UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarterly Period Ended May 4, 2001 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
TELEPHONE NUMBER: (952) 888-8801

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of Common Stock outstanding as of June 1, 2001 was 12,544,310.

THE TORO COMPANY
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PART I. ITEM 1. FINANCIAL INFORMATION

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended		Six Months Ended	
	May 4, 2001	April 28, 2000	May 4, 2001	April 28, 2000
Net sales	$ 463,490	$ 441,799	$ 747,002	$ 722,038
Cost of sales	293,530	279,850	475,869	460,150
Gross profit	169,960	161,949	271,133	261,888
Selling, general, and administrative expenses	114,375	108,718	211,785	202,718
Restructuring and other unusual income	--	--	(679)	--
Earnings from operations	55,585	53,231	60,027	59,170
Interest expense	(6,437)	(7,652)	(11,713)	(13,409)
Other income (expense), net	(1,439)	(2,860)	1,464	(1,581)
Earnings before income taxes	47,709	42,719	49,778	44,180
Provision for income taxes	17,652	15,799	18,418	16,347
Net earnings	$ 30,057	$ 26,920	$ 31,360	$ 27,833
Basic net earnings per share of common stock	$ 2.34	$ 2.11	$ 2.45	$ 2.17
Dilutive net earnings per share of common stock	$ 2.28	$ 2.08	$ 2.38	$ 2.13
Weighted average number of shares of common stock outstanding - Basic	12,827	12,734	12,789	12,826
Weighted average number of shares of common stock outstanding - Dilutive	13,205	12,958	13,150	13,081

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	May 4, 2001	April 28, 2000	October 31, 2000
ASSETS			
Cash and cash equivalents	$ 1,191	$ 902	$ 978
Receivables, net	458,822	456,665	262,484
Inventories, net	239,443	241,924	194,926
Prepaid expenses and other current assets	8,812	9,218	12,065
Deferred income taxes	44,960	40,584	39,714
Total current assets	753,228	749,293	510,167
Property, plant, and equipment	387,495	365,219	383,497
Less accumulated depreciation	249,983	237,069	250,645
	137,512	128,150	132,852
Deferred income taxes	9,883	8,876	9,883
Goodwill and other assets	122,305	129,712	126,488
Total assets	$ 1,022,928	$ 1,016,031	$ 779,390
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current portion of long-term debt	$ 21	$ 490	$ 38
Short-term debt	178,189	235,488	11,587
Accounts payable	77,131	66,145	65,340
Accrued liabilities	227,345	205,100	183,927
Total current liabilities	482,686	507,223	260,892
Long-term debt, less current portion	194,432	195,584	194,457
Other long-term liabilities	7,022	6,594	6,823
Stockholders' equity:			
Stock, par value $1.00, authorized 35,000,000 shares; issued and outstanding 12,540,204 shares at May 4, 2001 (net of 967,851 treasury shares), 12,643,274 shares at April 28, 2000 (net of 864,781 treasury shares), and 12,569,194 shares at October 31, 2000 (net of 938,861 treasury shares)	12,540	12,643	12,569
Additional paid-in capital	40,762	49,298	47,540
Retained earnings	296,995	254,321	268,727
Accumulated other comprehensive loss	(11,509)	(9,632)	(11,618)
Total stockholders' equity	338,788	306,630	317,218
Total liabilities and stockholders' equity	$ 1,022,928	$ 1,016,031	$ 779,390

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	Six Months Ended	
	May 4, 2001	April 28, 2000
Cash flows from operating activities:		
Net earnings	$ 31,360	$ 27,833
Adjustments to reconcile net earnings to net cash used in operating activities:		
Provision for depreciation and amortization	16,672	17,822
Write-down of investments	1,778	1,097
Gain on disposal of property, plant, and equipment	(51)	(7)
(Increase) decrease in deferred income taxes	(5,246)	308
Tax benefits related to employee stock option transactions	4,501	--
Changes in operating assets and liabilities:		
Receivables, net	(195,290)	(195,812)
Inventories, net	(41,317)	(30,332)
Prepaid expenses and other current assets	3,409	(3,090)
Accounts payable and accrued liabilities	56,608	27,095
Net cash used in operating activities	(127,576)	(155,086)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(16,122)	(17,719)
Proceeds from asset disposals	2,098	1,025
Decrease in investment in affiliates	141	30
Increase in other assets	(1,372)	(2,591)
Acquisition, net of cash acquired	(6,189)	--
Net cash used in investing activities	(21,444)	(19,255)
Cash flows from financing activities:		
Increase in short-term debt	166,602	177,225
Repayments of long-term debt	(42)	(266)
Increase in other long-term liabilities	199	419
Proceeds from exercise of stock options	14,586	709
Purchases of common stock	(29,126)	(9,909)
Dividends on common stock	(3,093)	(3,044)
Net cash provided by financing activities	149,126	165,134
Foreign currency translation adjustment	107	(1,851)
Net increase (decrease) in cash and cash equivalents	213	(11,058)
Cash and cash equivalents at beginning of period	978	11,960
Cash and cash equivalents at end of period	$ 1,191	$ 902

