail programs as well as on the Internet. Most of the company's advertising emphasizes its brand names. Advertising is paid for by the company as well as through cooperative programs with distributors, dealers, hardware retailers, home centers, and mass retailers.

CUSTOMERS

Management believes that overall Toro is not dependent on a single customer. The residential segment, however, is largely dependent on The Home Depot and will become more dependent on that customer in fiscal 2002 as a result of Toro's new moderate price lawn mower strategy. While the loss of any substantial customer could have a material short-term impact on the company's business, Toro believes that its diverse distribution channels and customer base should reduce the long-term impact of any such loss.

BACKLOG OF ORDERS

The approximate backlog of orders believed to be firm at October 31, 2001 and 2000 was $88,465,000 and $116,249,000, respectively, a 23.9 percent decline. The decline is due to Toro customers purchasing inventory closer to retail demand because of the uncertainty of the economy. The decline also resulted in part from a change in Toro customers' ordering practices. In fiscal 2001, customers had a higher reliance on reordering, while in fiscal 2000, customers relied more on future stock orders. Toro improved product availability in fiscal 2001 by maintaining higher inventory levels. Residential segment open orders for snowthrower products were also lower compared to last year due to higher shipments in the fourth quarter of fiscal 2001 compared to fiscal 2000 that reduced unfilled open orders entering fiscal 2002. The company expects that the existing backlog of orders can be filled in fiscal 2002.

COMPETITION

The company's products are sold in highly competitive markets throughout the world. The principal competitive factors in the company's markets are product innovation, quality, service, and pricing. Pricing has become an increasingly important factor in competition for a majority of the company's products. Management believes the company offers total solutions and full service packages with high quality products that have the latest technology and design innovations. Also, by selling Toro(R), Toro(R) Wheel Horse(R), Lawn-Boy(R), Exmark(R), and Irritrol(R) Systems branded products through a network of distributors, dealers, hardware retailers, home centers, and mass retailers, the company offers comprehensive service support during and after the warranty period. The company competes in all product lines with numerous manufacturers, many of whom have substantially greater financial resources than the company. Management believes that Toro has a competitive advantage because we manufacture a broad range of product lines, including turf equipment and irrigation systems. Management also believes that Toro's commitment to customer service, product innovation, and its distribution systems position it well to compete in its various markets.

PROFESSIONAL - The company's professional products compete with products from numerous manufacturers, but the principal competitors across most of the company's professional product lines are Deere & Company; Textron Inc. (including Jacobsen and Ransomes brands); Hunter Industries Incorporated; Rain Bird Sprinkler Mfg. Corporation; AB Electrolux (includes Husqvarna); Scag Power Equipment (a division of Metalcraft of Mayville, Inc.); LESCO, Inc.; Kubota Corporation; Netafim Irrigation Systems and Drip Systems; and T-Systems International, Inc.

RESIDENTIAL - The company's principal competitors for residential products are Deere & Company; Honda Motor Co., Ltd.; MTD Products Inc. (including Cub Cadet and Yard-man brands); Murray, Inc. (owned by Summersong Investment, Inc.); AB Electrolux (includes American Yard Products and Poulan/Weed Eater brands); Snapper Power Equipment (a division of Metromedia International Group, Inc.); Ariens Company; Simplicity Manufacturing Inc.; The Black and Decker Corporation; Rain Bird Sprinkler Mfg. Corporation; K-RAIN Manufacturing Corporation; and RAINDRIP Inc.

DISTRIBUTION - The distribution segment is generally fragmented so that the degree of competition varies among the different regions of the United States in which the particular distribution company sells Toro's residential and/or professional products. The distribution companies' direct competitors generally sell products manufactured by Toro's principal residential and professional product competitors.

INTERNATIONAL - The international market is generally fragmented so that the degree of competition varies among the different countries in which the company markets its residential and professional products. Most competitors in the professional segment are based in the United States. Residential products can face more competition where foreign competitors manufacture and market competing products in their respective countries. Toro experiences this competition primarily in Europe and Asia. In addition, fluctuations in the value of the U.S. dollar may affect the price of Toro's products in foreign markets, thereby affecting their competitiveness. The company provides pricing support, as needed, to remain competitive in international markets.

GOVERNMENTAL REGULATION

The company's residential products are subject to various federal statutes designed to protect consumers and are subject to the administrative jurisdiction of the Consumer Product Safety Commission. The company is also subject to federal and state environmental, occupational safety, transportation, and other regulations, none of which has had a materially adverse effect on its operations or business. Management believes the company is in substantial compliance with all such regulations. The Environmental Protection Agency (EPA) released Phase I regulations for all gas engines under 25 horsepower in June of 1995. Toro's four-cycle engine suppliers are currently in compliance with these regulations. The company received certification for the EPA model year 1998 on its own two-cycle walk power mower and snowthrower engines. Both now comply with Phase I regulations. This certification will allow the company to continue producing its two-cycle walk power mower engines at its Oxford, Mississippi plant through calendar year 2002. However, the current two-cycle walk power mower engine must meet the full Phase I emission levels by January 1, 2003. The company is in the initial engineering phase of developing a two-cycle engine that is expected to meet the required emission levels for the remainder of Phase I and the 2007 Phase II regulation levels. If the company is unable to economically manufacture a two-cycle engine for walk power mowers in order to meet the required emission levels, it will phase out manufacturing two-cycle engines for walk power mower products, which is not expected to have a material adverse effect on the consolidated financial results of the company.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

The company's production facilities are primarily located in the United States, but also in Australia, Mexico, and Italy. Most financial transactions are in U.S. dollars, although sales from the company's foreign subsidiaries, which are less than 10 percent of total consolidated company sales, are conducted in local currencies.

A portion of the company's cash flow is derived from sales and purchases denominated in foreign currencies. To reduce the uncertainty of foreign currency exchange rate movements on these sales and purchase commitments, the company enters into foreign currency exchange contracts for select transactions. The company also has short-term debt in select foreign currencies to help reduce the volatility from foreign currency exchange rate movements.

For information on international net sales and property, plant, and equipment, see Note 11 of Notes to the Consolidated Financial Statements entitled "Segment Data," included in Item 8 of Part II of this report.

WHOLESALE FINANCING

Toro Credit Company, a wholly owned finance subsidiary of the company, provides financing for selected products manufactured by Toro for North American distributors and approximately 250 domestic dealers. Toro Credit Company purchases selected receivables from Toro and its distributors for extended periods, which enables the distributors and dealers to carry representative inventories of equipment. Down payments are not required and, depending on the finance program for each product line, finance charges are either incurred by Toro, shared between Toro and the distributor or dealer, or paid by the distributor or dealer. A security interest is retained in the distributors' and dealers' inventories, and periodic physical checks are made of those inventories. Generally, terms to the distributors and dealers require payments as the equipment, which secures the indebtedness, is sold to customers, or when company-supported finance terms end. Rates are generally fixed or based on prime rate plus a fixed percentage that differs based on whether the financing is for a distributor or dealer. Rates may also vary based on the product that is financed.

Independent Toro dealers that do not finance through Toro Credit Company finance their inventories with third party financing sources. The finance charges represent interest for a pre-established length of time at a predefined rate from a contract with this third party financing source. Exmark product is financed with a third party financing source.

Dealer and distributor defaults in recent years have not been significant.

EMPLOYEES

During fiscal 2001, the company employed an average of 5,223 employees. The total number of employees at October 31, 2001 was 4,984. Four collective bargaining agreements cover approximately 21 percent of these employees, each expiring in the following months: October 2002, May 2003, October 2003, and September 2004. From time to time, Toro also retains consultants, independent contractors, and temporary and part-time workers.

FORWARD-LOOKING STATEMENTS

SAFE HARBOR STATEMENT. This Annual Report on Form 10-K contains not only historical information, but also 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. Statements that are not historical are forward-looking and reflect expectations for future company performance. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on Toro's worldwide web site, or otherwise, in the future by or on behalf of the company. When used by or on behalf of the company, the words "expect", "anticipate", "estimate", "believe", "intend", and similar expressions generally identify forward-looking statements.

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses operating in a global market, as well as matters specific to the company and the markets it serves. Particular risks and uncertainties that could affect the company's overall financial position include the continuing slowdown in the global and domestic economy that began in 2000; additional economic uncertainty created by the threat of continued terrorist acts and war, both of which could further reduce growth in the U.S. and worldwide economy; the effect of the economic slowdown on Toro's customers' ability to pay amounts owed to Toro; the continued decline in consumer confidence and related effects of a recession; weakness in retail sales; inability to achieve earnings growth in fiscal 2002 (excluding the effect of the change in reporting goodwill and announced restructuring plans) above fiscal 2001; inability to increase fiscal 2002 revenue above fiscal 2001; inability to achieve goals of the "5 by Five" profit improvement program, which includes achieving an after tax return on sales of five percent by fiscal 2003; increased insurance costs following the events of September 11; the company's ability to develop and manufacture new and existing products based on anticipated investments in manufacturing capacity and engineering; market acceptance of existing and new products relative to expectations and based on current commitments to fund advertising and promotions; increased competition in the company's businesses from competitors that have greater financial resources, including competitive pricing pressures; financial viability of some distributors and dealers; the company's ability to acquire, develop, and integrate new businesses and manage alliances successfully; the degree of success in implementing a distribution initiative designed to develop a new distribution model; impact of the Internet and e-commerce on the company's business and distribution channels; changes in distributor ownership; changes in distributors', dealers', home centers', or mass retailers' purchasing practices, especially elimination or reduction of shelf space for Toro's products; the company's ability to cost-effectively expand existing, open new, move production between, and close manufacturing facilities; the company's ability to manage costs and capacity constraints at its manufacturing facilities; the company's ability to cost effectively eliminate non-performing product lines; the company's ability to manage inventory levels and fully realize recorded inventory value; the impact of unexpected trends in warranty claims or unknown product defects; the ability to retain and hire quality employees; threatened or pending litigation on matters relating to patent infringement, employment, and commercial disputes; and the impact of new accounting standards, including possible impairment charges of intangible assets related to Statement of Financial Accounting Standard (SFAS) No. 142.

Particular risks and uncertainties facing the company's professional segment at the present include a continued slowdown in both global and domestic economic growth that has been important to the growth of the company's professional businesses, including the golf and landscape contractor markets; product quality problems in the development and production of irrigation products and other product lines, including potential loss of market share;

delays in key new irrigation product introductions; the degree of success related to the announced restructuring and plant consolidations; a continued slowdown in new golf course construction or existing golf course renovations; a decline in the growth rate in the number of new golfers, which slows new golf course construction; a reported decline in rounds of golf due to the economic slowdown and the continued threat of terrorist acts that have negatively impacted the tourism industry, which could delay investments by golf courses in new equipment and irrigation systems; a potential slowdown in new home construction; a potential slowdown in the trend to outsource lawn maintenance to landscape contractors; the financial impact of direct-to-dealer distribution changes related to the Sitework Systems product line; and challenges of establishing new dealers for the Sitework Systems product line.

Particular risks and uncertainties facing the company's residential segment at the present include inflationary pressures and slower economic growth; a decline in consumer confidence; a decline in retail sales; a weaker than expected market response to new products and potential sales decline for existing product categories; degree of financial success related to the new moderate price walk power mowers and related capital investments for a new production facility to satisfy expected increase in demand for this product and the increased dependence on The Home Depot as a customer; the success of manufacturing alliances with third parties; changing buying patterns, including but not limited to a trend away from purchases at dealer outlets to price and value sensitive purchases at hardware retailers, home centers, and mass retailers; loss of, or a significant reduction in, sales through a significant distribution channel or customer, particularly as the company's residential segment is more dependent on home center sales; and a potential slowdown in home sales.

Particular risks and uncertainties facing the company's international business at the present include weak economic conditions in the European market; heightened security for import and export shipments of components or finished goods, including delays at border crossings, especially with Mexico; socio-economic conditions in some international markets, which include euro conversion affecting 12 countries, internal and external conflicts in or between foreign countries, and continuing economic recession in Japan; currency fluctuations of the dollar against the euro, Japanese yen, Australian dollar, British pound, Canadian dollar, and Mexican peso; the cost of price support provided to international customers and suppliers; competitive implications and price transparencies related to the euro conversion; and tax law changes.

Particular risks and uncertainties facing the company's distribution segment at the present include inflationary pressures and slower economic growth; a decline in consumer confidence; a decline in retail sales; viability of dealers; degree of success related to operation restructuring, including technology and facility investments in the distribution companies; ability to capture national account business; purchasing practices of national accounts; a continued slowdown in new golf course construction or existing golf course renovations; a decline in rounds of golf following the September 11 events that have negatively impacted the tourism industry and potential related equipment and irrigation product purchases from golf resorts; successful integration of acquired distribution companies; ability to hire quality service technicians; impact of Toro pricing on some product lines sold through the distribution companies; ability to successfully implement a just-in-time inventory initiative; unforeseen product quality problems; and the ability to eliminate less profitable product lines.

In addition, the company is subject to risks and uncertainties facing its industry in general, including changes in business, financial, and political conditions and the economy in general in both foreign and domestic markets; the uncertainty of the economic effect from terrorists' actions and the war on terrorism; weather conditions affecting demand, including warm winters and wet or cold spring and dry summer weather; unanticipated problems or costs associated with the transition of European currencies to the common euro currency; a slowing in housing starts or new golf course starts; inability to raise prices of products due to market conditions; changes in market demographics; actions of competitors; seasonal factors in the company's industry; unforeseen litigation; increased insurance costs following the September 11 events; government action, including budget levels, regulation, and legislation, primarily legislation relating to the environment, commerce, infrastructure spending, health, and safety; availability of raw materials and unforeseen price fluctuations for commodity raw materials; and the company's ability to maintain good relations with its employees.

The company wishes to caution readers not to place undue reliance on any forward-looking statement and to recognize that the statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning the company and its businesses, including factors that potentially could materially affect the company's financial results, may emerge from time to time. Toro assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

ITEM 2. PROPERTIES

The company utilizes manufacturing, distribution, warehouse, and office facilities, which total approximately 4,523,000 square feet of space. Toro also utilizes 20.34 acres in California as a testing facility. Plant utilization varies during the year depending on the production cycle. The company considers each of its current facilities in use to be in good operating condition and adequate for its present use. Management believes the company has sufficient manufacturing capacity for fiscal 2002, in part because it began fiscal 2002 production earlier for some products and plans to expand existing facilities and begin construction of a new manufacturing facility in Juarez, Mexico. See Item 1, Manufacturing and Production section for further details. The following schedule outlines the company's significant facilities by location, ownership, and function as of October 31, 2001:

LOCATION	OWNERSHIP	PRODUCTS MANUFACTURED / USE
Bloomington, MN	Owned/Leased	Corporate headquarters, warehouse, and test facility
Plymouth, WI	Owned	Professional and residential parts distribution center
Windom, MN	Owned/Leased	Residential and professional components and products and warehouse
Tomah, WI	Owned/Leased	Professional and residential products and warehouse
Lakeville, MN	Leased	Professional and residential finished goods distribution center
Baraboo, WI	Leased	Professional and residential finished goods distribution center
Riverside, CA	Owned/Leased	

Professional and residential products and warehouse, office Beatrice, NE Owned Professional products, office El Paso, TX Owned/Leased Professional and residential products and warehouse Evansville, IN Leased Professional and residential products, office Shakopee, MN Owned Components for professional and residential products Beverley, Australia Owned Professional products, office and finished goods distribution center Murray Bridge, Australia* Owned Inactive El Cajon, CA Owned Professional and residential products and warehouse, office Lincoln, NE Leased Professional products warehouse Oxford, MS Owned Components for professional and residential products Mound, MN Leased Research center, warehouse, and residential service center Brooklyn Center, MN Leased

Distribution facility Oevel, Belgium Owned
Distribution facility Hazelwood, MO Leased
Distribution facility Madera, CA Owned
Professional and residential products and warehouse Juarez, Mexico Leased
Professional and residential products Goodyear, AZ Leased
Distribution facility Houston, TX Leased
Distribution facility Braeside, Australia Leased
Distribution facility DFW Airport, TX Leased
Distribution facility Itasca, IL Leased
Distribution facility Fiano Romano, Italy Owned
Professional products and warehouse, office

* Toro-owned facility that is currently idle and available for sale or subleasing.

ITEM 3. LEGAL PROCEEDINGS

The company is a party to litigation in the ordinary course of its business. Litigation occasionally involves claims for damages arising out of the use of the company's products, some of which include claims for punitive as well as compensatory damages. The company is also subject to administrative proceedings with respect to certain claims involving the discharge of hazardous substances into the environment. Some of these claims assert damages and liability for remedial investigations and clean up costs. Management is of the opinion that amounts which may be awarded or assessed in connection with these matters will not have a material affect on the company's financial position. Further, the company maintains insurance against some product liability losses.

The company is involved in a number of commercial disputes, employment disputes, and patent litigation cases, both as a plaintiff and as a defendant. While the ultimate results of these cases are unknown at this time, management believes that the outcome of these cases is unlikely to have a materially adverse effect on the consolidated financial results of the company.

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2001.

EXECUTIVE OFFICERS OF THE REGISTRANT

The list below identifies those persons deemed to be executive officers of the company, including their age and position with the company as of January 10, 2002 and positions held by them during the last five or more years. Officers are elected annually by the Board of Directors or appointed by the Chief Executive Officer annually. All executive officers listed below are subject to Section 16.

NAME, AGE, AND POSITION
WITH THE COMPANY
BUSINESS EXPERIENCE
DURING THE LAST FIVE OR
MORE YEARS - ----------

-------- -------------

-- KENDRICK B. MELROSE
Elected Chairman of the
Board in December 1987
and Chief Executive
Officer in 61, Chairman
and Chief Executive
Officer December 1983.
J. DAVID MCINTOSH
Elected Executive Vice
President, Professional
Businesses and
International in August
58, Executive Vice
President, Professional
1998. From September
1996 to August 1998, he
served as Group Vice
President. From
Businesses and
International January
1992 to September 1996,
he was appointed Vice
President and General
Manager, Consumer
Division. To retire,
effective January 31,
2002. STEPHEN P. WOLFE
Elected Vice President
Finance, Treasurer in
June 1997 and Chief
Financial Officer in
53, Vice President
Finance, Treasurer and
May 1997. Appointed
Treasurer in January
1996. Appointed Vice
President in August
Chief Financial Officer
1994. Elected
President, Toro Credit
Company in July 1990.
KAREN M. MEYER Elected
Vice President,
Administration in
August 1998. From
December 1991 to August
52, Vice President,
Administration 1998,
she served as Vice
President, Human
Resources/Administrative
Services. J. LAWRENCE
MCINTYRE Elected Vice

President in July 1993. Elected Secretary and General Counsel in August 59, Vice President, Secretary and General 1993. Counsel PHILIP A. BURKART Appointed Vice President and General Manager, International Business in November 40, Vice President and General Manager, 2000. From October 1999 to October 2000, he served as Managing Director, International Business International Sales and Marketing. From September 1997 to October 1999, he was the International Marketing Director, and was Director of Marketing and Sales from September 1995 to September 1997. TIMOTHY A. FORD Appointed Vice President and General Manager, Commercial Business, Corporate Accounts 40, Vice President and General Manager, and Distributor Business Development in December 2001. From August 2001 to December Commercial Business, Corporate Accounts and 2001, he served as Vice President and General Manager, Commercial Business. From Distributor Business Development January 1998 to July 2001, he held various executive positions at Honeywell International in the Home and Building Control division. From October 1996 to December 1997, he served as Global Product General Manager for GE Lighting. DENNIS P. HIMAN Appointed Vice President and General Manager, Landscape Contractor Business in August 57, Vice President and General Manager, 1998. From January 1996 to August 1998, he served as Vice President, Distributor Exmark Landscape Contractor Business Development and Mergers/Acquisitions. From October 1987 to January 1996, he served as Vice President and Treasurer. MICHAEL J. HOFFMAN Appointed Group Vice President, Consumer and Landscape Contractor Businesses in May 46, Group Vice President, 2001. From

May 2000 to May 2001, he served as Vice President and General Manager, Consumer and Landscape Contractor Businesses Consumer Business. From November 1997 to April 2000, he served as Vice President and General Manager, Commercial Business. From November 1996 to November 1997, he served as General Manager of the Commercial Business. WILLIAM D. HUGHES Appointed Vice President and General Manager, Irrigation Business in May 2000. From 51, Vice President and General Manager, August 1998 to April 2000, he served as Vice President and General Manager, Irrigation Business Consumer Business. From September 1983 to August 1998, he was Chairman and Chief Operating Officer of Turf Equipment and Supply Company, Inc., a distributor of Toro products. RANDY B. JAMES Appointed Vice President and Controller in December 1988. 58, Vice President and Controller

There are no family relationships between any director, executive officer or person nominated to become a director or executive officer. There are no arrangements or understandings between any executive officer and any other person pursuant to which he or she was selected as an officer.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Toro Common Stock is listed for trading on the New York Stock Exchange and trades under the symbol "TTC". The high, low, and last sales price for Toro Common Stock and dividends paid for each of the quarterly periods for fiscal 2001 and 2000 were as follows:

Fiscal year ended October 31, 2001	FIRST	SECOND	THIRD	FOURTH
MARKET PRICE PER SHARE OF COMMON STOCK - HIGH SALES PRICE	$ 38.30	$ 47.65	$ 48.25	$ 50.00
LOW SALES PRICE	32.75	35.70	40.40	39.00
LAST SALES PRICE	36.41	46.71	46.80	42.90
DIVIDENDS PER SHARE OF COMMON STOCK	0.12	0.12	0.12	0.12

Fiscal year ended October 31, 2000 First Second Third Fourth -
-------- -------- - ------ -- -----

Market price per share of common stock - High sales price	$38.0000	$ 34.25	$36.1875	$ 35.000
Low sales price	31.7500	29.00	29.8750	28.125
Last sales price	34.1875	30.75	30.0000	35.000
Dividends per share of common stock	0.12	0.12	0.12	0.12

As of January 10, 2002, Toro had approximately 5,553 stockholders of record.