See accompanying notes to condensed consolidated financial statements.

THE TORO COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MAY 4, 2001

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. Unless the context indicates otherwise, the terms "company" and "Toro" refer to The Toro Company and its subsidiaries. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments, consisting primarily of recurring accruals, considered necessary for a fair presentation of the financial position and the results of operations. Since the company's business is seasonal, operating results for the six months ended May 4, 2001 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2001. Certain amounts from prior period's financial statements have been reclassified to conform to this period's presentation.

The company's fiscal year ends on October 31, and quarterly results are reported every three months generally on the Friday closest to the quarter end. For comparative purposes, the company's second and third quarters always reflect 13 weeks of results, therefore, the quarter end date is not necessarily the Friday closest to the quarter end.

For further information, refer to the consolidated financial statements and notes included in the company's Annual Report on Form 10-K for the fiscal year ended October 31, 2000. The policies described in that report are used for preparing quarterly reports.

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 most inventories.

Inventories were as follows:

(Dollars in thousands)	May 4, 2001	April 28, 2000	October 31, 2000
Raw materials and work in process	$ 77,503	$ 76,716	$ 101,784
Finished goods	203,666	208,875	132,526
	281,169	285,591	234,310
Less LIFO and other reserves	41,726	43,667	39,384
Total	$ 239,443	$ 241,924	$ 194,926

Restructuring and Other Unusual Income

At May 4, 2001, the company had $0.3 million of restructuring and other unusual expense remaining in accrued liabilities. The company has utilized $0.3 million of the original reserve since October 31, 2000 and reversed $0.7 million into restructuring and other unusual income related to the remaining accrual for the Sardis, Mississippi facility that was sold during the first quarter of fiscal 2001. The company expects the majority of the remaining reserve to be utilized when the Murray Bridge, Australia facility is sold.

Comprehensive Income

Comprehensive income and the components of other comprehensive income (loss) were as follows:

(Dollars in thousands)	Three Months Ended May 4, 2001	Three Months Ended April 28, 2000	Six Months Ended May 4, 2001	Six Months Ended April 28, 2000
Net earnings	$ 30,057	$ 26,920	$ 31,360	$ 27,833
Other comprehensive income (loss):				
Foreign currency translation	(790)	(1,824)	107	(1,851)
Derivative instruments	131	--	2	--
Comprehensive income	$ 29,398	$ 25,096	$ 31,469	$ 25,982

Net Earnings Per Share

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

	Three Months Ended May 4, 2001	Three Months Ended April 28, 2000	Six Months Ended May 4, 2001	Six Months Ended April 28, 2000
Basic				
(Shares in thousands)				
Weighted average number of shares of common stock outstanding	12,827	12,734	12,771	12,701
Assumed issuance of contingent shares	--	--	18	125
Weighted average number of shares of common stock and assumed issuance of contingent shares	12,827	12,734	12,789	12,826
Dilutive				
(Shares in thousands)				
Weighted average number of shares of common stock and assumed issuance of contingent shares	12,827	12,734	12,789	12,826
Assumed conversion of stock options	378	224	361	255
Weighted average number of shares of common stock, assumed issuance of contingent shares, and assumed conversion of stock options	13,205	12,958	13,150	13,081

Segment Data

The presentation of segment information reflects the manner in which management organizes segments for making operating decisions and assessing performance. On this basis, the company has determined it has two reportable business segments: Professional and Residential. The other segment consists of company-owned distributors operating in the United States and corporate activities, including corporate financing activities and elimination of intersegment revenues and expenses.

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

(Dollars in thousands)	Professional	Residential	Other	Total
Three months ended May 4, 2001:				
Net sales	$298,617	$160,154	$4,719	$463,490
Intersegment net sales	32,660	4,905	(37,565)	--
Earnings (loss) before income taxes	49,485	18,381	(20,157)	47,709
Three months ended April 28, 2000:				
Net sales	$272,414	$158,387	$10,998	$441,799
Intersegment net sales	25,646	5,635	(31,281)	--
Earnings (loss) before income taxes	42,278	15,445	(15,004)	42,719

(Dollars in thousands)	Professional	Residential	Other	Total
Six months ended May 4, 2001:				
Net sales	$485,062	$252,779	$9,161	$747,002
Intersegment net sales	45,193	5,856	(51,049)	--
Earnings (loss) before income taxes	67,556	24,873	(42,651)	49,778
Total assets	513,934	156,698	352,296	1,022,928
Six months ended April 28, 2000:				
Net sales	$458,305	$255,206	$8,527	$722,038
Intersegment net sales	38,154	9,285	(47,439)	--
Earnings (loss) before income taxes	60,337	21,360	(37,517)	44,180
Total assets	508,021	182,318	325,692	1,016,031

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

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	May 4, 2001	April 28, 2000	May 4, 2001	April 28, 2000
Corporate expenses	$(17,936)	$(15,561)	$(36,357)	$(33,183)
Finance charge revenue	1,689	1,420	3,010	2,737
Elimination of corporate financing expense	4,551	5,181	7,230	8,400
Interest expense, net	(6,437)	(7,652)	(11,713)	(13,409)
Other	(2,024)	1,608	(4,821)	(2,062)
Total	$(20,157)	$(15,004)	$(42,651)	$(37,517)

Derivative Financial Instruments

The company uses derivative instruments to manage exposure to foreign currency. Toro uses derivatives only in an attempt to limit underlying exposure to currency fluctuations, and not for trading purposes.

The company enters into forward foreign 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 other comprehensive income (loss) and as a hedge asset or liability 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 the quarter ended May 4, 2001, the amount of adjustments to earnings for such cash flow hedges was immaterial. At May 4, 2001, the amount of such forward contracts outstanding was $6,308,189. The unrecognized after-tax gain portion of the fair value of the contracts recorded in accumulated other comprehensive income (loss) at May 4, 2001 was $155,594.

The company enters into forward foreign 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 other comprehensive income (loss) and as a hedge asset or liability 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 other comprehensive income (loss) into earnings. During the quarter ended May 4, 2001, the amount of adjustments to earnings for such cash flow hedges was immaterial. At May 4, 2001, the amount of such forward contracts outstanding was $3,234,056. The unrecognized after-tax loss portion of the fair value of the contracts recorded in accumulated other comprehensive income (loss) at May 4, 2001 was $153,692.

The company enters into forward foreign exchange contracts to hedge the risk from forecasted settlement in local currencies of intercompany sales. These transactions and other forward foreign exchange contracts do not meet the accounting rules established under SFAS 133 of recording the unrecognized after-tax gain or loss portion of the fair value of the contracts in accumulated other comprehensive income (loss). Therefore, the related fair value of the derivative hedge contract is recognized in earnings.

New Accounting Pronouncements

The Emerging Issues Task Force (EITF) has issued the final version of EITF No. 00-10, "Accounting for Shipping and Handling Fees and Costs," EITF No. 00-14, "Accounting for Certain Sales Incentives," EITF No. 00-22, "Accounting for "Points" and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future," and EITF No. 00-25 "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products."

EITF No. 00-10 provides guidance regarding shipping and handling costs incurred for selling goods, and the income statement classification of amounts charged to customers for shipping and handling as well as costs incurred related to shipping and handling. EITF No. 00-10 will be effective for the company in the fourth quarter of fiscal 2001. The company is currently evaluating the impact of EITF No. 00-10 regarding income statement classification.

EITF No. 00-14 provides guidance regarding accounting for sales incentives offered to customers, and the proper income statement classification. The company plans to adopt EITF No. 00-14 in the fourth quarter of fiscal 2001. The company is currently evaluating the impact of EITF No. 00-14 regarding income statement classification.