The Annual Meeting of Stockholders is scheduled to be held on March 14, 2002, at 3:00 p.m. (CST) at The Toro Company Corporate Offices, 8111 Lyndale Avenue South, Bloomington, Minnesota, 55420-1196.

Although the company intends to declare cash dividends on a quarterly basis in the future, the determination as to the payment and the amount of any cash dividend will depend on the company's then current financial condition, capital requirements, results of operations, and other factors deemed relevant by the company's board of directors.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data) Years ended October 31	2001	2000	1999	1998(4)	1997(5)
NET SALES(1)	$ 1,353,083	$ 1,338,974	$ 1,279,706	$ 1,111,346	$ 1,052,841
GROSS PROFIT					

PERCENTAGE(1)
34.0% 34.6%
34.1% 32.3%
35.1%
EARNINGS FROM
OPERATIONS(2)
$ 94,633 $
97,205 $
74,785 $
23,716 $
72,347
INTEREST
EXPENSE
22,003 26,414
23,810 25,428
19,900 NET
EARNINGS,
BEFORE
EXTRAORDINARY
LOSS 50,448
45,285 35,059
4,090 36,508
PERCENTAGE OF
NET SALES
3.7% 3.4%
2.7% 0.4%
3.5% NET
EARNINGS(3) $
50,448 $
45,285 $
35,059 $
4,090 $
34,845 BASIC
NET EARNINGS
PER SHARE(3)
3.97 3.55
2.72 0.32
2.88 DILUTIVE
NET EARNINGS
PER SHARE(3)
3.86 3.47
2.64 0.31
2.80 RETURN
ON AVERAGE
STOCKHOLDERS'
EQUITY 15.3%
15.2% 12.9%
1.6% 15.3%
TOTAL ASSETS
$ 835,674 $
779,390 $
787,178 $
723,991 $
661,634 LONG-
TERM DEBT
195,078
194,495
196,237
197,424
178,015
STOCKHOLDERS'
EQUITY
341,393
317,218
279,663
263,399
241,163 DEBT
TO
CAPITALIZATION
RATIO 40.2%
39.4% 47.5%
46.4% 47.6%
DIVIDENDS PER
SHARE OF
COMMON STOCK
$ .48 $ .48 $
.48 $ .48 $
.48

(1) In fiscal 2001, the company adopted Emerging Issues Task Force (EITF) issue

00-10, "Accounting for Shipping and Handling Fees and Costs," EITF issue 00-14, "Accounting for Certain Sales Incentives," and EITF issue 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." The adoption of these EITF issues resulted in a (decrease) increase of net sales for fiscal 2001, 2000, 1999, 1998, and 1997 by ($5.2) million, $2.1 million, $4.7 million, $0.9 million, and $1.6 million, respectively. The adoption of these EITF issues also resulted in a gross profit percent decrease as a percentage of net sales by 2.5%, 2.2%, 1.9%, 2.3%, and 1.8%, respectively. See Note 1 in the Notes to Consolidated Financial Statements for further details.

(2) Fiscal 2001, 1999, 1998, and 1997 earnings from operations include net restructuring and other unusual (income) expense of ($0.7) million, $1.7 million, $15.0 million, and $2.6 million, respectively.

(3) Fiscal 1997 net earnings and basic and dilutive net earnings per share data include an extraordinary loss on early retirement of debt of $1.7 million or $0.13 per dilutive share.

(4) The company's consolidated financial statements include results of operations of Exmark from November 1, 1997, and Drip In from February 1, 1998, the dates of acquisition.

(5) The company's consolidated financial statements include results of operations of the James Hardie Irrigation Group from December 1, 1996, the date of acquisition.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Included in this analysis are statements that are forward-looking. Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the caption "Forward-Looking Statements" in Item 1 of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Toro's financial results for fiscal 2001 were positive, with a profitability increase of 11.4 percent and a slight sales growth of 1.1 percent. Professional segment sales declined slightly and residential segment sales were up by 2.7 percent. Distribution segment net sales were up 14.2 percent due to the addition of revenue from two distributorships, one acquired in fiscal 2001 and another acquired in late fiscal 2000. International sales declined 7.1 percent. Disregarding currency effects, international sales were down 3.5 percent for the year. The continued growth in the landscape contractor market, positive acceptance of new residential segment products, and acquisitions led the overall sales increase, but the weak economy and unfavorable spring and summer weather conditions hampered growth. The overall profitability increase reflects higher operating earnings contributed by the professional and residential segments together with lower interest costs and higher levels of other income, net.

Overall, the outlook for fiscal year 2002 is cautiously optimistic. In fiscal 2001, Toro continued its emphasis on the profit improvement program called "5 by Five." The goal of this program is to achieve an after tax return on sales of 5 percent by fiscal 2003. The major initiatives to achieve this goal include: revising and transforming how Toro manufactures, purchases, distributes, markets, and services products; improving or discontinuing low performing product lines; and reviewing the company's expense structure to eliminate low-value activities.

NET SALES

FISCAL 2001 COMPARED WITH FISCAL 2000 - Worldwide net sales in fiscal 2001 were $1,353.1 million compared to $1,339.0 million in fiscal 2000, an increase of 1.1 percent. The following is a discussion of net sales by segment:

Professional. Net sales for the worldwide professional segment in fiscal 2001 were $858.9 million compared to $861.3 million in fiscal 2000, a slight decrease of 0.3 percent. A weaker economy, unfavorable weather conditions, and a slowdown in new golf course construction had a negative effect on sales to the golf market worldwide for equipment and irrigation systems. Sales were also lower for residential/commercial irrigation products due to unfavorable economic conditions and weather as well as high Irritrol brand field inventory levels entering fiscal 2001. Sitework Systems shipments declined compared to last year due to challenges in setting up a new dealer channel resulting from a change to dealer-direct distribution in fiscal 2001. Despite this distribution change, retail sales slightly increased compared to last year for the Sitework Systems product line. Worldwide shipments of grounds maintenance equipment were lower mainly due to the economic slowdown and field inventory management as a result of a decline in retail sales. The decline was somewhat offset by customer acceptance of new products and the addition of the product line sales from Goossen Industries Inc. (Goossen), which was acquired in fiscal 2001. The weak economy and unfavorable weather conditions also negatively affected international sales, mainly in Europe. Worldwide agricultural irrigation sales were also down, primarily for drip line products due to continued pricing pressures from competitors. Somewhat offsetting these declines were higher sales to the landscape contractor market due to higher volume shipments for both Toro and Exmark brand mowers. The landscape contractor market continued its growth trend in fiscal 2001 due to a continued rise in outsourcing lawn maintenance needs, and Toro believes it has gained market share and leads this industry with its multi-brand strategy.

Residential. Net sales for the worldwide residential segment in fiscal 2001 were $432.2 million compared to $420.7 million in fiscal 2000, an increase of 2.7 percent. Snowthrower shipments were up significantly for the year due to heavy snowfall in the winter of 2000-2001, which depleted field inventory levels entering the 2001-2002 winter season. Strong domestic riding product shipments also contributed to the increase in sales, mainly for new products, which includes the Toro(R) TimeCutter(TM) Z mower and the Toro(R) Twister(TM) utility vehicle. However, other riding product shipments were down due to a shift of sales away from existing riding product lines to the new Toro(R) TimeCutter(TM) Z mower as well as the weak economy and unfavorable weather conditions. Home solutions product sales, including trimmers and blowers, also increased due to placement expansion at some mass retailers. Offsetting those increases were lower worldwide shipments of walk power mowers due to weak economic conditions resulting from a slowdown in consumer spending as well as cold and wet spring weather in most markets. International shipments of walk power mowers and riding products were also down mainly due to the weak economy and unfavorable weather conditions in Europe. Retail irrigation sales declined for the year mainly due to lost placement at some home centers. Across most product lines, the residential segment also experienced a decrease in sales in fiscal 2001 as a result of customers' asset management efforts to reduce field inventory levels and related financing costs.

Field inventory levels at Toro's distributors and dealers were lower for walk power mowers due to continuing asset management efforts in order to reduce floor plan financing costs and prepare for new moderate price models that will be introduced in fiscal 2002. Heavy snowfalls during the winter of 2000-2001 throughout the Snow Belt resulted in significantly higher retail sales of snowthrower products in fiscal 2001, leaving lower average snowthrower product field inventory levels during fiscal 2001 compared to fiscal 2000.

Distribution. Net sales for the distribution segment in fiscal 2001 were $146.6 million compared to $128.4 million in fiscal 2000, an increase of 14.2 percent. The sales increase was due to additional volume contributed by two newly acquired distribution companies, which added $22.1 million of incremental net sales for fiscal 2001. Factoring out sales from these two acquisitions, net sales for the distribution segment would have been down $3.9 million or 3.0 percent. This decline was related to the weak economy and unfavorable weather conditions, which have delayed golf course projects.

Other. Net sales for the other segment includes the elimination of sales from the professional and residential segments to the distribution segment, and elimination of the professional and residential segment's floor plan interest costs from the Toro Credit Company. The other segment net sales elimination in fiscal 2001 was $84.6 million compared to $71.4 million in fiscal 2000, an increase of 18.4 percent. The increase was mainly due to additional sales elimination for two newly acquired distribution companies.

FISCAL 2000 COMPARED WITH FISCAL 1999 - Worldwide net sales in fiscal 2000 were $1,339.0 million compared to $1,279.7 million in fiscal 1999, an increase of 4.6 percent. The following is a discussion of net sales by segment:

Professional. Net sales for the professional segment in fiscal 2000 were $861.3 million compared to $795.3 million in fiscal 1999, an increase of 8.3 percent. Worldwide sales to the landscape contractor market led this increase with higher volume shipments for both Toro and Exmark brand mowers and the Sitework Systems product line due to a continued rise in outsourcing lawn maintenance needs and favorable weather conditions that extended the mowing season. Worldwide shipments of golf and grounds maintenance equipment were also up, mainly due to customer acceptance of new products and continued growth of the golf market, although the number of new course projects were not as robust when compared to fiscal 1999. Offsetting those increases was a decline in golf irrigation system sales and residential/commercial irrigation product sales mainly due to product quality problems and a slowdown in new golf course construction. Worldwide agricultural irrigation sales were also down due to pricing pressures from competitors.

Residential. Net sales for the worldwide residential segment in fiscal 2000 were $420.7 million compared to $447.9 million in fiscal 1999, a decrease of 6.1 percent. The decline was primarily due to reduced volume resulting from the divestiture and discontinuance of non-performing outdoor lighting and gas hand-held product lines. Sales were down by only 0.4 percent after factoring out sales from these non-performing product lines. Lower domestic unit shipments were also a cause of this decline, while sales to the international markets were up due to the successful introduction of new products. Domestic walk power mower shipments were down due to reduced placement in some home centers' regions and field inventory management at Toro's distributors and dealers. In addition, the comparison was more difficult because fiscal 1999 sales levels were unusually high for initial stocking orders from home center outlets, a new distribution channel in fiscal 1999 for the Toro brand of walk power mowers. Domestic snowthrower shipments were also lower due to higher distributor and dealer field inventory levels entering the 2000-2001 winter season compared to unusually low field inventories entering fiscal 1999. This reduction was somewhat offset by additional sales generated from the introduction of Toro brand gas snowthrowers into the home center distribution channel nationwide in fiscal 2000. Although retail demand for most riding product lines increased over fiscal 1999, domestic riding product sales were down due to field inventory management at Toro's distributors and dealers and continued strong competition for lower-priced units. This downturn was somewhat offset by higher shipments of products manufactured for a third party, which had low field inventory levels entering fiscal 2000. Offsetting those decreases were higher shipments of home solutions products due to expanded outlets and placement at mass retailers. Retail irrigation product sales also increased due to expanded outlets and introduction of new products. However, this increase was partially offset by lower sales in the southern U.S. regions due to water restrictions and field inventory management by key customers.

Distribution. Net sales for the distribution segment in fiscal 2000 were $128.4 million compared to $77.1 million in fiscal 1999, an increase of 66.5 percent. The significant sales increase was mainly due to additional volume contributed by two distribution companies acquired in late calendar 1999.

Other. Net sales for the other segment includes the elimination of sales from the professional and residential segments to the distribution segment, and elimination of the professional and residential segment's floor plan interest costs from the Toro Credit Company. The other segment net sales elimination in fiscal 2000 was $71.4 million compared to $40.7 million in fiscal 1999, an increase of 75.5 percent. The increase was mainly due to additional sales elimination in fiscal 2000 related to two distribution companies acquired in late calendar 1999.

GROSS PROFIT

FISCAL 2001 COMPARED WITH FISCAL 2000 - Gross profit was $460.2 million in fiscal 2001 compared to $463.2 million in fiscal 2000, a decrease of 0.6 percent. As a percentage of net sales, gross profit was 34.0 percent in fiscal 2001 compared to 34.6 percent in fiscal 2000. This decline was a result of lower sales of higher-margin products, increased levels of price support provided to international customers, and higher manufacturing costs, mainly for irrigation products because of lower plant utilization. Somewhat offsetting these declines were lower levels of tooling amortization expense due to fully amortized tooling in fiscal 2001 compared to fiscal 2000 and increased gross profit for the residential segment as a result of increased sales of higher-margin products and cost reduction efforts. Toro is also starting to experience positive results from lower purchasing costs as part of the company's "5 by Five" program initiatives.

FISCAL 2000 COMPARED WITH FISCAL 1999 - Gross profit was $463.2 million in fiscal 2000 compared to $436.3 million in fiscal 1999, an increase of 6.2 percent. As a percentage of net sales, gross profit was 34.6 percent in fiscal 2000 compared to 34.1 percent in fiscal 1999. The gross profit increase was primarily due to improvement in margins in the residential segment resulting from increased sales of higher-margin products, discontinuance of non-performing product lines, and cost reductions for certain residential segment products, as well as additional gross profit from the company-owned domestic distribution companies. Gross profit also improved on a comparative basis because fiscal 1999 reflected the elimination of gross profit previously recorded with respect to sales of Toro products to three Toro distributors that the company acquired. Fiscal 2000 reflected a similar reversal of gross profit for only one acquired Toro distributor. Partially offsetting those positive factors was lower gross profit for irrigation and agricultural irrigation products because of price increases for raw materials, competitive pricing pressures in the agricultural irrigation market, and increased costs for price support provided to international customers.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE (SG&A)

FISCAL 2001 COMPARED WITH FISCAL 2000 - SG&A expense was $366.3 million in fiscal 2001 compared to $366.0 million in fiscal 2000. As a percentage of net sales, SG&A decreased to 27.1 percent from 27.3 percent in fiscal 2000. Acquisitions added $6.0 million of incremental SG&A expense. Factoring out acquisitions, SG&A expense would have decreased $5.6 million or 0.7 percent as a percentage of net sales. This decline was due to lower warranty expense and marketing costs. Somewhat offsetting those declines was higher incentive compensation costs, higher engineering expenses, and increased administrative expense related to higher bad debt, legal, and information service costs.

FISCAL 2000 COMPARED WITH FISCAL 1999 - SG&A expense was $366.0 million in fiscal 2000 compared to $359.7 million in fiscal 1999, an increase of 1.7 percent. As a percentage of net sales, SG&A decreased to 27.3 percent from 28.1 percent in fiscal 1999. The acquisition of two distribution companies added $7.7 million of incremental SG&A expense. Without the addition of these two distribution companies, SG&A expense would have decreased $1.5 million or 0.5 percent as a percentage of net sales. The decrease was due to lower total levels of incentive compensation costs compared to a higher level of benefits paid in 1999 for performance against goals, decreased expense for information services, and reduced insurance costs related to better than expected claims experience. Those declines were slightly offset by higher levels of spending for marketing, warranty, engineering, service, Internet-based projects, and severance costs in the irrigation businesses.

RESTRUCTURING AND OTHER UNUSUAL (INCOME) EXPENSE

FISCAL 2001 COMPARED WITH FISCAL 2000 - Restructuring and other unusual income was $0.7 million in fiscal 2001, which increased operating earnings for the residential segment. This income was derived from the reversal of the remaining accrual for closing of the Sardis, Mississippi facility, which was sold in fiscal 2001.

FISCAL 2000 COMPARED WITH FISCAL 1999 - Restructuring and other unusual expense was $1.7 million in fiscal 1999. The restructuring expense in fiscal 1999 included a charge of $3.1 million for asset write-downs and severance costs for management, sales force changes, and plant employees related to the closure of the company's Murray Bridge, Australia manufacturing facility. Offsetting that increase was a $1.4 million reduction in other unusual expense related to the reversal for the unused portion of the one-time residential segment marketing programs accrued in fiscal 1998.

INTEREST EXPENSE

FISCAL 2001 COMPARED WITH FISCAL 2000 - Interest expense was $22.0 million in fiscal 2001 compared to $26.4 million in fiscal 2000, a decrease of 16.7 percent. This decrease was primarily due to lower levels of average short-term debt as a result of improved asset management, the use of earnings from the past 12 months to pay down debt, and lower interest rates.

FISCAL 2000 COMPARED WITH FISCAL 1999 - Interest expense was $26.4 million in fiscal 2000 compared to $23.8 million in fiscal 1999, an increase of 10.9

percent. This increase was due to higher average short-term debt related to higher levels of working capital as well as higher interest rates paid on short-term debt in fiscal 2000 compared to fiscal 1999.

OTHER INCOME, NET

FISCAL 2001 COMPARED WITH FISCAL 2000 - Other income, net was $7.4 million in fiscal 2001 compared to $1.1 million in fiscal 2000. This increase was due to lower levels of both exchange rate currency losses and write-down of investments compared to fiscal 2000, as well as recoveries of previous write-offs of note receivables. This increase was somewhat offset by lower levels of insurance recoveries in fiscal 2001 compared to fiscal 2000 and higher litigation costs.

FISCAL 2000 COMPARED WITH FISCAL 1999 - Other income, net was $1.1 million in fiscal 2000 compared to $6.5 million in fiscal 1999. This decline was due to higher amounts of exchange rate currency losses related to the euro and Australian dollar, a valuation charge related to the write-down of an investment in a technology company, and lower levels of interest income. Somewhat offsetting the decrease were higher levels of finance charge revenue and proceeds from an insurance recovery related to a flood that damaged product at a warehouse.

OPERATING EARNINGS (LOSS) BY SEGMENT

Operating earnings (loss) by segment is defined as earnings (loss) from operations plus other income, net for the residential, professional, and distribution segments. The other segment operating loss consists of corporate activities, including corporate financing activities, other income, net, and interest expense.

FISCAL 2001 COMPARED WITH FISCAL 2000 -

Professional. Operating earnings in fiscal 2001 were $106.6 million compared to $99.4 million in fiscal 2000, an increase of 7.2 percent. As a percentage of net sales, professional segment operating margins increased to 12.4 percent from 11.5 percent in fiscal 2000. Lower SG&A expense as a percentage of net sales contributed to this profit improvement due to a decline in warranty and marketing costs. Other income, net also contributed to this improvement due to both lower levels of exchange rate currency losses and write-down of investments compared to fiscal 2000. However, gross margins as a percentage of net sales declined due to lower sales of higher-margin products, higher manufacturing costs related to lower plant utilization, and continued increase in levels of price support provided to international customers.

Residential. Operating earnings in fiscal 2001 were $41.9 million compared to $35.7 million in fiscal 2000, an increase of 17.2 percent. As a percentage of net sales, residential segment operating margins increased to 9.7 percent from 8.5 percent in fiscal 2000. Gross margin rose as a percentage of net sales due to increased sales of higher-margin products, continued cost reduction efforts, and lower amounts of tooling amortization expense due to fully amortized tooling, somewhat offset by continued higher levels of price support provided to international customers. Restructuring and other unusual income of $0.7 million in fiscal 2001 also contributed to the improvement in operating earnings. However, SG&A expense as a percentage of net sales was higher mainly due to increased warranty expense.

Distribution. Operating losses in fiscal 2001 were $0.4 million compared to operating earnings of $2.7 million in fiscal 2000, an unfavorable change of $3.1 million. Gross margin decreased as a percentage of net sales due to lower sales of higher-margin product lines. SG&A costs were higher due to the acquisitions of two distribution companies that added $5.5 million of incremental SG&A costs, as well as the cost of investments and operational restructuring in some of the distributorships.

Other. Operating loss in fiscal 2001 was $68.1 million compared to $66.0 million in fiscal 2000. The $2.1 million unfavorable change resulted from higher corporate expenses, mainly for incentive compensation expenses, information service costs, legal costs, and bad debt expense. These negative factors were offset somewhat by lower interest costs and higher amounts of other income, net.

FISCAL 2000 COMPARED WITH FISCAL 1999 -

Professional. Operating earnings in fiscal 2000 were $99.4 million compared to $112.9 million in fiscal 1999, a decrease of 12.0 percent. As a percentage of net sales, professional segment operating margins decreased to 11.5 percent in fiscal 2000 from 14.2 percent in fiscal 1999. Gross margin as a percent of net sales declined, mainly because of increased costs for resin that were not recaptured with price increases due to competitive pressures for irrigation and agricultural irrigation products as well as higher price support costs provided to international customers. The decline in operating profit was also due to increased levels of warranty expense related to special reserves for product modifications and lower sales of irrigation systems in fiscal 2000 compared to fiscal 1999. In addition, higher levels of exchange rate currency losses and a valuation charge for an investment in a technology company, slightly offset by a gain from an insurance recovery, contributed to the decline.

Residential. Operating earnings in fiscal 2000 were $35.7 million compared to $21.2 million in fiscal 1999, an increase of 68.5 percent. As a percentage of net sales, residential segment operating margins were 8.5 percent in fiscal 2000 compared to 4.7 percent in fiscal 1999. Gross margin as a percentage of net sales rose compared to fiscal 2000 due to increased sales of higher-margin products, reduced costs for some products, and the elimination of non-performing product lines, somewhat offset by higher costs for price support provided to international customers. Also contributing to the increase in operating profits in fiscal 2000 compared to fiscal 1999 was decline in SG&A expense and restructuring and other unusual expense as a percentage of net sales.

Distribution. Operating earnings in fiscal 2000 were $2.7 million compared to $1.7 million in fiscal 1999, an increase of 56.6 percent. The increase resulted primarily from higher sales volumes and an improvement in gross profit due to increased sales of higher-margin products.

Other. Operating loss in fiscal 2000 was $66.0 million compared to $78.4 million in fiscal 1999. The $12.4 million improvement resulted from lower expenses for information services and incentive compensation costs. Fiscal 1999 also included the elimination of gross profit previously recorded with respect to sales of Toro products to three acquired Toro distributors, while fiscal 2000 reflected the same adjustment for only one acquired Toro distributor. Slightly offsetting these improvements were higher interest costs and increased spending for Internet-based projects in fiscal 2000 compared to fiscal 1999.

PROVISION FOR TAXES

FISCAL 2001 COMPARED WITH FISCAL 2000 - The effective tax rate for fiscal 2001 and fiscal 2000 was 37.0 percent. The company has determined that it is not necessary to establish a valuation reserve for deferred income tax benefit because it believes that the net deferred income tax asset of $43.6 million will be realized principally through carrybacks to taxable income in prior years, future reversals of existing taxable temporary differences and, to a lesser extent, future taxable income. The company expects the effective tax rate to be approximately 34.0 percent in fiscal 2002 because goodwill will no longer be amortized due to the adoption of Statement of Financial Accounting Standard (SFAS) No. 142.

FISCAL 2000 COMPARED WITH FISCAL 1999 - The effective tax rate for fiscal 2000 was 37.0 percent compared to 39.0 percent for fiscal 1999. The reduction was due primarily to a decrease in the company's effective state tax rate.

NET EARNINGS

FISCAL 2001 COMPARED WITH FISCAL 2000 - Net earnings were $50.4 million in fiscal 2001 compared to $45.3 million in fiscal 2000. Dilutive net earnings per share were $3.86 in fiscal 2001 compared to $3.47 in fiscal 2000. Net earnings were up from fiscal 2000 primarily due to lower interest costs, lower levels of exchange rate currency losses, and a decline in SG&A expense as a percentage of net sales, somewhat offset by lower gross profit.

FISCAL 2000 COMPARED WITH FISCAL 1999 - Net earnings were $45.3 million in fiscal 2000 compared to $35.1 million in fiscal 1999. Dilutive earnings per share were $3.47 in fiscal 2000 compared to $2.64 in fiscal 1999. Net earnings were up in fiscal 2000 from fiscal 1999 due to moderately higher sales volumes, operating profit improvement in the residential segment, and lower levels of corporate spending.

FINANCIAL POSITION

WORKING CAPITAL

Average working capital for fiscal 2001 was $264.3 million compared to $240.7 million for fiscal 2000, an increase of 9.8 percent. Average working capital as a percent of sales was 19.5 percent in fiscal 2001 and 18.0 percent in fiscal 2000. The increase in average working capital was due primarily to higher average inventory and lower average short-term debt, but was somewhat offset by lower average receivables and higher average accounts payable. Average days sales outstanding for receivables was 81 days in fiscal 2001 compared to 86 days in fiscal 2000. Average inventory turns was 3.58 and 3.73 in fiscal 2001 and in fiscal 2000, respectively. Inventories were higher in fiscal 2001 compared to fiscal 2000 due to additional inventory from acquisitions, prebuilding landscape contractor equipment due to manufacturing capacity constraints, and increased levels of commercial golf and grounds maintenance equipment due to lower than expected retail sales. Inventory was also higher for the residential segment due to earlier than normal production to meet an anticipated increase in demand for the new moderate price lawn mowers described previously.

The company expects that average working capital in fiscal 2002 will increase compared to fiscal 2001 due to higher planned sales volumes which can be expected to increase average levels of accounts receivable and inventory. Average inventory is also expected to increase due to higher levels of inventory entering fiscal 2002 compared to inventory at October 31, 2000.

LONG-TERM ASSETS

Long-term assets at October 31, 2001 were $271.5 million compared to $269.2 million at October 31, 2000, a slight increase of $2.3 million. Net property, plant, and equipment increased by $9.4 million due to higher spending on capital equipment and tooling. Goodwill and other assets decreased $7.0 million from fiscal 2000 primarily as a result of valuation charges for the company's investment in a technology company and a distribution company as well as amortization of goodwill and other intangible assets.

CAPITAL STRUCTURE

Long-term debt at October 31, 2001 was $195.1 million compared to $194.5 million at October 31, 2000, an increase of $0.6 million. The total debt to capital ratio was 40.2 percent in fiscal 2001 compared to 39.4 percent in fiscal 2000. The increase in debt to capital ratio was mainly due to higher debt, slightly offset by an increase in equity at October 31, 2001 compared to October 31, 2000.

Total capitalization at October 31, 2001 consisted of $195.1 million of long-term debt, $34.4 million of short-term debt, and $341.4 million of stockholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow. Cash provided by operating activities decreased by $35.4 million from fiscal 2000 primarily because we carried higher levels of inventory as described previously and higher receivables at October 31, 2001 compared to October 31, 2000. This decrease was somewhat offset by higher net earnings, a decline in deferred income taxes related to tax strategies, higher levels of tax benefits from stock options exercised, and an increase in accounts payable.

Cash used in investing activities increased slightly by $0.4 million in fiscal 2001 due to higher levels of purchase price, net of cash acquired for acquisitions consummated. The increase was slightly offset by reduced purchases of property, plant, and equipment compared to fiscal 2000. Capital expenditures for fiscal 2002 are planned to be approximately

$25 million higher than fiscal 2001 for additional investments in manufacturing facilities, equipment and tooling. We expect to finance fiscal 2002 capital expenditures primarily with funds from operations.

Cash used in financing activities decreased $55.0 million from fiscal 2000 mainly due to an increase in short-term debt at October 31, 2001 compared to short-term debt at October 31, 2000 and proceeds from stock option exercises, somewhat offset by more common stock repurchases in fiscal 2001. In addition, we had higher levels of cash on hand at October 31, 1999, because the fiscal year end occurred on a Sunday and cash received on Saturday could not be utilized to pay down short-term debt until Monday when fiscal 2000 had begun. We therefore used that cash for operating and investing activities in the first quarter of fiscal 2000.

Management believes that the combination of funds available through existing or anticipated financing arrangements, coupled with forecasted cash flows, will provide the necessary capital resources for the company's anticipated working capital, capital additions, acquisitions, and stock repurchases in the next fiscal year.

Share Repurchase Plan. On September 20, 2001, the Board of Directors authorized the company to repurchase an additional 1,000,000 shares of common stock. At October 31, 2001, approximately 890,966 shares remained authorized for repurchase. This repurchase program provides shares for use in connection with acquisitions and employee compensation plans so that even with the issuance of shares under those plans, the number of outstanding shares remains relatively constant and the impact on net earnings per share of issuing such shares is minimal.

In fiscal 2001, the company repurchased 1,020,410 shares of common stock on the open market for $44.2 million at an average price of $43.27 per share. The company repurchased 511,138 shares for $17.1 million in fiscal 2000 at an average price of $33.37 per share and 876,800 shares for $29.2 million in fiscal 1999 at an average price of $33.26 per share.

Credit Lines and Other Capital Resources. The company's U.S. seasonal working capital requirements are funded with $288.0 million of committed unsecured bank credit lines. In addition, the company's non-U.S. operations maintain unsecured short-term lines of credit of $5.7 million. The company also has bankers' acceptance agreements under which an additional $40.0 million of credit lines are available. At October 31, 2001, the company had $299.3 million of unutilized availability under these credit lines. Average borrowing under these lines was $107.5 million in fiscal 2001 and $135.3 million in fiscal 2000. The decrease in average short-term debt resulted primarily from lower average net accounts receivable, higher levels of accounts payable, and the use of earnings from the past 12 months to pay down debt. The decrease was somewhat offset by higher inventory levels during fiscal 2001 described under "Working Capital" above. Interest expense on these credit lines is based on LIBOR plus a basis point spread defined in the current loan agreements.

The company's business is seasonal, with accounts receivable balances historically increasing between January and April as a result of higher sales volumes and extended payment terms made available to the company's customers, and decreasing between May and December when payments become due. The company's peak borrowing usually occurs between February and May. Seasonal working capital requirements are financed primarily with short-term financing arrangements described above.

INFLATION

The company is subject to the effects of changing prices. In early fiscal 2001, the company continued to experience inflationary pressures for purchases of general commodities. The company is attempting to deal with these inflationary pressures by actively pursuing internal cost reduction efforts and introducing modest price increases. We do not plan significant price increases for fiscal 2002, however, because of competitive pressures.

ACQUISITIONS

In fiscal 2001, the company completed the purchase of a southwestern-based distributor. In fiscal 2000, the company completed the purchase of two other distribution companies. These companies distribute turf maintenance and creation products to the professional and residential markets.

In fiscal 2001, Toro acquired Electronic Industrial Controls, Inc., a provider of innovative computer control systems for the irrigation industry.

In fiscal 2001, Toro acquired certain operating assets of Goossen, a turf equipment manufacturer located in Beatrice, Nebraska. This acquisition added manufacturing capacity for Toro and expanded our line of debris management equipment.

In fiscal 2000, Toro acquired the operating assets of Sitework Systems, Inc., a nationwide domestic manufacturer's sales representative for the Dingo compact utility loader. In fiscal 2001, Toro began to distribute this product directly to dealers through the newly acquired sales force.

ACCOUNTING POLICIES

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management must make a variety of decisions which impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, management applies judgement based on its understanding and analysis of the relevant circumstances. Note 1 to the consolidated financial statements provides a summary of the significant accounting policies followed in the preparation of the financial statements. Other footnotes describe various elements of the financial statements and the assumptions on which specific amounts were determined. While actual results could differ from those estimated at the time of preparation of the consolidated financial statements, management is committed to preparing financial statements which incorporate accounting policies, assumptions, and estimates that promote the representational faithfulness, verifiability, neutrality, and transparency of the accounting information included in the consolidated financial statements.

MARKET CONDITIONS AND OUTLOOK

Toro management expects fiscal 2002 to be a solid, but challenging year, and is confident the company has programs in place to maintain the momentum from fiscal 2001.

However, fiscal 2002 performance will depend on when the country can come out of the recession that began in fiscal 2001, and the ongoing threats of terrorist acts and the war. While the company is not able to quantify the impact on its business, the aftermath of the terrorist acts on September 11, 2001 has resulted in a further decline in tourism and golf rounds being played at golf resorts. This decline could reduce or delay future purchases of golf mowing equipment and irrigation systems, which could hamper Toro's professional segment sales growth for fiscal 2002. The continued threat of terrorist acts has also resulted in slower consumer sales and a significant cost increase in property insurance, which could reduce Toro's customer's budgets for professional and residential equipment and maintenance purchases. A positive effect of the slowdown in the world economy has been a drop in oil prices, which is expected to reduce material costs for Toro's irrigation and agricultural irrigation product lines. Taking these factors and likely effects into consideration, Toro has planned for conservative growth in fiscal 2002, and is cautiously optimistic for better results compared to fiscal 2001, before the impact of restructuring activities and adoption of new accounting pronouncements.

Professional Markets. Toro expects its professional segment, which accounts for a majority of its sales and profit, to show modest growth during fiscal 2002. The landscape contractor industry is expected to continue to grow, fed by demographic trends. Toro's multi-brand strategy is well positioned to maintain or expand the company's market position during fiscal 2002. Toro and Exmark landscape mowing and maintenance equipment gained market share in fiscal 2001, and together Toro leads the industry with product innovation, combined with strong distributor/dealer networks focused on excellent customer relationships. Toro Sitework Systems equipment line is experiencing challenges establishing new dealers from refocusing its distribution in fiscal 2001, which is expected to continue through the first half of fiscal 2002. Once these issues are behind Toro, management expects to benefit from a stronger network of dealers in fiscal 2002.

Toro's commercial equipment business is expected to be flat or show only slight growth in fiscal 2002. Grounds equipment is expected to be up slightly, led by sales to users engaged in maintaining sports fields. Toro expects to show small growth in sales of irrigation systems to the contractor-installed market benefiting from new products and improved quality programs.

The golf course industry is also expected to continue to be flat or show only slight growth in fiscal 2002 as the number of new course openings continues to decline from the aggressive growth of the 1990s. Somewhat offsetting new course sluggishness may be an expected small rebound in existing course renovations, and Toro is well positioned to continue to capture a significant share of this business, particularly in irrigation which is introducing new products.

Toro's agricultural irrigation business is expected to be flat or show only slight growth in fiscal 2002 as new products are introduced to try to offset extremely competitive industry conditions.

Residential Markets. Toro expects to see growth in its residential segment in fiscal 2002 driven primarily by the introduction of a new line of moderate price Toro brand walk power mowers sold at The Home Depot and Toro dealer networks. These new models will contain some features found on Toro premium mowers. Toro will continue to sell its traditional full feature premium Toro(R) Personal Pace(R) walk power mowers through its dealer network. Lawn-Boy(R) two-cycle and four-cycle mowers will continue to be sold to home centers and dealers. The company expects Lawn-Boy(R) mower sales to be down in fiscal 2002 as a result of lost placement at some home center stores and a shift of sales to the new moderate price Toro brand walk power mowers described above.

Management also expects the residential segment to continue to benefit from sales of products introduced in fiscal 2001, including the Timecutter(TM) zero-turning radius riding mower for homeowners and the Twister(TM) home utility vehicle. The Timecutter(TM) is redefining Toro's home riding mower product line away from a tractor-style mower to a nimble, easy-to-maneuver mower preferred by landscapers. Toro's introduction of the Toro Snow Commander(TM) in fiscal 2001 was the first major snowthrower innovation in the market in more than 10 years, and made a positive contribution to fiscal 2001 sales with good pre-season sales for the 2001-2002 winter season. Lack of snow during the early winter months is expected to hamper sales of snowthrowers in fiscal 2002, however.

Management also expects good growth in the home solutions product line, which includes electric and battery trimmers and electric blowers and blower vacuums, due to customer acceptance of new products and good channel placement. The company expects only slight growth in the retail irrigation product line sold through home centers in fiscal 2002 due in part to lost shelf placement.

Distribution. The distribution segment sales are expected to increase in fiscal 2002 compared to fiscal 2001, primarily because fiscal 2002 will be the first full year to include sales from acquisitions made in fiscal 2001. The distribution segment is also expected to benefit from anticipated growth in landscape contractor and commercial grounds maintenance equipment product sales. Because the growth rate in new golf course construction has slowed in many areas of the country, the distribution segment will increase its emphasis on existing golf course renovations in fiscal 2002.

International Markets. International sales are expected to grow in both the residential and professional segments, reflecting expected continued acceptance of new products introduced over the past three years and anticipated stable currency exchange rate movements compared to the U.S. dollar. These factors could be somewhat offset by continued economic and political instability around the world, which may dampen growth in key markets. In addition, instability in the wake of terrorist attacks could delay Toro's ability to ship components and products across borders for manufacturing and to customers. International professional sales should benefit from good demand for landscape contractor and commercial equipment, irrigation systems, and agricultural irrigation products. International residential segment sales are expected to benefit from Toro(R) Personal Pace(R) walk power mower sales and snowthrower sales, as well as new product introductions.