EITF No. 00-25 provides guidance whether consideration from a vendor to a customer is an adjustment of the selling prices and, therefore, should be deducted from revenue in the income statement or a cost incurred for assets or services and, therefore, should be included as a cost or an expense in the income statement. The company plans to adopt EITF No. 00-25 in the fourth quarter of fiscal 2001. The company is currently evaluating the impact of EITF No. 00-25 regarding income statement classification.

New Accounting Pronouncements (continued)

In December 1999, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes certain SEC staff views in applying accounting principles generally accepted in the United States of America to revenue recognition in financial statements. SAB 101 will be effective for the company in the fourth quarter of fiscal 2001. Toro is currently evaluating the impact of SAB 101 on its financial condition and results of operations.

During fiscal 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 establishes new standards for recognizing all derivatives as either assets or liabilities, and measuring those instruments at fair value. If the derivative is designated as a fair value hedge, the change in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in accumulated other comprehensive income (loss) and are recognized in income when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. The company adopted the new standard on the first day of fiscal year 2001. The adoption of SFAS 133 did not have a significant impact on the company's financial condition or results of operations.

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

FORWARD-LOOKING INFORMATION

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, over the Internet, 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 at the present include the continuing slow down in the global and domestic economy; the reported decline in consumer confidence; the reported weakness in retail sales; inability to achieve earnings growth in fiscal 2001 of 12 to 15 percent above fiscal 2000; inability to achieve revenue growth in fiscal 2001 of 8 to 10 percent above fiscal 2000; inability to achieve gross margin in fiscal 2001 of 37 to 38 percent; inability to keep growth of operating expenses in fiscal 2001 at 7 to 10 percent, in dollars, above fiscal 2000; inability to maintain a tax rate of 37 percent in fiscal 2001; inability to achieve goals of the announced "5 by Five" profit improvement program; rising energy costs; 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; 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; increased competition in the company's businesses from competitors that have greater financial resources, including competitive pricing pressures; impact of the Internet and e-commerce on the company's business; changes in distributor ownership; financial viability of some distributors; unforeseen difficulties in the implementation of strategies to use outside providers for warehousing and transportation services; changes in distributors', dealers', home centers', or mass retailers' purchasing practices, especially elimination of shelf space for Toro's products; the company's ability to cost-effectively expand existing and open new manufacturing facilities; the company's ability to manage costs and capacity constraints at its manufacturing facilities; the ability to retain and hire quality employees; threatened or pending litigation on matters relating to patent infringement and commercial disputes; and the impact of new accounting standards.

Particular risks and uncertainties facing the company's professional segment at the present include inflationary pressures and potentially slower economic growth that has been important to the growth of the company's professional businesses, including golf, agricultural irrigation, and landscape contractor markets; product quality problems in the development and production of irrigation products; delays in key new irrigation product introductions; the degree of success related to reorganization and management changes in the irrigation and agricultural irrigation areas; increasing oil prices that raise the cost of resin used in irrigation and agricultural irrigation products; a slow down 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 slow down in new home construction; and the financial impact of direct-to-dealer distribution changes related to 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; the degree of success of introducing new products and potential decline of sales on other product categories; 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 becomes more dependent on home center sales; a slowdown in home sales; and the company's expansion into selected home center markets and the potential decline of sales on other product lines and distribution channels.

Particular risks and uncertainties facing the company's international business at the present include socio-economic conditions in some international markets; tax law changes in Mexico; currency fluctuations of the dollar against the euro,

Japanese yen, and Australian dollar; the cost of currency support provided to international customers to compensate for weak currencies compared to the U.S. dollar; and competitive implications and price transparencies related to the euro conversion.

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; 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; 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 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.

RESULTS OF OPERATIONS

Toro's results for the second quarter of fiscal 2001 were positive, with sales and profitability increases for the professional and residential segments driven by new product introductions and continued growth in the landscape contractor market, despite a weaker economy and unfavorable weather conditions. Fiscal 2001 second quarter net sales increased 4.9 percent to $463.5 million from $441.8 million for the second quarter of fiscal 2000. Year-to-date net sales were $747.0 million compared to $722.0 million last year, an increase of 3.5 percent. Worldwide sales for the professional segment rose 9.6 percent compared to last year's second quarter and 5.8 percent year-to-date led by significant increases in the landscape contractor market and introduction of new products. Worldwide sales for the residential segment increased 1.1 percent compared to last year's second quarter but were down slightly for the year. Strong initial sales of new products helped offset declines in shipments of other residential product categories. International sales were up modestly for the quarter and year-to-date; disregarding currency effects, however, international sales increased 3.5 percent for the quarter and 6.8 percent for the first half of fiscal 2001.