5 by Five. Toro's "5 by Five" profit improvement program is expected to contribute to profitability in fiscal 2002 and beyond. This program focuses on process improvement and is intended to improve operations and manufacturing efficiencies in order to achieve a goal of five percent after tax by the end of fiscal 2003. As part of the program, Toro has and will continue to shift production of some products between plants and is closing two facilities to improve leverage and cost effectiveness of its manufacturing assets. Toro has also focused on improving its accounts receivable and accounts payable cycles to strengthen the balance sheet. The "5 by Five" program has permeated the organization, motivating employees to evaluate and improve individual and team processes to improve profitability. The company began to experience benefits of this program in fiscal 2001, and management expects Toro to achieve its goal of five percent profit after tax by the end of fiscal 2003.

In summary, Toro believes management will achieve its goals for fiscal 2002 despite an uncertain economic and political climate worldwide.

MARKET RISK

Toro is exposed to market risk stemming from changes in foreign currency exchange rates, interest rates, and commodity prices. Changes in these factors could cause fluctuations in the company's net earnings and cash flows. In the normal course of business, Toro actively manages the exposure of certain market risks by entering into various hedging transactions, authorized under company policies that place controls on these activities. The company's hedging transactions involve the use of a variety of derivative instruments. Toro uses derivatives only in an attempt to limit underlying exposure from currency fluctuations, and not for trading purposes.

Foreign Currency Exchange Rate Risk. The company is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. Toro is subject to risk from sales and loans to wholly owned subsidiaries as well as sales to third party customers, purchases from suppliers, and bank lines of credit with creditors denominated in foreign currencies. The company manages foreign currency exchange rate exposure from anticipated sales, accounts receivable, intercompany loans, anticipated purchases, and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency) and foreign currency exchange contracts. Decisions on whether to use such contracts are made based on the amount of exposures to the currency involved, and an assessment of the near-term market value for each currency. These contracts are managed to reduce the risk associated with the exposure being hedged. Accordingly, changes in market values of these hedge instruments are highly correlated with changes in market values of underlying hedged items both at inception of the hedge and over the life of the hedge contract. Because the company's products are manufactured or sourced primarily from the United States, a stronger U.S. dollar generally has a negative impact on results from operations outside the United States while a weaker dollar generally has a positive effect. The company's primary exchange rate exposure is with the euro, the Japanese yen, the Australian dollar, the Canadian dollar, the British pound, and the Mexican peso against the U.S. dollar.

The following foreign currency exchange contracts held by the company have maturity dates in fiscal 2002. All items are non-trading and stated in U.S.

dollars. Certain derivative instruments the company enters into do not meet the hedging criteria of SFAS No. 133; therefore, the fair value impact is recorded in other income, net. The average contracted rate, notional amount, pre-tax value of derivative instruments in accumulated comprehensive loss (ACL), and fair value of derivative instruments in other income, net at October 31, 2001 were as follows:

Dollars in thousands (except average contracted rate)	Average Contracted Rate	Notional Amount	Value in ACL (Loss)	Fair Value Income Impact Gain (Loss)
BUY U.S. $/SELL AUSTRALIAN DOLLAR	.5169	$ 16,694.4	$ 209.8	$ 255.7
BUY U.S. $/SELL CANADIAN DOLLAR	1.5641	3,772.1	28.8	(0.1)
BUY AUSTRALIAN DOLLAR/SELL U.S. $	.5048	7,520.8	--	(3.9)
BUY BRITISH POUND/SELL U.S. $	1.3914	1,461.0	51.2	4.9
BUY EURO/SELL U.S. $	.8654	3,029.1	125.1	0.5
BUY JAPANESE YEN/SELL U.S. $	118.1200	8,804.2	(204.2)	(11.1)
BUY MEXICAN PESO/SELL U.S. $	9.7498			

7,174.5 --
(84.3)

Interest Rate Risk. The company's interest rate exposure results from short-term rates, primarily LIBOR-based debt from commercial banks. Toro currently does not use interest rate swaps to mitigate the impact of fluctuations in interest rates because existing agreements are favorable compared to similar types of borrowing arrangements at current market credit spreads based on points over LIBOR. At October 31, 2001, the financial liabilities of the company with exposure to changes in interest rates consisted mainly of $34.4 million of short-term debt outstanding. Assuming a hypothetical increase of one percent (100 basis points) in short-term interest rates, with all other variables remaining constant including the average balance of short-term debt outstanding during fiscal 2001, interest expense would have increased $1.1 million in fiscal 2001. Included in long-term debt is $195.1 million of fixed-rate debt, which is not subject to interest rate risk. At October 31, 2001, the estimated fair value of long-term debt with fixed interest rates was $204.0 million compared to its carrying value of $195.1 million. The fair value is estimated by discounting the projected cash flows using the rate at which similar amounts of debt could currently be borrowed. Assuming a hypothetical increase of one percent (100 basis points) in applicable interest rates, the estimated fair value of long-term debt would decrease by $15.5 million.

Commodities. Some raw materials used in the company's products are exposed to commodity price changes. Toro manages some of this risk by using long-term agreements with some vendors. The primary commodity price exposures are with aluminum, steel, and plastic resin.

EURO CURRENCY

On January 1, 2002, a new common European currency known as the euro replaced old national currencies of countries. The old national currencies may continue to circulate early in 2002 but must be withdrawn entirely by July 2002. During the three year transition to the euro, companies and public administrations have changed budgetary, accounting, contractual, and fiscal systems while using parallel currencies and converting legacy data. Uncertainty continues as to what effects the conversion to the euro will have on the marketplace, especially the effects on individual consumers. One anticipated effect will be more transparent price differences on goods in European countries.

Significant issues for the company arising from the transition are price competition on Toro distributor and Toro direct sales, and the possible need for and cost of price support for Toro distributors in the European Union. Current concerns include currency swings and instability in the rate of exchange between the euro and the U.S. dollar, and the lack of diversification of currencies in Europe with the introduction of the euro. The company currently invoices most international export shipments in U.S. dollars, however, it is analyzing the effects of invoicing in some foreign currencies, and the euro is among those currencies being considered.

In May 2001, one of the company's European subsidiaries commenced using a new euro-compliant Enterprise Resource Planning (ERP) system. In November 2001, the company's other European subsidiary converted to the same ERP system. This new system enables both subsidiaries to report financial transactions and fiscal reports in the euro in fiscal 2002. The cost of converting to these systems was immaterial compared to the company's overall operating expenses.

Based on evaluation to date, management currently believes that while the company will continue to incur internal and external costs to adjust to the euro indirectly, such costs are not expected to have a significant impact on operations, cash flows, or the financial condition of the company and its subsidiaries taken as a whole in future periods.

SUBSEQUENT EVENTS

Toro has announced several significant events subsequent to October 31, 2001. On November 28, 2001 and December 6, 2001, respectively, the company announced that it will be closing its Evansville, Indiana and Riverside, California manufacturing facilities during fiscal 2002. These actions are part of Toro's overall long-term strategy to reduce production costs and improve long-term competitiveness. The closure of these facilities is expected to result in a pre-tax restructuring and other expense charge ranging from $7.4 million to $7.9 million in the first quarter of fiscal 2002.

The company also expects to record an impairment charge upon adopting the new accounting standard related to goodwill valuation. The cumulative effect of adopting this new standard is expected to result in an after-tax charge for goodwill impairment ranging from $24.5 million to $25.0 million in the first quarter of fiscal 2002. The company also expects to incur a pre-tax charge for asset impairments ranging from $1.9 million to $2.1 million related to write-downs of patents and non-compete agreements that will be recorded as restructuring and other expense in the first quarter of fiscal 2002. These charges are associated with goodwill and other intangible assets that were recorded for several acquisitions in the agricultural irrigation market. The performance of these acquisitions has not met management expectations. This is due to lower than anticipated growth rates in the drip line market, which has resulted in lower industry-wide pricing and margins on product sales.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required under this Item is contained in Item 7 of this report under the caption "Market Risk," and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT

The Stockholders and Board of Directors
The Toro Company:

Management is responsible for the integrity and objectivity of the financial information included in this report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Where necessary, the consolidated financial statements reflect estimates based on management judgment.

Established accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, transactions are appropriately authorized and included in the financial records in all material aspects, and that policies and procedures are implemented by qualified personnel. This system of financial controls and procedures is reviewed, modified, and improved as changes occur in business conditions and operations, and as a result of suggestions from independent auditors.

Our independent auditors, KPMG LLP, in their audit of The Toro Company's consolidated financial statements, considered the internal control structure of the company to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, not for the purpose of providing assurance on the system of internal control.

The independent auditors conduct an independent audit of the consolidated financial statements.

/s/ KENDRICK B. MELROSE
Kendrick B. Melrose
Chairman of the Board and Chief Executive Officer

/s/ STEPHEN P. WOLFE
Stephen P. Wolfe
Vice President Finance, Treasurer and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
The Toro Company:

We have audited the accompanying consolidated balance sheets of The Toro Company and its subsidiaries as of October 31, 2001 and 2000, and the related consolidated statements of earnings and comprehensive income, and cash flows for each of the years in the three year period ended October 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These consolidated financial statements and schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Toro Company and its subsidiaries as of October 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three year period ended October 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Minneapolis, Minnesota
December 3, 2001, except for Note 14,
which is as of December 6, 2001

CONSOLIDATED STATEMENTS OF EARNINGS
AND COMPREHENSIVE INCOME

(Dollars and
shares in
thousands,
except per
share data)
Years ended
October 31
2001 2000
1999 - ------

----------- -
---------- --
--------- ---
-------- NET
SALES $
1,353,083 $
1,338,974 $
1,279,706
COST OF SALES
892,845
875,817
843,445 -----
------ ------
----- -------
---- GROSS
PROFIT
460,238
463,157
436,261
SELLING,
GENERAL, AND
ADMINISTRATIVE
EXPENSE
366,284
365,952
359,744
RESTRUCTURING
AND OTHER
UNUSUAL
(INCOME)
EXPENSE (679)
-- 1,732 ----
------- -----
------ ------

EARNINGS FROM
OPERATIONS
94,633 97,205
74,785
INTEREST
EXPENSE
(22,003)
(26,414)
(23,810)
OTHER INCOME,
NET 7,447
1,091 6,498 -
---------- --
--------- ---

EARNINGS
BEFORE INCOME
TAXES 80,077
71,882 57,473
PROVISION FOR
INCOME TAXES
29,629 26,597
22,414 ------
----- -------
---- --------
--- NET

EARNINGS $
50,448 $
45,285 $
35,059
===========
===========
===========
BASIC NET
EARNINGS PER
SHARE OF
COMMON STOCK
$ 3.97 $ 3.55
$ 2.72
===========
===========
===========
DILUTIVE NET
EARNINGS PER
SHARE OF
COMMON STOCK
$ 3.86 $ 3.47
$ 2.64
===========
===========
===========
WEIGHTED
AVERAGE
NUMBER OF
SHARES OF
COMMON STOCK
OUTSTANDING -
BASIC 12,700
12,770 12,879
WEIGHTED
AVERAGE
NUMBER OF
SHARES OF
COMMON STOCK
OUTSTANDING -
DILUTIVE
13,067 13,058
13,278
===========
===========
===========
COMPREHENSIVE
INCOME: NET
EARNINGS $
50,448 $
45,285 $
35,059 OTHER
COMPREHENSIVE
INCOME
(LOSS):
MINIMUM
PENSION
LIABILITY
ADJUSTMENT
(1,288) -- --
CUMULATIVE
TRANSLATION
ADJUSTMENT
(215) (3,837)
(1,255)
UNREALIZED
GAIN ON
DERIVATIVE
INSTRUMENTS
133 -- -- ---
-------- ----
------- -----

COMPREHENSIVE
INCOME $
49,078 $
41,448 $
33,804
===========
===========
===========

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(Dollars in
thousands,
except per
share data)
October 31
2001 2000 -

-------- ---
--------- --

ASSETS CASH
AND CASH
EQUIVALENTS
$ 12,876 $
978
RECEIVABLES,
NET:
CUSTOMERS
(NET OF
$4,326 AT
OCTOBER 31,
2001 AND
$4,571 AT
OCTOBER 31,
2000 FOR
ALLOWANCE
FOR DOUBTFUL
ACCOUNTS)
267,442
255,850
OTHER 4,235
6,634 ------
------ -----

TOTAL
RECEIVABLES,
NET 271,677
262,484 ----
-------- ---

INVENTORIES,
NET 234,661
194,926
PREPAID
EXPENSES AND
OTHER
CURRENT
ASSETS
11,052
12,065
DEFERRED
INCOME TAXES
33,927
39,714 -----
------- ----

TOTAL
CURRENT
ASSETS
564,193
510,167 ----
-------- ---

PROPERTY,
PLANT, AND
EQUIPMENT:
LAND AND
LAND
IMPROVEMENTS
12,737

12,714
BUILDINGS
AND
LEASEHOLD
IMPROVEMENTS
87,496
88,485
EQUIPMENT
301,710
282,298 ----
-------- ---

SUBTOTAL
401,943
383,497 LESS
ACCUMULATED
DEPRECIATION
259,698
250,645 ----
-------- ---

TOTAL
PROPERTY,
PLANT, AND
EQUIPMENT,
NET 142,245
132,852 ----
-------- ---

DEFERRED
INCOME TAXES
9,721 9,883
OTHER ASSETS
11,983
13,545
GOODWILL AND
OTHER
INTANGIBLE
ASSETS, NET
107,532
112,943 ----
-------- ---

TOTAL ASSETS
$ 835,674 $
779,390
============
============
LIABILITIES
AND
STOCKHOLDERS'
EQUITY
CURRENT
PORTION OF
LONG-TERM
DEBT $ 513 $
38 SHORT-
TERM DEBT
34,413
11,587
ACCOUNTS
PAYABLE
77,549
65,340
ACCRUED
LIABILITIES
180,092
183,927 ----
-------- ---

TOTAL
CURRENT
LIABILITIES
292,567
260,892 ----
-------- ---

LONG-TERM
DEBT, LESS
CURRENT
PORTION

194,565
194,457
OTHER LONG-
TERM
LIABILITIES
7,149 6,823
STOCKHOLDERS'
EQUITY:
PREFERRED
STOCK, PAR
VALUE $1.00,
AUTHORIZED
1,000,000
VOTING AND
850,000 NON-
VOTING
SHARES, NONE
ISSUED AND
OUTSTANDING
-- -- COMMON
STOCK, PAR
VALUE $1.00,
AUTHORIZED
35,000,000
SHARES,
ISSUED AND
OUTSTANDING
12,266,045
SHARES AT
OCTOBER 31,
2001 (NET OF
1,242,010
TREASURY
SHARES) AND
12,569,194
SHARES AT
OCTOBER 31,
2000 (NET OF
938,861
TREASURY
SHARES)
12,266
12,569
ADDITIONAL
PAID-IN
CAPITAL
29,048
47,540
RETAINED
EARNINGS
313,067
268,727
ACCUMULATED
COMPREHENSIVE
LOSS
(12,988)
(11,618) ---
--------- --

TOTAL
STOCKHOLDERS'
EQUITY
341,393
317,218 ----
-------- ---

TOTAL
LIABILITIES
AND
STOCKHOLDERS'
EQUITY $
835,674 $
779,390
============
============

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands) Years ended October 31 2001 2000 1999 - --- ------- ---- ------- ---- ------- ---- CASH FLOWS FROM OPERATING ACTIVITIES: NET EARNINGS $ 50,448 $ 45,285 $ 35,059 ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: PROVISION FOR DEPRECIATION AND AMORTIZATION 37,171 38,151 39,105 WRITE-DOWN OF INVESTMENTS 1,926 4,106 -- (GAIN) LOSS ON DISPOSAL OF PROPERTY, PLANT, AND EQUIPMENT (56) 119 193 CHANGE IN DEFERRED INCOME TAXES 6,706 171 (7,008) TAX BENEFITS RELATED TO EMPLOYEE STOCK OPTION TRANSACTIONS 4,841 337 573 CHANGES IN OPERATING ASSETS AND LIABILITIES: RECEIVABLES, NET (15,538) (989) (23,093) INVENTORIES, NET (25,884) 18,538 (12,603) PREPAID EXPENSES AND OTHER CURRENT ASSETS 1,700

(5,915)
8,563
ACCOUNTS
PAYABLE AND
ACCRUED
LIABILITIES
8,878 5,749
20,823 -----
------ -----
------ -----
------ NET
CASH
PROVIDED BY
OPERATING
ACTIVITIES
70,192
105,552
61,612 -----
------ -----
------ -----
------ CASH
FLOWS FROM
INVESTING
ACTIVITIES:
PURCHASES OF
PROPERTY,
PLANT, AND
EQUIPMENT
(35,662)
(39,934)
(29,842)
PROCEEDS
FROM
DISPOSAL OF
PROPERTY,
PLANT, AND
EQUIPMENT
2,298 2,907
541 DECREASE
(INCREASE)
IN
INVESTMENTS
IN
AFFILIATES
154 (1,006)
(3,017)
INCREASE IN
OTHER ASSETS
(3,001)
(3,319)
(769)
ACQUISITIONS,
NET OF CASH
ACQUIRED
(8,549)
(3,014)
(4,067) ----
------- ----
------- ----
------- NET
CASH USED IN
INVESTING
ACTIVITIES
(44,760)
(44,366)
(37,154) ---
-------- ---
-------- ---

CASH FLOWS
FROM
FINANCING
ACTIVITIES:
INCREASE
(REPAYMENTS)
OF SHORT-
TERM DEBT
19,219
(48,263)
20,841
REPAYMENTS

OF LONG-TERM
DEBT (107)
(1,845)
(1,578)
ISSUANCE OF
LONG-TERM
DEBT 219 --
-- INCREASE
IN OTHER
LONG-TERM
LIABILITIES
326 648 572
PROCEEDS
FROM
EXERCISE OF
STOCK
OPTIONS
17,285 4,275
4,133
PURCHASES OF
COMMON STOCK
(44,153)
(17,056)
(29,165)
DIVIDENDS ON
COMMON STOCK
(6,108)
(6,090)
(6,136) ----
------- ----
------- ----
------- NET
CASH USED IN
FINANCING
ACTIVITIES
(13,319)
(68,331)
(11,333) ---
-------- ---
-------- ---

FOREIGN
CURRENCY
TRANSLATION
ADJUSTMENT
(215)
(3,837)
(1,255) ----
------- ----
------- ----
------- NET
INCREASE
(DECREASE)
IN CASH AND
CASH
EQUIVALENTS
11,898
(10,982)
11,870 CASH
AND CASH
EQUIVALENTS
AT BEGINNING
OF THE
FISCAL YEAR
978 11,960
90 ---------
-- ---------
-- ---------
-- CASH AND
CASH
EQUIVALENTS
AT END OF
THE FISCAL
YEAR $
12,876 $ 978
$ 11,960
===========
===========
===========
SUPPLEMENTAL
DISCLOSURES

OF CASH FLOW INFORMATION:			
CASH PAID DURING THE FISCAL YEAR FOR:			
INTEREST	$ 22,545	$ 26,716	$ 24,090
INCOME TAXES	18,006	29,162	21,838
STOCK ISSUED IN CONNECTION WITH ACQUISITIONS AND STOCK COMPENSATION PLANS	3,232	14,641	13,055
DEBT ISSUED IN CONNECTION WITH AN ACQUISITION	450	--	--

The financial statements should be read in conjunction with the Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED DATA

NATURE OF OPERATIONS

The principal business of The Toro Company and all wholly owned and majority-owned domestic and foreign subsidiaries ("Toro" or "the company") is the development, manufacturing, and selling of outdoor beautification equipment and systems used in the residential and professional markets. Toro products are sold through a network of distributors, dealers, hardware retailers, home centers, mass retailers, and over the Internet through Internet retailers.

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the company. The company records its investment in each unconsolidated affiliated company (20 to 50 percent ownership) at its related equity in the net assets of such affiliate. Other investments (less than 20 percent ownership) are recorded at cost. All material intercompany accounts and transactions have been eliminated from the consolidated financial statements.