Net earnings increased 11.7 percent to $30.1 million from $26.9 million for the same quarter in fiscal 2000, and dilutive earnings per share for the quarter rose 9.6 percent to $2.28 from $2.08 in fiscal 2000 second quarter. Year-to-date net earnings were $31.4 million compared to $27.8 million last year, an increase of 12.7 percent, and dilutive earnings per share for the year were $2.38 compared to $2.13 last year. Excluding restructuring and other unusual income, year-to-date net earnings would have been $30.9 million and dilutive earnings per share would have been $2.35. Higher sales volumes, lower levels of exchange rate currency losses, and reduced interest expense were the main contributors to the earnings improvement.

The following table summarizes net sales by segment:

(Dollars in thousands)	Three Months Ended May 4, 2001	Three Months Ended April 28, 2000	$ Change	% Change
Professional	$ 298,617	$ 272,414	$ 26,203	9.6%
Residential	160,154	158,387	1,767	1.1
Other	4,719	10,998	(6,279)	(57.1)
Total *	$ 463,490	$ 441,799	$ 21,691	4.9%
* Includes international sales of	$ 88,371	$ 87,952	$ 419	0.5%

(Dollars in thousands)	Six Months Ended May 4, 2001	Six Months Ended April 28, 2000	$ Change	% Change
Professional	$ 485,062	$ 458,305	$ 26,757	5.8%
Residential	252,779	255,206	(2,427)	(1.0)
Other	9,161	8,527	634	7.4
Total *	$ 747,002	$ 722,038	$ 24,964	3.5%
* Includes international sales of	$ 160,402	$ 155,887	$ 4,515	2.9%

Professional Segment Net Sales

Net sales for the worldwide professional segment in the second quarter of fiscal 2001 were $298.6 million compared to $272.4 million in the second quarter of fiscal 2000, an increase of 9.6 percent. The landscape contractor market continues to show significant growth, with good volume increases for both Exmark and Toro brands. Shipments of newly introduced commercial mowing equipment also contributed to the sales increase for this segment. Despite those positive factors, a weaker economy, unfavorable weather conditions, and a slow-down 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, mainly for the Irritrol brand, due to high field inventory levels entering fiscal 2001 and unfavorable weather conditions.

Net sales for the worldwide professional segment in the first half of fiscal 2001 were $485.1 million compared to $458.3 million last year, an increase of 5.8 percent. The increase in sales was due to the same contributing factors mentioned in the quarter comparison. In addition, parts sales for commercial equipment products were up for the year due to the higher number of units in service related to the growth of that business over the past few years. Offsetting those increases was lower sales volume for the Sitework Systems product line due to a change to dealer-direct distribution that resulted in returned product from some distributors and a shift of sales closer to retail demand. Despite this distribution change, retail sales have increased compared to last year for the Sitework Systems product line.

Residential Segment Net Sales

Net sales for the worldwide residential segment in the second quarter of fiscal 2001 were $160.2 million compared to $158.4 million in the second quarter of fiscal 2000, a slight increase of 1.1 percent. Shipments of new products, which include the Toro(R) TimeCutter(TM) Z mower and the Toro Twister(R) utility vehicle, led this increase in sales. Home solutions product sales, such as electric trimmers and blowers, were also up for the quarter mainly due to placement expansion at some mass retailers. Offsetting those increases were lower shipments of walk power mowers and other riding products due to the cold and wet spring weather in most markets as well as a reported decline in consumer confidence. Do-it-yourself irrigation product sales were also negatively affected by weather conditions, mainly in the Southeast region that has watering bans related to the drought, and by lost placement at some home centers.

Year-to-date net sales for the worldwide residential segment in fiscal 2001 were $252.8 million compared to $255.2 million last year, a slight decline of 1.0 percent. Despite strong initial shipments of new products, sales were down for most product categories. Snowthrower product sales were down due to the comparison to abnormally high sales in the first quarter of fiscal 2000 resulting from a shift in shipments from the fourth quarter of fiscal 1999 to the first quarter of fiscal 2000. In addition, field inventory levels were higher entering fiscal 2001. Shipments of walk power mowers, riding products, and do-it-yourself irrigation products were also down due to the same contributing factors as mentioned in the above quarter comparison. This segment is also experiencing a decline in sales as a result of customers' asset management efforts to reduce financing costs associated with field inventory levels.

Field inventory levels are lower than in the comparable quarter of fiscal 2000 for all residential segment product lines. The heavy snowfalls during the winter of 2000-2001 throughout the Snow Belt resulted in significantly higher retail sales of snowthrower products, leaving low field inventory levels. Therefore, the company anticipates significantly higher snowthrower sales in the second half of fiscal 2001 as compared to fiscal 2000.

Other Segment Net Sales

The other segment net sales in the second quarter of fiscal 2001 were $4.7 million compared to $11.0 million in the second quarter of fiscal 2000. Net sales in this segment include sales from Toro's wholly owned domestic distribution companies less sales from the professional and residential segments to those distribution companies. The sales decrease for the quarter was mainly due to the impact of the intercompany elimination adjustment relating to increased shipments to Toro-owned distribution companies as a result of a shift in shipping patterns from the first quarter to the second quarter as compared to the prior year.

Year-to-date net sales for the other segment in fiscal 2001 were $9.2 million compared to $8.5 million last year. This increase was due to the addition of two company-owned distributors during fiscal 2000.

Gross Profit

Second quarter gross profit was $170.0 million compared to $161.9 million last year, an increase of 4.9 percent. As a percentage of net sales, gross profit for the second quarter was even with the prior year's comparable quarter at 36.7 percent.

Year-to-date gross profit was $271.1 million compared to $261.9 million last year, an increase of 3.5 percent. As a percentage of net sales, year-to-date gross profit was even with last year at 36.3 percent.

Selling, General, and Administrative Expense

Second quarter selling, general, and administrative expense (SG&A) was $114.4 million compared to $108.7 million last year, an increase of 5.2 percent. As a percentage of net sales, SG&A increased slightly to 24.7 percent from 24.6 percent for the same quarter in fiscal 2000. SG&A expense was up due to higher levels of currency support for international sales, higher incentive compensation costs, and increased warranty expense for the professional segment. Somewhat offsetting those increases was lower warranty expense for the residential segment due to favorable claims experience and lower marketing costs due to expense reduction efforts.

Year-to-date SG&A expense was $211.8 million compared to $202.7 million last year, an increase of 4.5 percent. As a percentage of net sales, SG&A expense increased to 28.4 percent from 28.1 percent last year. The acquisition of two distribution companies and Goossen added approximately $1.9 million of incremental SG&A expense. The increase in SG&A costs was also due to the same contributing factors mentioned in the quarter comparison.

Restructuring and Other Unusual Income

Year-to-date restructuring and other unusual income was $0.7 million, which increased income for the residential segment. This income relates to the reversal of the remaining accrual for closing of the Sardis, Mississippi facility, which was sold during the first quarter of fiscal 2001.

Interest Expense

Second quarter interest expense was $6.4 million compared to $7.7 million last year, a decrease of 15.9 percent. This decrease was primarily due to lower levels of 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.

Year-to-date interest expense was $11.7 million compared to $13.4 million last year, a decrease of 12.6 percent. This decrease in interest expense for the year was due to the same contributing factors as in the quarter comparison.

Other Income (Expense), Net

Second quarter other expense, net, was $1.4 million compared to $2.9 million last year, a favorable change of $1.5 million. This favorable variance was mainly due to lower amounts of currency exchange rate losses.

Year-to-date other income, net, was $1.5 million compared to other expense, net, of $1.6 million last year, a favorable change of $3.1 million. This favorable variance was due to lower amounts of currency exchange rate losses and increased royalty income, somewhat offset by higher amounts of write-downs of investments.

Operating Earnings (Loss) by Segment

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

Professional Segment Operating Earnings

Operating earnings for the worldwide professional segment in the second quarter of fiscal 2001 were $49.5 million compared to $42.3 million in the second quarter of fiscal 2000, an increase of 17.0 percent. As a percentage of net sales, professional segment operating margins increased to 16.6 percent from 15.5 percent for the same quarter in fiscal 2000. This increase was due to higher sales volumes, mainly for the landscape contractor market. Also contributing to this improvement was a 1.0 percent decline in SG&A expense as a percent of sales due to leveraging SG&A costs on higher sales volumes as well as lower levels of currency exchange rate losses. Somewhat offsetting those positive factors was a 0.7 percent decline in gross margins as a percent of sales, mainly due to higher manufacturing costs for irrigation products.