CASH AND CASH EQUIVALENTS

The company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The company had $2,380,000 included in trade payables that represented the reclassification of outstanding checks in excess of related bank balances at October 31, 2000. There were no such amounts on October 31, 2001.

RECEIVABLES

Receivables are recorded at original carrying value less reserves for potential uncollectable accounts.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value with cost determined by the last-in, first-out (LIFO) method for inventories.

Inventories at October 31 were as follows:

(Dollars in thousands)	2001	2000
RAW MATERIALS AND WORK IN PROGRESS	$ 70,458	$ 66,175
FINISHED GOODS AND SERVICE PARTS	207,231	168,135
	277,689	234,310
LESS: LIFO	29,264	27,861
OTHER RESERVES	13,764	11,523

TOTAL	$ 234,661	$ 194,926

PROPERTY AND DEPRECIATION

Property, plant, and equipment are carried at cost. The company provides for depreciation of plant and equipment utilizing the straight-line method over the estimated useful lives of the assets. Buildings, including leasehold improvements, are generally depreciated over 10 to 45 years, and equipment over 3 to 7 years. Tooling costs are generally amortized over 3 to 5 years using the units of production method and straight-line method. Software and web site development costs are generally amortized over 2 to 5 years utilizing the straight-line method. Expenditures for major renewals and betterments, which substantially increase the useful lives of existing assets, are capitalized, and maintenance and repairs are charged to operating expenses as incurred. Interest is capitalized during the construction period for significant capital projects. During the years ended October 31, 2001, 2000, and 1999, the company capitalized $817,000, $587,000, and $156,000 of interest, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are amortized on a straight-line basis over periods ranging from 3 to 20 years.

The gross and net amounts of goodwill and other intangible assets at October 31 were as follows:

(Dollars in thousands)	2001	2000
GOODWILL - GROSS	$ 143,641	$ 140,357
LESS ACCUMULATED AMORTIZATION	40,683	32,106
GOODWILL - NET	102,958	108,251
OTHER INTANGIBLE ASSETS - GROSS	11,281	10,492
LESS ACCUMULATED AMORTIZATION	6,707	5,800
OTHER INTANGIBLE ASSETS - NET	4,574	4,692
GOODWILL AND OTHER INTANGIBLE ASSETS - GROSS	154,922	150,849

LESS
ACCUMULATED
AMORTIZATION
47,390
37,906 ----
-------- --

GOODWILL
AND OTHER
INTANGIBLE
ASSETS -
NET $
107,532 $
112,943
============
============

IMPAIRMENT OF LONG-LIVED ASSETS

The company reviews long-lived assets, including identifiable intangibles and associated goodwill, for impairment when events or changes in circumstances warrant such a review. An asset is deemed impaired and written down to its fair value if expected associated undiscounted future cash flows are less than its carrying value.

ACCRUED LIABILITIES

Accrued liabilities at October 31 were as follows:

(Dollars in thousands)	2001	2000
ACCRUED WARRANTIES	$ 57,882	$ 55,985
ACCRUED ADVERTISING AND MARKETING PROGRAMS	34,919	36,332
ACCRUED COMPENSATION AND BENEFIT COSTS	58,757	55,992
OTHER	28,534	35,618
TOTAL	$ 180,092	$ 183,927

ACCRUED WARRANTIES

The company provides an accrual for estimated future warranty costs based upon the historical relationship of warranty costs to sales by product line and specific known major product modifications.

INSURANCE

The company is self-insured for certain employee medical, dental, workers' compensation, and product liability claims. Specific stop loss coverages are provided for catastrophic claims. Losses and claims are charged to operations when it is probable a loss has been incurred and the amount can be reasonably estimated.

FOREIGN CURRENCY EXCHANGE CONTRACTS

Foreign currency exchange contracts are used to hedge most foreign currency transactions and forecasted sales and purchases denominated in foreign currencies. These financial exposures are managed in accordance with the company's policies and procedures. The company does not hold or issue derivative financial instruments for trading purposes.

FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS

The functional currency of the company's foreign operations is the applicable local currency. The functional currency is translated into U.S. dollars for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the fiscal year. The translation adjustments are deferred as a separate component of stockholders' equity, captioned accumulated comprehensive loss. Gains or losses resulting from transactions denominated in foreign currencies are included in other income, net, on the Consolidated Statements of Earnings and Comprehensive Income.

COMPREHENSIVE INCOME

Comprehensive income for the company consists of net earnings, minimum pension liability adjustments, cumulative translation adjustments, and unrealized gains or losses on derivative instruments. Minimum pension liability adjustments, cumulative translation adjustments, and unrealized gains or losses on derivative instruments are captioned as other comprehensive income (loss) in the Consolidated Statements of Earnings and Comprehensive Income.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation," requires companies to measure employee stock compensation plans based on the fair value method of accounting or to continue to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," (APB No. 25), and provide pro forma footnote disclosures under the fair value method. The company continues to apply the principles of APB No. 25 and has provided pro forma fair value disclosures in Note 9.

REVENUE RECOGNITION

Toro recognizes revenue when persuasive evidence of an arrangement exists, when title and risk of ownership passes, the sales price is fixed or determinable, and collectibility is probable. Generally, these criteria are met at the time product is shipped. Provision is made at the time the related revenue is recognized for estimated cost of product warranties, price protection, and other sales promotional expenses. Revenue earned from services is recognized ratably over the contractual period. Freight revenue billed to customers is included in net sales, and expenses incurred for shipping products to customers are included in cost of sales.

COST OF FINANCING DISTRIBUTOR/DEALER INVENTORY

The company enters into inventory repurchase agreements with third party financing companies. The company has repurchased only immaterial amounts of inventory from third party financing companies over the last three years. However, an adverse change in retail sales could cause this situation to change and thereby require Toro to repurchase financed product. Any expected cost of repurchasing inventory has been provided for in the allowance for doubtful accounts. At October 31, 2001, the company was contingently liable to repurchase $3,687,000 of inventory related to receivables under these financing arrangements.

Included in net sales are costs associated with programs in which the company shares the expense of financing distributor and dealer inventories. This charge represents interest for a pre-established length of time at a predefined rate from a contract with a third party financing source to finance distributor and dealer inventory purchases. These financing arrangements are used by the company as a marketing tool to enable customers to buy inventory. The financing costs for distributor and dealer inventories were $9,204,000, $8,586,000, and $8,497,000 for the fiscal years ended 2001, 2000, and 1999, respectively.

ADVERTISING

General advertising expenditures and the related production are expensed in the period in which costs are incurred or the first time advertising takes place. Cooperative advertising represents expenditures for shared advertising costs that the company reimburses to customers. These obligations are accrued and expensed when the related revenues are recognized in accordance with the program established for various product lines. Advertising costs were $32,477,000, $34,751,000, and $36,209,000 for the fiscal years ended 2001, 2000, and 1999, respectively.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. The company has reflected the necessary deferred tax asset and liability in the accompanying balance sheets. Management believes the future tax deductions will be realized principally through carryback to taxable income in prior years, future reversals of existing taxable temporary differences, and to a lesser extent, future taxable income.

NET EARNINGS PER SHARE

Basic net earnings per share is calculated using net earnings available to common stockholders divided by the weighted average number of shares of common stock outstanding during the year plus the assumed issuance of contingent shares. Dilutive net earnings per share is similar to basic net earnings per share except that the weighted average number of shares of common stock outstanding plus the assumed issuance of contingent shares is increased to include the number of additional shares of common stock that would have been outstanding, such as common stock to be issued upon exercise of options, contingently issuable shares, and assumed issuance of restricted shares.

Reconciliations of basic and dilutive weighted average shares of common stock outstanding are as follows:

BASIC

(Shares in thousands) Years ended October 31 2001 2000 1999 - --- ---------- --------- ---------- ---------- ----------

WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING 12,691 12,708 12,753

ASSUMED ISSUANCE OF CONTINGENT

SHARES 9
62 126 ---
------- --
-------- -

WEIGHTED
AVERAGE
NUMBER OF
SHARES OF
COMMON
STOCK AND
ASSUMED
ISSUANCE
OF
CONTINGENT
SHARES
12,700
12,770
12,879
==========
==========
==========

DILUTIVE

(Shares in
thousands)
Years ended
October 31
2001 2000
1999 - ----

------- ---
------- ---
------- ---

WEIGHTED
AVERAGE
NUMBER OF
SHARES OF
COMMON
STOCK AND
ASSUMED
ISSUANCE OF
CONTINGENT
SHARES
12,700
12,770
12,879
ASSUMED
CONVERSION
OF STOCK
OPTIONS,
CONTINGENTLY
ISSUABLE
SHARES, AND
ASSUMED
ISSUANCE OF
RESTRICTED
SHARES 367
288 399 ---
------- ---
------- ---

WEIGHTED
AVERAGE
NUMBER OF
SHARES OF
COMMON
STOCK,
ASSUMED
ISSUANCE OF
CONTINGENT
AND
RESTRICTED
SHARES,
CONTINGENTLY
ISSUABLE
SHARES, AND

ASSUMED CONVERSION OF OPTIONS OUTSTANDING
13,067
13,058
13,278
==========
==========
==========

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF PRESENTATION

Certain amounts from prior years' financial statements have been reclassified to conform to the current year presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In October 2001, Financial Accounting Standards Board (FASB) issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement establishes a single accounting model for the impairment or disposal of long-lived assets. The company plans to adopt the provisions of SFAS No. 144 during the first quarter of fiscal 2003, as required. Management does not expect the adoption of SFAS No. 144 will have a material impact on the company's financial statements.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and use of the pooling-of-interests method will be prohibited. SFAS No. 141 also provides new criteria to determine whether an acquired intangible asset should be recognized separately from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead tested for impairment at least annually at the reporting unit level using a two-step impairment test. The company adopted SFAS No. 142 on November 1, 2001. The company is currently in the process of determining the impact of these pronouncements on its financial position and results of operations. The company expects to record an after-tax charge ranging from $24.5 million to $25.0 million related to initial application of SFAS No. 142, which will be recorded as a cumulative effect of accounting change during the first quarter of fiscal 2002. If goodwill and other intangible assets had not been amortized during fiscal 2001, the company's net earnings per dilutive share would have been approximately $4.48 for fiscal 2001.

The company adopted Emerging Issues Task Force Issue 00-10 (EITF 00-10), "Accounting for Shipping and Handling Fees and Costs," in the fourth quarter of fiscal 2001. EITF 00-10 requires amounts billed to customers for shipping and handling to be classified as net sales and shipping and handling costs incurred for selling goods to be classified as cost of sales. Prior to the adoption of EITF 00-10, Toro netted these amounts in net sales. The adoption of EITF 00-10 by the company resulted in a reclassification of freight expense from net sales to cost of sales of $30,740,000, $31,046,000, and $27,983,000 for the fiscal years ended 2001, 2000, and 1999, respectively.

The company adopted Emerging Issues Task Force Issue 00-14 (EITF 00-14), "Accounting for Certain Sales Incentives," in the fourth quarter of fiscal 2001. EITF 00-14 requires that cash sales incentives be classified as a reduction of net sales, and sales incentives that involve a free product or service delivered at the time of sale be classified as cost of sales. Toro also adopted Emerging Issues Task Force Issue 00-25 (EITF 00-25), "Vendor Income Statement Characterization of Consideration Paid to a Retailer of Vendor's Products," in the fourth quarter of fiscal 2001. EITF 00-25 requires that various forms of consideration from a vendor to a customer be classified as a reduction of net sales. EITF 00-25 also provides certain criteria to classify various forms of consideration as expense if the vendor receives a benefit from the customer. The adoption of EITF 00-14 and EITF 00-25 by the company resulted in reclassification of the cost of floor plan interest, price support, and certain cooperative marketing programs to net sales of $35,943,000, $28,996,000, and $23,274,000 for fiscal years ended 2001, 2000, and 1999, respectively.

In December 1999, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain SEC staff views in applying accounting principles generally accepted in the United States of America for revenue recognition in financial statements. This change did not have a material impact on Toro's financial condition or results of operations.

SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," - an Amendment of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," was adopted by the company during fiscal 2001. SFAS No. 138 and SFAS No. 133 establish new standards for recognizing all derivatives as either assets or liabilities, and measuring those instruments at fair value. The adoption of SFAS No. 138 and SFAS No. 133 did not have a significant impact on the company's financial condition or results of operations.

2 BUSINESS ACQUISITIONS AND INVESTMENTS IN AFFILIATES

In fiscal 2001, the company completed the purchase of a southwestern-based distributing company. In fiscal 2000, the company completed the purchase of two other distribution companies. These companies distribute turf maintenance and creation products to the professional and residential markets.

In fiscal 2001, Toro acquired Electronic Industrial Controls, Inc. (EICON), a provider of innovative computer control systems for the irrigation industry, located in Englewood Colorado.

In fiscal 2001, Toro acquired certain operating assets of Goossen Industries, Inc. (Goossen), a turf equipment manufacturer located in Beatrice, Nebraska. This acquisition added manufacturing capacity for Toro and expanded its line of debris management equipment.

In fiscal 2000, Toro acquired the operating assets of Sitework Systems, Inc., a nationwide domestic manufacturer's sales representative of the Dingo compact utility loader. In fiscal 2001, Toro began to distribute this product directly to dealers through the newly acquired sales force.

The acquisitions described above were accounted for using the purchase accounting method. Accordingly, the purchase price was allocated based on the estimated fair values of assets acquired and liabilities assumed on the date of acquisition. The excess purchase price over the estimated fair value of net tangible assets and identifiable intangible assets acquired was recorded as goodwill, and is being amortized on a straight-line basis over a 5 to 20 year period. These acquisitions were immaterial based on the company's consolidated financial position and results of operations.

In fiscal 1999, Toro became an equity partner in ProShot Golf, Inc. (ProShot). ProShot is a California-based provider of information and communication products to the golf industry, featuring Global Positioning Satellite (GPS)-based measurement and course management systems, primarily for golf carts. In early fiscal 2001, ProShot was acquired by Inforetech Wireless Technology, Inc. (Inforetech). During fiscal 2001, Inforetech experienced significant financial issues. Toro has fully written off this investment and reserved for all financial debt guarantees in bad debt expense related to Inforetech. Toro recorded valuation charges of $2,828,000 and $4,106,000 in fiscal 2001 and 2000, respectively, related to the write-down of this investment and related bad debt expense. Management does not believe that Toro should have any material additional financial exposure related to this investment.

3 RESTRUCTURING AND OTHER UNUSUAL (INCOME) EXPENSE

In fiscal 2001, the company reversed $679,000 into restructuring and other unusual income related to the remaining accrual for the Sardis, Mississippi facility that was sold in fiscal 2001.

In fiscal 1999, the company recorded a restructuring charge of $3,118,000 for asset write-downs and severance costs for management, sales force changes, and plant employees related to the closure of an Australian manufacturing facility. Other unusual expense was reduced by $1,386,000, relating to the reversal for the unused portion of the one-time residential marketing programs accrued in fiscal 1998. Restructuring expense included approximately $1,549,000 of cash charges primarily related to severance costs, and approximately $1,569,000 of net non-cash charges related to the write-down of assets.

At October 31, 1999, the company had $2,269,000 of restructuring and other unusual expense remaining in accrued liabilities. During fiscal 2000, the company utilized $922,000 of these reserves, leaving $1,347,000 remaining in accrued liabilities for restructuring and other unusual expense at October 31, 2000. During fiscal 2001, the company utilized $422,000 of these reserves and reversed $679,000 into restructuring and other unusual income, leaving $246,000 remaining in accrued liabilities for restructuring and other unusual expense at October 31, 2001. The company expects the remaining reserve to be utilized when the Murray Bridge, Australia facility is sold.

4 OTHER INCOME, NET

Other income (expense) is as follow:

(Dollars in thousands) Years ended October 31	2001	2000	1999
INTEREST INCOME	$ 818	$ 788	$ 2,015
GROSS FINANCE CHARGE REVENUE	5,141	5,460	4,082
ROYALTY INCOME	1,452	1,433	1,930
FOREIGN CURRENCY GAINS			

(LOSSES)	887	(4,949)	(1,691)
INSURANCE RECOVERY, NET	1,886	2,208	--
VALUATION CHARGES FOR INVESTMENTS	(1,926)	(4,106)	--
LITIGATION (SETTLEMENT) RECOVERY	(1,073)	126	77
MISCELLANEOUS	262	131	85
TOTAL	$ 7,447	$ 1,091	$ 6,498

5 SHORT-TERM CAPITAL RESOURCES

At October 31, 2001, the company had available committed unsecured lines of credit with domestic banks in the aggregate of $288,000,000. Under these lines of credit, the company can also borrow in currencies other than U.S. dollars. Interest expense on these credit lines is based on LIBOR plus a basis point spread defined in the current loan agreements. Most of these agreements also require the company to pay a fee of 0.175 - 0.200 percent per year on the available lines of credit, which is included in interest expense. The company also has bankers' acceptance agreements under which an additional $40,000,000 of credit lines are available. The company's non-U.S. operations maintain unsecured short-term lines of credit of $5,702,000. These facilities bear interest at various rates depending on the rates in their respective countries of operation. The company had $34,413,000 outstanding at October 31, 2001 and $11,587,000 outstanding in U.S. dollars at October 31, 2000 under these lines of credit, which included 34,200,000 Australian dollar and 18,577,000 euro denominated short-term debt outstanding at October 31, 2001. The weighted average interest rate on short-term debt outstanding at October 31, 2001 and 2000 was 4.80 percent and 7.25 percent, respectively. The company was in compliance with all covenants related to the lines of credit described above at October 31, 2001.

6 LONG-TERM DEBT

A summary of long-term debt is as follows:

(Dollars in thousands) October 31	2001	2000
7.000% NOTES, DUE FEBRUARY 17, 2003	$ 15,761	$ 15,761
7.125% NOTES, DUE JUNE 15, 2007	75,000	75,000
INDUSTRIAL REVENUE BOND DUE NOVEMBER 1, 2017 AT 4.500%	3,600	3,600
7.800% DEBENTURES, DUE JUNE 15, 2027	100,000	100,000
OTHER	717	134
	195,078	194,495
LESS CURRENT PORTION	513	38
LONG-TERM DEBT, LESS CURRENT PORTION	$ 194,565	$ 194,457

In connection with the issuance in June 1997 of the $175.0 million in long-term debt securities, the company paid $23.7 million to terminate three forward-starting interest rate swap agreements with notional amounts totaling $125.0 million. These swap agreements had been entered into to reduce exposure to interest rate risk prior to the issuance of the new long-term debt securities. At the inception of one of the swap agreements, the company had received payments, which were recorded as deferred income to be recognized as an adjustment to interest expense over the term of the new debt securities. At the date the swaps were terminated, this deferred income totaled $18.7 million. The excess termination fees over the deferred income recorded has been deferred and is being recognized as an adjustment to interest expense over the term of the new debt securities issued.

Principal payments required on long-term debt in each of the next five years ending October 31 are as follows: 2002, $513,000; 2003, $15,830,000; 2004, $44,000; 2005, $45,000; 2006, $46,000; and after 2006, $178,600,000.

7 INCOME TAXES

A reconciliation of the statutory federal income tax rate to the company's consolidated effective tax rate is summarized as follows:

	Years ended October 31		
	2001	2000	1999
STATUTORY FEDERAL INCOME TAX RATE	35.0%	35.0%	35.0%
INCREASE (REDUCTION) IN INCOME TAXES RESULTING FROM:			
BENEFITS FROM EXPORT INCENTIVES	(2.2)	(3.2)	(3.0)
STATE AND LOCAL INCOME TAXES, NET OF FEDERAL INCOME TAX BENEFIT	1.3	1.3	2.8
EFFECT OF FOREIGN SOURCE INCOME	(1.0)	0.8	0.1
GOODWILL AMORTIZATION	2.8	3.0	3.5
OTHER, NET	1.1	0.1	0.6
CONSOLIDATED EFFECTIVE TAX RATE	37.0%	37.0%	39.0%

Components of the provision for income taxes are as follows:

(Dollars in thousands)	Years ended October 31		
	2001	2000	1999
CURRENT:			
FEDERAL	$ 22,552	$	

21,414 $
25,864
STATE
1,002
1,387
3,342 ----
------- --

- CURRENT
PROVISION
23,554
22,801
29,206 ---
-------- -

-
DEFERRED:
FEDERAL
5,434
3,765
(5,911)
STATE 641
31 (881) -

- --------

DEFERRED
PROVISION
6,075
3,796
(6,792) --

- --------
--- TOTAL
PROVISION
FOR INCOME
TAXES $
29,629 $
26,597 $
22,414
===========
===========
===========

The tax effects of temporary differences that give rise to the net deferred income tax assets at October 31, 2001 and 2000 are presented below:

(Dollars in
thousands)
2001 2000 -

---------- -

ALLOWANCE
FOR DOUBTFUL
ACCOUNTS $
2,374 $
2,952
INVENTORY
ITEMS 4,140
3,063
DEPRECIATION
7,561 8,362
WARRANTY
RESERVES
6,034 11,112
EMPLOYEE
BENEFITS
11,738 9,210
OTHER
NONDEDUCTIBLE
ACCRUALS
11,801
14,898 -----

DEFERRED INCOME TAX ASSETS	$ 43,648 $ 49,597

During the years ended October 31, 2001 and 2000, respectively, $4,841,000 and $337,000 was added to additional paid-in capital in accordance with APB No. 25 reflecting the permanent book to tax difference in accounting for tax benefits related to employee stock option transactions.

8 STOCKHOLDERS' EQUITY

Changes in the components of stockholders' equity during the fiscal years ended 2001, 2000, and 1999 were as follows:

Additional
Accumulated
Common Paid-
In Retained
Comprehensive
(Dollars in
thousands,
except per
share data)
Stock
Capital
Earnings
Loss Total -

--------- --
------ -----
----- ------
--- --------
----- ------
--- Balance
at October
31, 1998 $
12,770 $
56,546 $
200,609 $
(6,526) $
263,399 ----
---- -------
- ---------

Dividends
paid on
common stock
($0.48 per
share) -- --
(6,136) --
(6,136)
Issuance of
164,612
shares under
stock option
plans 164
3,969 -- --
4,133
Issuance of
511,991
shares of
common stock
for Exmark
contingent
payment 512
12,543 -- --
13,055
Purchase of
876,852
shares of
common stock
(877)
(28,288) --
-- (29,165)
Tax benefits
related to
employee
stock option
transactions
-- 573 -- --
573 Foreign
currency

translation adjustments -- -- -- (1,255) (1,255) Net earnings -- -- 35,059 -- 35,059 -------- -------- --------- -- --------- -- -------
Balance at October 31, 1999 $ 12,569 $ 45,343 $ 229,532 $ (7,781) $ 279,663 ======== ======== ========= =========== =========
Dividends paid on common stock ($0.48 per share) -- -- (6,090) -- (6,090) Issuance of 173,957 shares under stock compensation plans 174 4,733 -- -- 4,907 Contribution of stock to a deferred compensation trust -- 2,620 -- -- 2,620 Issuance of 337,066 shares of common stock for Exmark contingent payment and acquisitions 337 11,052 -- -- 11,389 Purchase of 511,138 shares of common stock (511) (16,545) -- -- (17,056) Tax benefits related to employee stock option transactions -- 337 -- -- 337 Foreign currency translation adjustments -- -- -- (3,837) (3,837) Net earnings -- -- 45,285 -- 45,285 -------- --------

--------- --
--------- --

Balance at
October 31,
2000 $
12,569 $
47,540 $
268,727 $
(11,618) $
317,218
========
========
=========
===========
=========
DIVIDENDS
PAID ON
COMMON STOCK
($0.48 PER
SHARE) -- --
(6,108) --
(6,108)
ISSUANCE OF
716,874
SHARES UNDER
STOCK
COMPENSATION
PLANS 717
17,195 -- --
17,912
CONTRIBUTION
OF STOCK TO
A DEFERRED
COMPENSATION
TRUST --
2,605 -- --
2,605
PURCHASE OF
1,020,410
SHARES OF
COMMON STOCK
(1,020)
(43,133) --
-- (44,153)
TAX BENEFITS
RELATED TO
EMPLOYEE
STOCK OPTION
TRANSACTIONS
-- 4,841 --
-- 4,841
MINIMUM
PENSION
LIABILITY
ADJUSTMENT -
- -- --
(1,288)
(1,288)
FOREIGN
CURRENCY
TRANSLATION
ADJUSTMENTS
-- -- --
(215) (215)
UNREALIZED
GAIN ON
DERIVATIVE
INSTRUMENTS
-- -- -- 133
133 NET
EARNINGS --
-- 50,448 --
50,448 -----
--- --------
--------- --
--------- --

BALANCE AT
OCTOBER 31,
2001 $

12,266 $
29,048 $
313,067 $
(12,988) $
341,393
========
========
=========
===========
=========

Under the terms of a Rights Agreement dated as of May 20, 1998 between Toro and Wells Fargo Bank Minnesota, National Association (the successor to Norwest Bank Minnesota, National Association), each share of the company's common stock entitles its holder to one preferred share purchase right. These rights become exercisable only if a person or group acquires, or announces a tender offer that would result in ownership of 15 percent or more of Toro's common stock. Each right will then entitle the holder to buy a one one-hundredth interest in a share of a series of preferred stock, at a price of $180. Among other things under the plan, if a person or group acquires 15 percent or more of Toro's outstanding common stock, each right entitles its holder (other than the acquiring person or group) to purchase the number of shares of common stock of Toro having a market value of twice the exercise price of the right. The Board of Directors may redeem the rights for $0.01 per right at any time before a person or group acquires beneficial ownership of 15 percent or more of the common shares.

9 STOCK-BASED COMPENSATION PLANS

Under the company's stock option plans, certain employees and non-employee directors have been granted options to purchase shares of common stock at prices equal to fair market value on the date the option was granted. The stock options are generally exercisable immediately, and expire five to ten years after the date of grant.

Under The Toro Company 2000 Stock Option Plan, 1,000,000 shares are authorized for issuance, under The Toro Company 1993 Stock Option Plan, 1,600,000 shares are authorized for issuance, under The Toro Company Directors Stock Plan, 65,000 shares are authorized for issuance, and under The Toro Company 2000 Directors Stock Plan, 120,000 shares are authorized for issuance. At October 31, 2001, 378,894 shares were available for future grants under The Toro Company 2000 Stock Option Plan, 53,043 shares were available for future grants under The Toro Company 1993 Stock Option plan, 10,494 shares were available for future grants under The Toro Company Directors Stock Plan, and 110,000 shares were available for future grants under The Toro Company 2000 Directors Stock Plan.

The company's net earnings and dilutive net earnings per share would have been as follows if the company had elected to recognize compensation expense consistent with the methodology prescribed in SFAS No. 123, "Accounting for Stock-Based Compensation":

(Dollars in thousands, except per share data) Years ended October 31	2001	2000	1999
NET EARNINGS, AS REPORTED	$ 50,448	$ 45,285	$ 35,059
PRO FORMA NET EARNINGS	47,993	43,288	33,150
DILUTIVE NET EARNINGS PER SHARE, AS REPORTED	$ 3.86	$ 3.47	$ 2.64
PRO FORMA DILUTIVE NET EARNINGS PER SHARE	3.67	3.32	2.50

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Years ended October 31		
	2001	2000	1999
RISK-FREE INTEREST RATE	5.33%	6.17%	4.67%
EXPECTED LIFE OF OPTION IN YEARS	4.9	4.4	4.4
EXPECTED DIVIDEND YIELD	1.0%	1.1%	1.5%
EXPECTED STOCK VOLATILITY	31%	30%	30%

The weighted average fair market value of options was estimated to be $11.28, $10.26, and $6.85 per share for the years ended October 31, 2001, 2000, and 1999, respectively.

A summary of stock option activity under the plans described above is presented below:

	Options outstanding	Weighted average exercise price
October 31, 1998	1,111,726	$ 29.92
Granted	379,976	24.88
Exercised	(172,474)	25.63
Cancelled	(227,595)	37.32
October 31, 1999	1,091,633	$ 27.30
Granted	587,805	32.70
Exercised	(164,330)	

		27.72
Cancelled	(65,104)	37.59
October 31, 2000	1,450,004	$ 28.98
GRANTED	370,606	35.03
EXERCISED	(689,522)	24.54
CANCELLED	(28,195)	33.15
OCTOBER 31, 2001	1,102,893	$ 33.68

The table below presents the number, weighted average remaining contractual life, and weighted average exercise price for options outstanding at October 31, 2001:

Exercise price range	Number of options	Weighted average exercise price	Weighted average remaining contractual life
$22.563 - $24.938	174,190	$ 24.84	5.4 years
$30.875 - $31.625	276,000	31.60	2.3 years
$33.625 - $37.625	453,975	33.80	6.3 years
$42.550 - $49.200	198,728	44.03	1.7 years
TOTAL	1,102,893	$ 33.68	4.3 YEARS

============
============

As of October 31, 2001, 802,393 options were exercisable at a weighted average exercise price of $34.09.

In fiscal 2001 and 2000, the company granted options that vest at the earlier of December 15, 2003 or when the company's fiscal year net earnings divided by net sales exceeds five percent (a five percent return on sales). If these options vest due to the company achieving its goal of five percent return on sales by the end of fiscal 2003, these options expire on December 31, 2006. If these options vest at December 15, 2003 and the company has not achieved its goal of five percent return on sales, then these options expire on December 31, 2003. The company granted 28,500 and 298,500 such options during fiscal 2001 and 2000, respectively. The company cancelled 28,000 of these options during fiscal 2001 due to employee terminations.

In fiscal 1999, the company's stockholders approved The Toro Company Performance Share Plan. Under this long-term incentive plan, Performance Shares are granted to key employees of the company. A Performance Share is the right to receive shares of Common Stock or deferred Common Stock units, contingent on the achievement of performance goals of the company, generally over a three year period. The number of shares of Common Stock authorized for issuance under this plan is 500,000. The number of shares of common stock a participant receives will be increased (up to 200 percent of target levels) or reduced (down to zero) based on the level of achievement of performance goals. In fiscal 2001, 2000, and 1999, the company granted 159,400, 87,000, and 274,600 Performance Shares, respectively, that vested over one to three year periods. The company issued 57,781 and 42,912 Performance Shares with respect to fiscal 2001 and 2000, respectively. The company recognized compensation expense related to this plan of $3,812,000, $2,455,000, and $3,502,000 during the fiscal years 2001, 2000, and 1999, respectively.

In fiscal 1998, the company's stockholders amended The Toro Company Annual Management Incentive Plan II (annual incentive plan) to add a Common Stock acquisition and retention feature (Stock Retention Award). If the Compensation Committee of the Board of Directors grants a Stock Retention Award, the recipient may elect to convert up to 50 percent of a cash bonus award into Common Stock or defer up to 50 percent of the cash bonus through The Toro Company Deferred Compensation Plan for Officers into units having a value based on shares of Common Stock. In either case, the participant could receive additional compensation in the form of one additional share or unit of Common Stock for every two shares or units acquired upon conversion. These matching shares or units vest in increments of 25 percent of the total number of matching shares or units at the end of each of the second, third, fourth, and fifth years after the date the share or units are issued or credited. Compensation expense related to this plan was $1,587,000, $1,936,000, and $2,322,000 for fiscal years ended 2001, 2000, and 1999, respectively. The company issued 38,120 shares with respect to fiscal 2000 under this plan. No such awards were granted with respect to fiscal 2001.

On July 31, 1995, the company issued 17,467 shares of restricted stock and 17,467 performance units to the CEO under the terms of the Chief Executive Officer Incentive Award Agreement. The value of each performance unit is equal to the fair market value of a share of common stock. The restricted stock and performance units vest based upon achievement of specified succession planning goals. Dividends are paid with respect to the restricted stock and the shares may be voted. Portions of the restricted stock and performance unit awards may be forfeited if specified goals are not achieved at various dates, ending on October 31, 2003 or termination of employment. For each of the fiscal years ending October 31, 2000 and 1999, 2,620 shares and units vested. Compensation expense related to this plan was $439,000, $139,000, and $178,000 for the fiscal years ended 2001, 2000, and 1999, respectively.

10 EMPLOYEE BENEFIT PROGRAMS

The company maintains The Toro Company Investment and Savings Plan and The Toro Company Employee Stock Ownership Plan for eligible employees. The company's expenses under these plans were $12,300,000, $11,750,000, and $12,370,000 for the fiscal years ended 2001, 2000, and 1999, respectively.

In addition, the company and its subsidiaries have defined benefit, supplemental, and other retirement plans covering certain employees. The expenses related to these plans were not significant.

11 SEGMENT DATA

Toro develops, manufactures, and sells a wide variety of turf maintenance products used in the professional and residential markets. The company's principal businesses are based on Toro's ability to provide comprehensive, integrated solutions that create, maintain, enhance, and conserve beautiful landscapes. The company's reportable segments are strategic business units that offer different products and services and are managed separately based on fundamental differences in their operations.

REPORTABLE SEGMENTS

The professional segment consists of turf equipment and irrigation products. Turf equipment products include grounds maintenance equipment, golf mowing equipment, landscape contractor mowing equipment, landscape creation equipment, and other maintenance equipment. Irrigation products consist of sprinkler heads, electric and hydraulic valves, controllers, computer irrigation central control systems, and agricultural drip tape and hose products. These products are sold mainly through a network of distributors and dealers to professional users engaged in maintaining golf courses, sports fields, municipal properties, agricultural grounds, and residential and commercial landscapes.

The residential segment consists of walk power mowers, riding mowers and tractors, snowthrowers, homeowner-installed irrigation systems, replacement parts, and electric home solutions products, including trimmers, blowers and blower vacuums. These products are sold to homeowners through a network of distributors and dealers, and through a broad array of hardware retailers, home centers, and mass retailers as well as over the Internet through Internet retailers.

The distribution segment consists of four company-owned domestic distributor operations. These distribution companies sell Toro and non-Toro professional and residential products directly to retail dealers and customers.

The other segment consists of corporate activities, including corporate financing activities and elimination of intersegment revenues and expenses. Corporate activities include general corporate expenditures (finance, human resources, legal, information services, public relations, and similar activities) and other unallocated corporate assets and liabilities, such as corporate facilities, financing receivables, parts inventory, and deferred tax assets.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1. The company evaluates the performance of its professional, residential, and distribution business segment results based on earnings (loss) before income taxes and interest expense. The other segment operating loss includes corporate activities, other income, net, and interest expense. The business segment's operating profits or losses include direct costs incurred at the segment's operating level plus allocated expenses, such as profit sharing and manufacturing expenses. The allocated expenses represent costs, which these operations would have incurred otherwise, but do not include general corporate expense, interest expense, and income taxes. The company accounts for intersegment gross sales at current market prices.

The following table shows the summarized financial information concerning the company's reportable segments:

(Dollars in thousands) Years ended October 31	Professional(1,2)	Residential(3,4)	Distribution	Other(5)	Total
2001 NET SALES	$ 858,855	$ 432,176	$ 146,642	$ (84,590)	$ 1,353,083
INTERSEGMENT GROSS SALES	90,068	10,445	--	(100,513)	--
EARNINGS (LOSS) BEFORE INCOME TAXES	106,600	41,904	(361)	(68,066)	80,077
TOTAL ASSETS	430,637	142,361	61,836	200,840	835,674
CAPITAL EXPENDITURES	16,828	12,422	971	5,441	35,662
DEPRECIATION AND AMORTIZATION	24,980	5,779	981	5,431	37,171
2000 Net sales	$ 861,253	$ 420,748	$ 128,411	$ (71,438)	$ 1,338,974
Intersegment					

gross sales
74,997 14,198 --
(89,195) --
Earnings (loss)
before income
taxes 99,400
35,745 2,697
(65,960) 71,882
Total assets
407,934 130,531
42,035 198,890
779,390 Capital
expenditures
23,895 8,516 606
6,917 39,934
Depreciation and
amortization
22,386 10,561
812 4,392 38,151
1999 Net sales $
795,344 $
447,920 $ 77,137
$ (40,695) $
1,279,706
Intersegment
gross sales
45,968 11,531 --
(57,499) --
Earnings (loss)
before income
taxes 112,928
21,215 1,722
(78,392) 57,473
Total assets
439,271 148,070
27,715 172,122
787,178 Capital
expenditures
23,674 4,244 442
1,482 29,842
Depreciation and
amortization
21,187 13,923
547 3,448 39,105

(1) In fiscal 2001, the company adopted Emerging Issues Task Force (EITF) issue 00-10, "Accounting for Shipping and Handling Fees and Costs," EITF issue 00-14, "Accounting for Certain Sales Incentives," and EITF issue 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." The adoption of these EITF issues resulted in a decrease of net sales for fiscal 2001, 2000, and 1999 by $10.0 million, $7.2 million, and $5.9 million, respectively.

(2) Includes restructuring and other unusual expense of $1.2 million in fiscal 1999.

(3) In fiscal 2001, the adoption of EITF issues 00-10, 00-14, and 00-25 resulted in a decrease of net sales for fiscal 2001, 2000, and 1999 by $11.7 million, $8.7 million, and $6.1 million, respectively.

(4) Includes restructuring and other unusual (income) expense of ($0.7) million in fiscal 2001 and $0.5 million in fiscal 1999.

(5) In fiscal 2001, the adoption of EITF issues 00-10, 00-14, and 00-25 resulted in an increase of net sales for fiscal 2001, 2000, and 1999 by $16.2 million, $17.8 million, and $16.8 million, respectively.

The following table presents the details of the other segment earnings (loss) before income taxes:

(Dollars in thousands) Years ended October 31	2001	2000	1999
CORPORATE EXPENSES	$ (67,465)	$ (61,617)	$ (70,090)
INTEREST EXPENSE, NET	(22,003)	(26,414)	(23,810)
FINANCE CHARGE REVENUE	5,144	5,460	4,082
ELIMINATION OF CORPORATE FINANCING EXPENSE	15,923	17,758	16,804
OTHER INCOME (EXPENSES)	335	(1,147)	(5,378)
TOTAL	$ (68,066)	$ (65,960)	$ (78,392)

GEOGRAPHIC DATA

The following geographic area data includes net sales based on product shipment destination. Net property, plant, and equipment is based on physical location in addition to allocated capital tooling from United States plant facilities.

(Dollars in thousands) Years ended October 31	United States	Foreign Countries	Total

2001			
NET SALES	$ 1,100,255	$ 252,828	$ 1,353,083
NET PROPERTY, PLANT, AND EQUIPMENT	132,678	9,567	142,245
2000			
Net sales	$ 1,066,774	$ 272,200	$ 1,338,974
Net property, plant, and equipment	124,844	8,008	132,852
1999			
Net sales	$ 1,023,393	$ 256,313	$ 1,279,706
Net property, plant, and equipment	116,361	7,811	124,172

12 COMMITMENTS AND CONTINGENT LIABILITIES

As of October 31, 2001, future minimum lease payments under capital leases totaled $92,000. Total rental expense for operating leases was $15,933,000, $14,069,000, and $13,297,000 for the fiscal years ended 2001, 2000, and 1999, respectively. At October 31, 2001, future minimum lease payments under noncancelable operating leases amounted to $33,782,000 as follows: 2002, $9,523,000; 2003, $7,220,000; 2004, $5,075,000; 2005, $3,676,000; 2006, $2,527,000; and beyond, $5,761,000.

Debts incurred by business partners, aggregating $401,000 at October 31, 2001 and $5,886,000 at October 31, 2000, have been guaranteed by the company.