Year-to-date operating earnings for the worldwide professional segment in fiscal 2001 were $67.6 million compared to $60.3 million last year, an increase of 12.0 percent. As a percentage of net sales, professional segment operating margins increased to 13.9 percent from 13.2 percent last year. The reasons for the increase are the same as in the quarter comparison.

Residential Segment Operating Earnings

Operating earnings for the worldwide residential segment in the second quarter of fiscal 2001 were $18.4 million compared to $15.4 million in the second quarter of fiscal 2000, an increase of 19.0 percent. As a percentage of net sales, residential segment operating margins increased to 11.5 percent from 9.8 percent for the same quarter in fiscal 2000. Gross margin rose 1.3 percent 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. Also contributing to the increase in operating profits was a 0.7 percent decline in SG&A expense as a percentage of net sales due to lower marketing and warranty costs, slightly offset by higher levels of currency support expense.

Year-to-date operating earnings for the worldwide residential segment in fiscal 2001 were $24.9 million compared to $21.4 million last year, an increase of 16.4 percent. As a percentage of net sales, residential segment operating margins increased to 9.8 percent from 8.4 percent last year. Gross margin increased as a percentage of net sales by 1.1 due to the same reasons discussed in the above quarter comparison. Restructuring and other unusual income of $0.7 million also contributed to the residential segment operating profit improvement. However, SG&A expense as a percentage of net sales was slightly higher by 0.1 percent.

Other Segment Operating Losses

Operating losses for the other segment in the second quarter of fiscal 2001 were $20.2 million compared to losses of $15.0 million in the second quarter of fiscal 2000, an unfavorable variance of 34.3 percent. This loss increase was due to higher gross profit reversal related to increased shipments of Toro inventory to the company-owned distributors in the second quarter of fiscal 2001 compared to the second quarter of fiscal 2000, lower levels of operating earnings for the company-owned distributors, and higher incentive compensation costs. Slightly offsetting these negative factors were lower interest costs.

Other Segment Operating Losses (continued)

Year-to-date operating losses for the other segment in fiscal 2001 were $42.7 million compared to losses of $37.5 million in fiscal 2000, an unfavorable change of 13.7 percent. This loss increase was due to lower levels of operating earnings for the company-owned distributors and higher incentive compensation costs, slightly offset by lower interest costs.

Provision for Income Taxes

The effective tax rate for the first half of fiscal 2001 and fiscal 2000 was 37.0 percent. The tax rate is expected to remain at 37.0 percent for the second half of fiscal 2001.

Financial Position as of May 4, 2001

May 4, 2001 compared to April 28, 2000

Total assets at May 4, 2001 were $1,022.9 million compared to $1,016.0 million on April 28, 2000, an increase of $6.9 million. Net accounts receivable increased by $2.2 million. The additions of a distribution company and Goossen added $1.7 million of incremental receivables. Inventory decreased $2.5 million. The additions of a distribution company and Goossen added $4.5 million of incremental inventory. This inventory decrease was mainly due to improved asset management. Net property, plant, and equipment increased $9.4 million due to higher amounts of capital additions in comparison to depreciation expense. Goodwill and other assets decreased $7.4 million 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 intangible assets.

Total current liabilities at May 4, 2001 were $482.7 million compared to $507.2 million at April 28, 2000, a decrease of $24.5 million. Short-term debt decreased by $57.3 million due to higher levels of accounts payable and equity as well as lower amounts of inventory. Accounts payable increased by $11.0 million due to the company's efforts to extend its payment terms. Accrued liabilities also increased by $22.2 million due mainly to higher accruals for warranty, marketing, income tax, and currency support costs.