In the ordinary course of business, the company may become liable with respect to pending and threatened litigation, tax, environmental, and other matters. While the ultimate results of claims, investigations, and lawsuits involving the company cannot be determined, management does not expect that these matters will have a material adverse effect on the consolidated financial position of the company.

To prevent possible infringement of its patents by others, the company periodically reviews competitors' products. Furthermore, to avoid potential liability with respect to others' patents, the company regularly reviews patents issued by the U.S. Patent Office and foreign patent offices as needed. This patent program, consisting of both types of activities, helps the company minimize risk. The company is currently involved in commercial disputes and patent litigation cases, both as a plaintiff and as a defendant. While the ultimate results of these cases are unknown at this time, management believes that the outcome of these cases is unlikely to have a materially adverse effect on the consolidated financial results of the company.

13 FINANCIAL INSTRUMENTS

OFF-BALANCE SHEET RISK

Letters of credit are issued by the company during the ordinary course of business, as required by certain vendor contracts, through major domestic banks. As of October 31, 2001 and 2000, the company had $17,087,000 and $21,763,000, respectively, in outstanding letters of credit.

CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the company to concentrations of credit risk, consist principally of accounts receivable, which are concentrated in three business segments; professional, residential, and distribution markets for outdoor beautification equipment and systems. The credit risk associated with these segments is limited because of the large number of customers in the company's customer base and their geographic dispersion, except for the residential segment that is largely dependent on The Home Depot.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The company uses derivative instruments to manage exposure to foreign currency. Toro uses derivatives only in an attempt to limit underlying exposure from currency fluctuations, and not for trading purposes. The company documents all relations between hedging instruments and the hedged items, as well as its risk-management objectives and strategy for undertaking various hedge transactions. The company assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged item.

The company enters into foreign currency exchange contracts to hedge the risk from forecasted settlement in local currencies of trade sales. These contracts are designated as cash flow hedges with the fair value recorded in accumulated comprehensive income (loss) and as a hedge asset or liability in prepaid expenses or accrued liabilities, as applicable. Once the forecasted transaction has been recognized as a sale and a related asset recorded in the balance sheet, the related fair value of the derivative hedge contract is reclassified from accumulated other comprehensive income (loss) into earnings. During fiscal 2001, the amount of adjustments to earnings for such cash flow hedges was immaterial. At October 31, 2001, the amount of such contracts outstanding was $10,187,772. The unrecognized after-tax gain portion of the fair value of the contracts recorded in accumulated comprehensive loss at October 31, 2001 was $150,341.

The company enters into foreign currency exchange contracts to hedge the risk from forecasted settlement in local currencies of trade purchases. These contracts are designated as cash flow hedges with the fair value recorded in accumulated comprehensive income (loss) and as a hedge asset or liability in prepaid expenses or accrued liabilities, as applicable. Once the forecasted transaction has been recognized as a purchase and a related liability recorded in the balance sheet, the related fair value of the derivative hedge contract is reclassified from accumulated comprehensive income (loss) into earnings. During fiscal 2001, the amount of adjustments to earnings for such cash flow hedges was immaterial. At October 31, 2001, the amount of such contracts outstanding was $12,498,488. The unrecognized after-tax loss portion of the fair value of the contracts recorded in accumulated comprehensive loss at October 31, 2001 was $17,556.

The company enters into foreign currency exchange contracts to hedge the risk from forecasted settlement in local currencies of intercompany sales. These transactions and other foreign currency exchange contracts do not meet the accounting rules established under SFAS No. 133 of recording the unrecognized after-tax gain or loss portion of the fair value of the contracts in accumulated comprehensive income (loss). Therefore, the related fair value of the derivative hedge contract is recognized in earnings.

The company also enters into foreign currency exchange contracts on behalf of certain distributors in order to cover a portion of the payments owed by the distributor to the company. Any currency losses incurred by the company are reimbursed by the distributor.

The following foreign currency exchange contracts held by the company have maturity dates in fiscal 2002. All items are non-trading and stated in U.S. dollars. Some derivative instruments the company enters into do not meet the hedging criteria of SFAS No. 133; therefore, the fair value impact is recorded in other income, net. The average contracted rate, notional amount, pre-tax value of derivative instruments in accumulated comprehensive loss (ACL), and fair value of derivative instruments in other income, net at October 31, 2001 were as follows:

Value in
Average
ACL Fair

Value Dollars in thousands Contracted Notional Income Impact (except average contracted rate) Rate Amount (Loss) Gain (Loss) - - ---------- ---------- ---------- - -------- ---- ----- ------- -- ---------- ---------- -- BUY U.S. $/SELL AUSTRALIAN DOLLAR .5169 $ 16,694.4 $ 209.8 $ 255.7 BUY U.S. $/SELL CANADIAN DOLLAR 1.5641 3,772.1 28.8 (0.1) BUY AUSTRALIAN DOLLAR/SELL U.S. $ .5048 7,520.8 -- (3.9) BUY BRITISH POUND/SELL U.S. $ 1.3914 1,461.0 51.2 4.9 BUY EURO/SELL U.S. $ .8654 3,029.1 125.1 0.5 BUY JAPANESE YEN/SELL U.S. $ 118.1200 8,804.2 (204.2) (11.1) BUY MEXICAN PESO/SELL U.S. $ 9.7498 7,174.5 -- (84.3)

FAIR VALUE

Estimated fair value amounts have been determined using available information and appropriate valuation methodologies. Because considerable judgment is required in developing the estimates of fair value, these estimates are not necessarily indicative of the amounts that could be realized in a current market exchange. For cash and cash equivalents, receivables, short-term debt, and accounts payable, carrying value is a reasonable estimate of fair value.

At October 31, 2001, the estimated fair value of long-term debt with fixed interest rates was $204,012,000 compared to its carrying value of $195,078,000. The fair value is estimated by discounting the projected cash flows using the rate at which similar amounts of debt could currently be borrowed.

14 SUBSEQUENT EVENTS

Toro has announced several significant events subsequent to October 31, 2001. On November 28, 2001 and December 6, 2001, respectively, the company announced that it will be closing its Evansville, Indiana and Riverside, California manufacturing facilities during fiscal 2002. These actions are part of Toro's overall long-term strategy to reduce production costs and improve long-term competitiveness. The closure of these facilities is expected to result in a pre-tax restructuring and other expense charge ranging from $7.4 million to $7.9 million in the first quarter of fiscal 2002.

15 QUARTERLY FINANCIAL DATA (unaudited)

Summarized quarterly financial data for fiscal 2001 and fiscal 2000 are as follows:

Fiscal year ended October 31, 2001 Quarter (Dollars in thousands, except per share data)	FIRST	SECOND	THIRD	FOURTH
NET SALES(1)	$ 280,350	$ 459,613	$ 329,744	$ 283,376
GROSS PROFIT(1)	91,381	157,030	118,106	93,721
NET EARNINGS	1,304	30,057	16,932	2,155
BASIC NET EARNINGS PER SHARE	0.10	2.34		

			1.34	0.17
DILUTIVE NET EARNINGS PER SHARE	0.10	2.28	1.30	0.17

Fiscal year ended October 31, 2000 Quarter (Dollars in thousands, except per share data)	FIRST	SECOND	THIRD	FOURTH
Net sales(2)	$ 280,088	$ 441,412	$ 346,927	$ 270,547
Gross profit(2)	93,711	152,569	126,336	90,541
Net earnings	913	26,920	16,442	1,010
Basic net earnings per share	0.07	2.11	1.29	0.08
Dilutive net earnings per share	0.07	2.08	1.26	0.08

(1) In fiscal 2001, the adoption of EITF issues 00-10, 00-14, and 00-25 resulted in a (decrease) increase of net sales for the first, second, third, and fourth quarter by ($3.1) million, ($3.9) million, ($0.1) million, and $1.9 million, respectively. The adoption of those EITF issues also resulted in a gross profit decrease for the first, second, third, and fourth quarter by $9.8 million, $12.9 million, $8.1 million, and $5.4 million, respectively.

(2) In fiscal 2000, the adoption of EITF issues 00-10, 00-14, and 00-25 resulted in a (decrease) increase of net sales for the first, second, third, and fourth quarter by ($0.1) million, ($0.4) million, $1.8 million, and $0.8 million, respectively. The adoption of those EITF issues also resulted in a gross profit decrease for the first, second, third, and fourth quarter by $6.2 million, $9.4 million, $7.0 million, and $6.3 million, respectively.

16 ELEVEN-YEAR FINANCIAL DATA (unaudited)

(Dollars and shares in millions, except per share data) Years ended October 31(1)	2001	2000	1999	1998(4)	1997(6)	1996
OPERATING RESULTS:						
NET SALES(2)	$1,353.1	$ 1,339.0	$ 1,279.7	$ 1,111.3	$ 1,052.8	$ 930.9
NET SALES GROWTH FROM PRIOR YEAR	1.1%	4.6%	15.1%	5.6%	13.1%	1.3%
NET EARNINGS (LOSS), BEFORE EXTRAORDINARY LOSS(3,5)	$ 50.4	$ 45.3	$ 35.1	$ 4.1	$ 36.5	$ 36.4
PERCENTAGE OF NET SALES	3.7%	3.4%	2.7%	0.4%	3.5%	3.9%
NET EARNINGS (LOSS) (3)	$ 50.4	$ 45.3	$ 35.1	$ 4.1	$ 34.8	$ 36.4
DILUTIVE NET EARNINGS (LOSS) PER SHARE, BEFORE EXTRAORDINARY LOSS(3,5)	3.86	3.47	2.64	0.31	2.93	2.90
RETURN ON AVERAGE STOCKHOLDERS' EQUITY	15.3%	15.2%	12.9%	1.6%	15.3%	18.0%
SUMMARY OF FINANCIAL POSITION:						
CURRENT ASSETS	$ 564.2	$ 510.2	$ 531.7	$ 479.4	$ 472.0	$ 405.0
CURRENT LIABILITIES	292.6	260.9	305.8	258.2	237.8	207.9
WORKING CAPITAL	271.6	249.3	225.9	221.2	234.2	197.1
LONG-TERM DEBT,						

LESS CURRENT
PORTION 194.6
194.5 195.6
196.8 177.7
53.0
STOCKHOLDERS'
EQUITY 341.4
317.2 279.7
263.4 241.2
213.6 DEBT TO
CAPITALIZATION
RATIO 40.2%
39.4% 47.5%
46.4% 47.6%
30.7% OTHER
STATISTICAL
DATA:
EBITDA(3,7) $
139.3 $ 136.4 $
120.4 $ 69.2 $
111.1 $ 91.9
BOOK VALUE PER
SHARE OF COMMON
STOCK 27.83
25.24 22.25
20.63 19.79
17.75 DIVIDENDS
PER SHARE OF
COMMON STOCK
0.48 0.48 0.48
0.48 0.48 0.48
NUMBER OF
SHARES OF
COMMON STOCK
OUTSTANDING
12.3 12.6 12.6
12.8 12.2 12.0
NUMBER OF
COMMON
STOCKHOLDERS(8)
5,551 5,802
6,162 6,364
6,560 6,841
MARKET PRICE
RANGE - HIGH
PRICE $ 50.00 $
38.000 $
39.5000 $
46.3125 $
43.750 $ 36.250
LOW PRICE 32.75
28.125 22.1875
16.5000 31.500
28.375 AVERAGE
NUMBER OF
EMPLOYEES 5,223
4,976 4,923
4,695 4,309
3,610
(Dollars and
shares in
millions,
except per
share data)
Years ended
October 31(1)
1995 1994 1993
1992 1991 - ---

------ --------
--- -----------
----------- ---
-------- ------
----- OPERATING
RESULTS: NET
SALES(2) $
919.4 $ 864.3 $
706.6 $ 638.7 $
706.2 NET SALES
GROWTH FROM

PRIOR YEAR 6.4%
22.3% 10.6%
(9.6)% (5.5)%
NET EARNINGS
(LOSS), BEFORE
EXTRAORDINARY
LOSS(3,5) $
32.4 $ 32.4 $
15.3 $ (21.7) $
9.1 PERCENTAGE
OF NET SALES
3.5% 3.8% 2.2%
(3.4)% 1.3% NET
EARNINGS (LOSS)
(3) $ 32.4 $
32.4 $ 15.3 $
(21.7) $ 9.1
DILUTIVE NET
EARNINGS (LOSS)
PER SHARE,
BEFORE
EXTRAORDINARY
LOSS(3,5) 2.50
2.49 1.22
(1.81) 0.77
RETURN ON
AVERAGE
STOCKHOLDERS'
EQUITY 17.5%
20.2% 11.4%
(15.5)% 6.1%
SUMMARY OF
FINANCIAL
POSITION:
CURRENT ASSETS
$ 386.3 $ 373.4
$ 326.1 $ 324.2
$ 322.0 CURRENT
LIABILITIES
221.2 197.2
169.2 132.5
103.8 WORKING
CAPITAL 165.1
176.2 156.9
191.7 218.2
LONG-TERM DEBT,
LESS CURRENT
PORTION 53.4
70.4 87.3 147.9
154.1
STOCKHOLDERS'
EQUITY 190.9
178.7 141.9
126.4 153.4
DEBT TO
CAPITALIZATION
RATIO 36.6%
33.8% 46.5%
56.5% 51.9%
OTHER
STATISTICAL
DATA:
EBITDA(3,7) $
82.7 $ 85.4 $
59.0 $ 8.5 $
54.8 BOOK VALUE
PER SHARE OF
COMMON STOCK
15.69 14.05
11.47 10.50
12.84 DIVIDENDS
PER SHARE OF
COMMON STOCK
0.48 0.48 0.48
0.48 0.48
NUMBER OF
SHARES OF
COMMON STOCK
OUTSTANDING
12.2 12.7 12.4
12.0 12.0

NUMBER OF
COMMON
STOCKHOLDERS(8)
7,243 7,541
7,968 8,386
8,503 MARKET
PRICE RANGE -
HIGH PRICE $
32.250 $ 30.500
$ 26.750 $
17.500 $ 20.500
LOW PRICE
25.625 20.875
14.125 11.375
11.000 AVERAGE
NUMBER OF
EMPLOYEES 3,638
3,434 3,117
3,084 3,580

(1) In 1995, the company changed its fiscal year end from July 31 to October 31. Therefore, the year-end's prior to 1996 are unaudited and were restated to include twelve months of data through the Friday closest to October 31 for comparative purposes.

(2) The adoption of EITF issues 00-10, 00-14, and 00-25 resulted in a (decrease) increase of net sales for fiscal 2001, 2000, 1999, 1998, and 1997 by ($5.2) million, $2.1 million, $4.7 million, $0.9 million, and $1.6 million, respectively. 1996 and prior years have not been restated.

(3) 2001, 1999, 1998, 1997, and 1992 includes net restructuring and other unusual (income) expense of ($0.7) million, $1.7 million, $15.0 million, $2.6 million, and $24.9 million, respectively.

(4) The company's consolidated financial statements include results of operations of Exmark from November 1, 1997 and Drip In from February 1, 1998, dates of acquisition.

(5) 1997 net earnings and dilutive net earnings per share after extraordinary loss on early retirement of debt of $1,663,000, or $0.13 per dilutive share, were $34,845,000 and $2.80, respectively.

(6) The company's consolidated financial statements include results of operations of the James Hardie Irrigation Group from December 1, 1996, the date of acquisition.

(7) Earnings before interest, taxes, depreciation, amortization, and extraordinary loss.

(8) Represents the number of stockholders at July 31 for the years starting in 1990 and ending in 1994.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

See "Executive Officers of the Registrant" in Part I of this report for information regarding the executive officers of the company, which information is incorporated herein by reference.

Information regarding the directors of the company and additional information regarding certain executive officers is incorporated herein by reference to information to be contained in the company's Proxy Statement to be filed with the Securities and Exchange Commission with respect to the next annual meeting of stockholders, which involves the election of directors or, if such Proxy Statement is not filed within 120 days after the end of the fiscal year covered by this Form 10-K, such information will be filed as part of an amendment to this Form 10-K not later than the end of the 120-day period.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated herein by reference to information to be contained in the company's Proxy Statement to be filed with the Securities and Exchange Commission with respect to the next annual meeting of stockholders, which involves the election of directors or, if such Proxy Statement is not filed within 120 days after the end of the fiscal year covered by this Form 10-K, such information will be filed as part of an amendment to this Form 10-K not later than the end of the 120-day period.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding the security ownership of certain beneficial owners and management of the company is incorporated herein by reference to information to be contained in the company's Proxy Statement to be filed with the Securities and Exchange Commission with respect to the next annual meeting of stockholders, which involves the election of directors or, if such Proxy Statement is not filed within 120 days after the end of the fiscal year covered by this Form 10-K, such information will be filed as part of an amendment to this Form 10-K not later than the end of the 120-day period.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions between the company and its executive officers is incorporated herein by reference to information to be contained in the company's Proxy Statement to be filed with the Securities and Exchange Commission with respect to the next annual meeting of stockholders, which involves the election of directors or, if such Proxy Statement is not filed within 120 days after the end of the fiscal year covered by this Form 10-K, such information will be filed as part of an amendment to this Form 10-K not later than the end of the 120-day period.

PART IV

ITEM 14. EXHIBITS, REPORTS ON FORM 8-K, AND FINANCIAL STATEMENT SCHEDULES

(a) 1. LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of The Toro Company and its subsidiaries are included in Item 8 of Part II:

- Independent Auditors' Report

- Consolidated Statements of Earnings and Comprehensive Income for the years ended October 31, 2001, 2000, and 1999

- Consolidated Balance Sheets as of October 31, 2001 and 2000

- Consolidated Statements of Cash Flows for the years ended October 31, 2001, 2000, and 1999

- Notes to Consolidated Financial Statements

(a) 2. LIST OF FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule of The Toro Company and its subsidiaries are included herein:

- Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(a) 3. LIST OF EXHIBITS

The following exhibits are incorporated herein by reference or are filed with this report as indicated below:

EXHIBIT NUMBER	DESCRIPTION
3(i) AND 4(a)	Restated Certificate of Incorporation of Registrant.
3(ii) AND 4(b)	Bylaws of Registrant (incorporated by reference to Exhibit 3(ii) and 4(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended August 3, 2001).
4(c)	Specimen form of Common Stock certificate (incorporated by reference to Exhibit

4(c) to Registrant's Registration Statement on Form S-8, Registration No. 2-94417). 4(d) Rights Agreement dated as of May 20, 1998, between Registrant and Wells Fargo Bank Minnesota, National Association relating to rights to purchase Series B Junior Participating Voting Preferred Stock, as amended (incorporated by reference to Registrant's Current Report on Form 8-K dated May 27, 1998, Commission File No. 1-8649). 4(e) Indenture dated as of January 31, 1997, between Registrant and First National Trust Association, as Trustee, relating to the Registrant's 7.125% Notes due June 15, 2007 and its 7.80% Debentures due June 15, 2027 (incorporated by reference to Exhibit 4(a) to Registrant's Current Report on Form 8-K for June 24, 1997, Commission File No. 1-8649). 10(a) Form of Employment Agreement in effect for executive officers of Registrant (incorporated by reference to Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*

10(b) The Toro Company Directors Stock Plan (incorporated by reference to Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*

10(c) The Toro Company Annual Management Incentive Plan II for officers of Registrant (incorporated by reference to Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*

10(d) The Toro Company 1989 Stock Option Plan (incorporated by reference to Exhibit 10(e) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*

10(e)	The Toro Company 1993 Stock Option Plan (incorporated by reference to Exhibit 10(f) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(f)	The Toro Company Performance Share Plan (incorporated by reference to Exhibit 10(f) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(g)	The Toro Company 2000 Stock Option Plan (incorporated by reference to Exhibit 10(g) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(h)	The Toro Company Supplemental Management Retirement Plan (incorporated by reference to Exhibit 10(h) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(i)	The Toro Company Supplemental Retirement Plan (incorporated by reference to Exhibit 10(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 30, 1999).*
10(j)	The Toro Company Chief Executive Officer Incentive Award Agreement (incorporated by reference to Exhibit 10(k) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 28, 2000).*
10(k)	The Toro Company Deferred Compensation Plan for Officers (incorporated by reference to Exhibit 10(k) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 28, 2000).*
10(l)	The Toro Company Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10(l) to Registrant's Quarterly Report on Form 10-Q for the quarter ended July 28, 2000).*
10(m)	The Toro Company 2000 Directors Stock Plan (incorporated by reference to Exhibit 10(m) to Registrant's Quarterly Report on Form 10-Q for the quarter ended May 4, 2001).*
12	Computation of Ratio of Earnings to Fixed Charges
21	Subsidiaries of Registrant
23	Independent Auditors' Consent

*Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(c).

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the last quarter of fiscal 2001.

(c) EXHIBITS

See Item 14 (a) (3) above.

(d) FINANCIAL STATEMENT SCHEDULES

See Item 14 (a) (2) above.

SCHEDULE II

THE TORO COMPANY AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of year	Charged to costs and expenses(a)	Other(b)	Deductions(c)	Balance at end of year
YEAR ENDED OCTOBER 31, 2001 ALLOWANCE FOR DOUBTFUL ACCOUNTS AND NOTES RECEIVABLE RESERVES	$ 6,908,000	$ 1,548,000	$ 104,000	$ 3,455,000	$ 5,105,000
Year ended October 31, 2000 Allowance for doubtful accounts and notes receivable reserves	$11,956,000	$(1,290,000)	$ 367,000	$ 4,125,000	$ 6,908,000
Year ended October 31, 1999 Allowance for doubtful accounts and notes receivable reserves	$12,501,000	$ 1,113,000	$ 90,000	$ 1,748,000	$11,956,000

(a) Provision, net of recoveries.

(b) Additions to allowance for doubtful accounts due to acquisitions.

(c) Uncollectible accounts charged off.

Description	Balance at beginning of year	Charged to costs and expenses(a)	Deductions(b)	Balance at end of year
YEAR ENDED OCTOBER 31, 2001 ACCRUED WARRANTIES	$ 55,985,000	$ 43,418,000	$ 41,521,000	$ 57,882,000
Year ended October 31, 2000 Accrued warranties	$ 51,866,000	$ 47,620,000	$ 43,501,000	$ 55,985,000
Year ended October 31, 1999 Accrued warranties	$ 46,344,000	$ 42,057,000	$ 36,535,000	$ 51,866,000

(a) Provision, net of recoveries.

(b) Warranty claims processed.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 TORO COMPANY
- --
(Registrant)

By /s/ Stephen P. Wolfe   Dated: January 22, 2002
- --
Stephen P. Wolfe
Vice President - Finance
Treasurer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE
TITLE DATE

----- ----
/s/
Kendrick
B. Melrose
Chairman,
Chief
Executive
January
22, 2002 -

Officer,
and
Director
Kendrick
B. Melrose
(principal
executive
officer)
/s/
Stephen P.
Wolfe Vice
President
- Finance,
January
22, 2002 -

Treasurer
and Chief
Financial
Officer
Stephen P.
Wolfe
(principal
financial
officer)
/s/ Randy
B. James
Vice
President,
Controller
January
22, 2002 -

(principal
accounting
officer)

Randy B.
James /s/
Ronald O.
Baukol
Director
January
22, 2002 -

Ronald O.
Baukol /s/
Robert C.
Buhrmaster
Director
January
22, 2002 -

Robert C.
Buhrmaster
/s/
Winslow H.
Buxton
Director
January
22, 2002 -

Winslow H.
Buxton /s/
Janet K.
Cooper
Director
January
22, 2002 -

Janet K.
Cooper /s/
Katherine
J. Harless
Director
January
22, 2002 -

Katherine
J. Harless
/s/ Robert
H. Nassau
Director
January
22, 2002 -

Robert H.
Nassau /s/
Dale R.
Olseth
Director
January
22, 2002 -

Dale R.
Olseth /s/
Gregg W.
Steinhafel
Director
January
22, 2002 -

Gregg W.
Steinhafel
/s/
Christopher
A. Twomey
Director
January
22, 2002 -

Christopher
A. Twomey
/s/ Edwin
H. Wingate
Director
January
22, 2002 -

Edwin H.
Wingate

EXHIBIT 3(i)

RESTATED CERTIFICATE OF INCORPORATION
OF
THE TORO COMPANY

The Toro Company (hereinafter called the "corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, does hereby certify:

FIRST: The present name of the corporation is The Toro Company, which is the name under which the corporation was originally incorporated; and the date of filing the original Certificate of Incorporation of the corporation with the Secretary of State of the State of Delaware was November 7, 1983.

SECOND: This Restated Certificate of Incorporation restates and integrates, and does not further amend, the provisions of the corporation's Certificate of Incorporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

THIRD: The Board of Directors of the corporation, at a meeting duly called and held on September 20, 2001, duly adopted this Restated Certificate of Incorporation pursuant to the provisions of Section 245 of the General Corporation Law of the State of Delaware in the form set forth as follows:

ARTICLE I.

NAME

The name of this corporation shall be The Toro Company.

ARTICLE II.

REGISTERED OFFICE

The address of the registered office of the corporation in the State of Delaware is 9 East Loockerman Street, City of Dover, County of Kent, and the name of its registered agent at that address is National Registered Agents, Inc.

ARTICLE III.

PURPOSE

The purpose for which the corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV.

CAPITAL STOCK

Section 1. The corporation shall be authorized to issue three classes of shares of capital stock to be designated, respectively, "Common Stock", "Voting Preferred Stock" and "Non-Voting Preferred Stock". The total number of shares of capital stock which the corporation shall have authority to issue is Thirty-Six Million Eight Hundred Fifty Thousand (36,850,000); the total number of shares of Common Stock shall be Thirty-Five Million (35,000,000), and each such share shall have a par value of One Dollar ($1.00); the total number of shares of Voting Preferred Stock shall be One Million (1,000,000), and each such share shall have a par value of One Dollar ($1.00) and of which 200,000 shares are designated as a series to be called the Series B Junior Participating Voting Preferred Stock, such series to have the rights, voting power, preferences and restrictions set forth in Section 2 of this Article IV; and the total number of shares of Non-Voting Preferred Stock shall be Eight Hundred and Fifty Thousand (850,000), and each such share shall have a par value of One Dollar ($1.00).

Except as herein provided or as otherwise provided by law or by the resolution or resolutions adopted by the Board designating the rights, powers and preferences of any series of Preferred Stock, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, each holder of the Common Stock being entitled to one vote for each share held; and except as provided below with respect to the Series B Junior Participating Voting Preferred Stock, Voting Preferred Stock and Non-Voting Preferred Stock shall have only such voting rights, if any, as fixed by the Board of Directors and as required by law as to matters affecting such Voting Preferred Stock and Non-Voting Preferred Stock. Whenever this Restated Certificate of Incorporation or the Bylaws of the corporation shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors (such capital stock is hereinafter referred to in this Restated Certificate of Incorporation as "Voting Stock"), voting together as a single class, for the taking of corporate action: (A) such affirmative vote shall be in addition to any other affirmative vote required by law or by the resolution or resolutions designating the rights, powers and preferences of any outstanding series of Preferred Stock; and (B) each outstanding share of Common Stock shall be entitled to one vote and each outstanding share of each series of Voting Preferred Stock shall be entitled to the number of votes to which it is generally entitled, pursuant to the resolution or resolutions designating the rights, powers and preferences of such series of Preferred Stock, in the election of directors.

The Board of Directors is authorized to establish more than one series or class of Common Stock, Voting Preferred Stock and Non-Voting Preferred Stock and, other than the Series B Junior Participating Voting Preferred Stock, to fix the relative rights and preferences of any such class or series, which rights and preferences need not be equal.

There shall be no cumulative voting of the shares of this corporation and the holders of shares of any class of this corporation shall not have preemptive rights to subscribe for any shares or securities convertible into shares of this corporation.

Section 2. Series B Junior Participating Voting Preferred Stock

A. Designation and Amount. The shares of such series shall be designated as "Series B Junior Participating Voting Preferred Stock" (the "Series B Preferred Stock") and the number of shares constituting the Series B Preferred Stock shall be 200,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series B Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the corporation convertible into Series B Preferred Stock.

B. Dividends and Distributions.

(i) Subject to the rights of the holders of any shares of any series of Voting Preferred Stock, par value $1.00 per share, of the corporation ("Voting Preferred Stock") or Non-Voting Preferred Stock, par value $1.00 per share, of the corporation ("Non-Voting Preferred Stock" and, together with the Voting Preferred Stock, the "Preferred Stock") (or any similar stock) ranking prior and superior to the Series B Preferred Stock with respect to dividends, the holders of shares of Series B Preferred Stock, in preference to the holders of Common Stock, par value $1.00 per share (the "Common Stock"), of the corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) The corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph (B)(i) of this Section 2 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly

Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(iii) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

C. Voting Rights. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(i) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the corporation. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(ii) Except as otherwise provided herein, in any Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock and any other capital stock of the corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the corporation.

(iii) Except as set forth herein, or as otherwise provided by law, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

D. Certain Restrictions.

(i) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Stock as provided in this Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the corporation shall not:

(a) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(b) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(c) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock, provided that the corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(d) redeem or purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of stock ranking on a parity with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(ii) The corporation shall not permit any subsidiary of the corporation to purchase or otherwise acquire for consideration any shares of stock of the corporation unless the corporation could, under paragraph (D)(i) of this Section 2, purchase or otherwise acquire such shares at such time and in such manner.

E. Reacquired Shares. Any shares of Series B Preferred Stock purchased or otherwise acquired by the corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate of Incorporation, or in any Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

F. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the corporation, no distribution shall be made (i) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series B Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (ii) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under the proviso in clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

G. Consolidation, Merger, etc. In case the corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series B Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

H. No Redemption. The shares of Series B Preferred Stock shall not be redeemable.

I. Rank. The Series B Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the corporation's Preferred Stock.

J. Amendment. If any shares of Series B Preferred Stock are outstanding, the Restated Certificate of Incorporation of the corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock, voting together as a single class.

ARTICLE V.

BYLAWS

In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized to make, repeal, alter, amend and rescind the Bylaws of the corporation by a majority vote of the entire Board at any regular or special meeting of the Board; provided however, that, notwithstanding anything contained in this Restated Certificate of Incorporation or the Bylaws of the corporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to (1) alter, amend or repeal any provision of the Bylaws which is substantially identical to or implements the last sentence of Article IV, Section 1, or Articles VI, VII or VIII, of this Restated Certificate of Incorporation or (2) alter, amend or repeal any provision of this proviso to Article V.

ARTICLE VI.

BOARD OF DIRECTORS

Section 1. Number, Election and Terms. The business and affairs of the corporation shall be managed under the direction of a Board of Directors which, subject to any right of the holders of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, shall consist of not less than eight nor more than eleven persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board pursuant to a resolution adopted by a majority of the entire Board. The directors shall be divided into three classes, designated Classes A, B and C, as nearly equal in number as possible, with the term of office of each class to expire at the third succeeding Annual Meeting of Stockholders after their election at an Annual Meeting of Stockholders.

Section 2. Newly Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled only by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Stockholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

Section 3. Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of the Voting Stock, voting together as a single class.

Section 4. Amendment, Repeal, etc. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VI.

ARTICLE VII.

ACTIONS BY STOCKHOLDERS

Any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders. Special meetings of stockholders of the corporation may be called only by the Board pursuant to a resolution approved by a majority of the entire Board. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VII.

ARTICLE VIII.

CERTAIN BUSINESS COMBINATIONS

Section 1. Vote Required for Certain Business Combinations.

A. Higher Vote for Certain Business Combinations. Except as otherwise expressly provided in Section 2 of this Article VIII,

(i) any merger or consolidation of the corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Stockholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of $1,000,000 or more; or

(iii) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $1,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class and any necessary vote of the outstanding shares of Preferred Stock. Such affirmative vote shall be required not withstanding the fact that no vote may be required or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. Definition of "Business Combination". The term "Business Combination" as used in this Article VIII shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of this Section 1.

Section 2. When Higher Vote is Not Required. The provisions of Section 1 of this Article VIII shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law, this Restated Certificate of Incorporation and any resolution or resolutions designating the rights, powers and preferences of any outstanding series of Preferred Stock, if all of the conditions specified in either of the following paragraphs (A) and (B) are met (it being intended that in the case of a Business Combination not involving any cash or consideration other than cash to be received by the holders of each class or series of outstanding Voting Stock (other than Institutional Voting Stock, as hereinafter defined), the provisions of such Section 1 shall not be applicable only if the condition specified in the following paragraph (A) is met):

A. Approval by Continuing Directors. The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined).

B. Price and Procedure Requirements. All of the following conditions shall have been met.

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article VIII as the "Determination Date"), whichever is higher; and

(c) (if applicable) the price per share equal to the Fair Market Value per share of Common Stock on the Announcement Date or the Determination Date, whichever is higher, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of Common Stock on the first day in such two-year period upon which the Interested Stockholder acquired any shares of Common Stock.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other series of outstanding Voting Stock (other than Institutional Voting Stock, as hereinafter defined) shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph (B)(ii) shall be required to be met with respect to every series of outstanding Voting Stock (other than Institutional Voting Stock), whether or not the Interested Stockholder has previously acquired any shares of a particular series of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such series of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) (if applicable) the highest preferential amount per share to which the holders of shares of such series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation;

(c) the Fair Market Value per share of such series of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(d) (if applicable) the price per share equal to the Fair Market Value per share of such series of Voting Stock on the Announcement Date or the Determination Date, whichever is higher, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such series of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of such series of Voting Stock on the first day in such two-year period upon which the Interested Stockholder acquired any shares of such series of Voting Stock.

(iii) The consideration to be received by holders of a particular class (in the case of Common Stock) or series (in the case of Preferred Stock) of the outstanding Voting Stock shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of any class or series of Voting Stock. If the Interested Stockholder has paid for shares of any class or series of Voting Stock with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock previously acquired by it.

(iv) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (c) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(v) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities and Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

Section 3. Certain Definitions. For the purposes of this Article VIII:

A. A "person" shall mean any individual, firm, corporation or other entity.

B. "Interested Stockholder" shall mean any person (other than the corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(ii) is an Affiliate of the corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by an Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, or arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purpose of determining whether a person is an Interested Stockholder pursuant to paragraph (B) of this Section 3, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph (C) of this Section 3 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on October 3, 1983.

F. "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the corporation; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph (B) of this Section 3, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the corporation.

G. "Continuing Director" means any member of the Board who is unaffiliated with the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Continuing Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

H. "Fair Market Value" means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange--Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

I. "Institutional Voting Stock" shall mean any series of Voting Stock which was issued to and continues to be held solely by one or more insurance companies, pension funds, commercial banks, savings banks or similar financial institutions or institutional investors.

J. In the event of any Business Combination in which the corporation survives, the phrase "consideration other than cash to be received" as used in Section 2 of this Article VIII shall include the shares of Common Stock or the shares of any series of outstanding Voting Stock retained by the holders of such shares.

Section 4. Powers of the Board of Directors. A majority of the directors of the corporation shall have the power and duty to determine for the purposes of this Article VIII, on the basis of information known to them after reasonable inquiry, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether a series of Voting Stock is Institutional Voting Stock and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $1,000,000 or more.

Section 5. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article VIII shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

Section 6. Amendment, Repeal, etc. Notwithstanding anything contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VIII.

ARTICLE IX

AMENDMENT OF RESTATED CERTIFICATE OF INCORPORATION

The corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on Stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in the last sentence of Article IV, Section 1, and in Articles VI, VII and VIII, may not be altered, amended or repealed in any respect unless such alteration, amendment or repeal is approved as specified in each thereof.

ARTICLE X

INDEMNITY

Section 1. Elimination of Certain Liability of Directors.

A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (A) for any breach of the director's duty of loyalty to the corporation or its stockholders, (B) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (C) under Section 174 of the Delaware General Corporation Law, or (D) for any transaction from which the director derived an improper personal benefit.

Section 2. Indemnification and Insurance.

A. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason for the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph (B) hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Section 2 shall be a contract right, which may, by action of the Board of Directors of the corporation and at its option, be expressed in a separate written instrument, and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 2 or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

B. Right of Claimant to Bring Suit. If a claim under paragraph (A) of this Section 2 is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition whether the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

C. Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 2 shall not be exclusive of any other right which any persons may have or hereafter acquire under any statute, provision of the Restated Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

D. Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Executed on this 20th day of September, 2001.

/s/ J. Lawrence McIntyre

J. Lawrence McIntyre
Vice President and Secretary

EXHIBIT 12

THE TORO COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

	10/31/01	10/31/00	10/31/99	10/31/98	10/31/97
EARNINGS BEFORE INCOME TAXES	$ 80,077,000	$ 71,882,000	$ 57,473,000	$ 6,761,000	$ 60,344,000
PLUS: FIXED CHARGES	$ 27,313,000	$ 31,103,000	28,242,000	29,415,000	23,186,000
EARNINGS AVAILABLE TO COVER FIXED CHARGES	$107,390,000	$102,985,000	$ 85,715,000	$ 36,176,000	$ 83,530,000
RATIO OF EARNINGS TO FIXED CHARGES	3.93	3.31	3.04	1.23	3.60
INTEREST EXPENSE	$ 22,003,000	$ 26,414,000			

$
23,810,000
$
25,428,000
$
19,900,000
RENTALS
(INTEREST
EXPENSE)
5,310,000
4,689,000
4,432,000
3,987,000
3,286,000 -

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TOTAL FIXED
CHARGES $
27,313,000
$
31,103,000
$
28,242,000
$
29,415,000
$
23,186,000
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EXHIBIT 21

THE TORO COMPANY AND SUBSIDIARIES
SUBSIDIARIES OF REGISTRANT

The following are significant subsidiaries of The Toro Company as of January 10, 2002.

NAME	STATE OR OTHER JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED
Electronic Industrial Controls, Inc.	Colorado	100%
Exmark Manufacturing Company Incorporated	Nebraska	100%
Hahn Equipment Co.	Minnesota	100%
Irritrol Systems Europe, S.r.L.	Italy	100%
MTI Distributing, Inc.	Minnesota	100%
Professional Turf Products, Inc.	Texas	100%
Red Iron Insurance, Limited	Bermuda	100%
Simpson Norton Corporation	Minnesota	100%
Toro Australia Pty. Limited	Australia	100%
Toro Credit Company	Minnesota	100%
Toro Europe N.V.	Belgium	100%
Toro Factoring Company N.V.	Netherlands Antilles	100%
Toro Finance Company		

California
100% Toro
Foreign
Sales
Corporation
Barbados
100% Toro
Mexico
Holdings,
LLC
Minnesota
100% Toro
Purchasing
Company
Minnesota
100% Toro
Sales
Company
Minnesota
100% Toro
Warranty
Company
Minnesota
100% Turf
Professionals
Equipment
Company
Minnesota
100%

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
The Toro Company:

We consent to incorporation by reference in the Registration Statements (Nos. 33-38308, 33-44668, 33-51563, 33-55550, 33-59563, 333-44879, 333-87461, 333-36166, 333-39052, 333-47260, and 333-57198) on Forms S-3 and S-8 of The Toro Company of our report dated December 3, 2001, except for Note 14, which is as of December 6, 2001, relating to the consolidated balance sheets of The Toro Company and subsidiaries as of October 31, 2001 and 2000, and the related consolidated statements of earnings and comprehensive income, and cash flows and related financial statement schedule for each of the years in the three year period ended October 31, 2001, which report is included in the annual report on Form 10-K of The Toro Company.

/s/ KPMG LLP

Minneapolis, Minnesota
January 29, 2002