May 4, 2001 compared to October 31, 2000

Total assets at May 4, 2001 were $1,022.9 million compared to $779.4 million at October 31, 2000, an increase of $243.5 million. Net accounts receivable increased $196.3 million from October 31, 2000 due to the seasonal increase in accounts receivable, which historically occurs between January and April. Inventory increased by $44.5 million due to the normal seasonal buildup of inventory, plus prebuilding of inventory as a result of manufacturing capacity constraints. Net property, plant, and equipment increased $4.7 million due to higher amounts of capital additions in comparison to depreciation expense. Goodwill and other assets decreased $4.2 million 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 intangible assets during the first half of fiscal 2001.

Total current liabilities at May 4, 2001 were $482.7 million compared to $260.9 million at October 31, 2000, an increase of $221.8 million. This increase was the result of additional short-term debt of $166.6 million, reflecting the company's strategy of utilizing short-term debt to fund seasonal working capital needs. These requirements are historically greatest in the winter and spring months. Accounts payable increased by $11.8 million due to the company's efforts to extend its payment terms. Accrued liabilities also increased by $43.4 million due mainly to higher accruals for warranty, income tax, and currency support costs as well as higher accruals for various seasonal sales and marketing programs, which are at their peak during the spring selling season.

Liquidity and Capital Resources

Cash used in operating activities for the first six months of fiscal 2001 was $27.5 million lower than the first six months in fiscal 2000 primarily due to higher levels of accounts payable and accrued liabilities and net earnings as compared to the prior period, somewhat offset by an increase in deferred tax assets. Cash used in investing activities increased $2.2 million due to the purchase price, net of cash acquired for Goossen, slightly offset by proceeds received for the sale of the Sardis, Mississippi facility. Cash provided by financing activities was lower by $16.0 million due to lower levels of short-term debt this year compared to last year, higher amounts of common stock repurchases, somewhat offset by proceeds from stock option exercises. In addition, cash on hand at October 31, 1999, which was high due to the fiscal year end occurring on a Sunday when cash received on Saturday could not be utilized to pay down short-term debt until fiscal 2000, was used for operating and investing activities in the first quarter of fiscal 2000.

The company's U.S. seasonal working capital requirements are funded with $289.0 million of committed unsecured bank credit lines. In addition, the company's non-U.S. operations maintain unsecured short-term lines of credit of approximately $16.0 million. The company also has banker's acceptance agreements under which an additional $40.0 million of credit lines are available. The company's business is seasonal, with peak borrowing under the working capital lines described above generally occurring between February and May each year.

Management believes that the combination of funds available through its 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 during the current fiscal year.

Inflation

The company is subject to the effects of changing prices. During the first half of 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 through slight price increases. No significant price increases are planned for fiscal 2001 because of competitive pressures.

Euro Currency

The European Monetary Union (EMU) is in the last full year of a three-year transition phase during which a common currency (the "euro") was introduced in participating countries. This new currency is being used for financial transactions and will progressively replace the old national currencies, which are to be withdrawn by July 2002. During the transition to the euro, companies and public administrations have been changing 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 currency 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 international export shipments in U.S. dollars, however, it is analyzing the effects of invoicing in foreign currencies, and the euro would be among those currencies considered.

One of the company's European subsidiaries has implemented a new Enterprise Resource Planning (ERP) system, without any major negative impact on its operations. This new system will enable the company to report financial transactions and fiscal reports in the euro for fiscal 2002. The company's other European subsidiary is planning to convert to the same ERP system during the beginning of fiscal 2002. The cost of converting to these systems has been immaterial compared to the company's overall operating expenses.

Based on evaluation to date, management currently believes that while the company will 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.

Quantitative and Qualitative Disclosures about Market Risk

Toro is exposed to market risk stemming from changes in foreign 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 to currency fluctuations, and not for trading purposes.

Foreign Exchange Risk

Toro is subject to risk from sales and loans to wholly owned subsidiaries as well as sales to, purchases from, and bank lines of credit with, third party customers, suppliers, and creditors, respectively, denominated in foreign currencies. The company manages foreign exchange rate exposure from anticipated sales, accounts receivable, intercompany loans, anticipated purchases, credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency) and forward and swap foreign exchange contracts. Forward foreign exchange contracts to hedge forecasted transactions are designated as cash flow hedges with the fair value recorded in accumulated other comprehensive income (loss) and as a hedge asset or liability as applicable. Once the forecasted transaction has been recognized as a sale or purchase and a related asset or liability recorded on the balance sheet, the related fair value of the derivative hedge contract is reclassified from accumulated other comprehensive income (loss) into earnings. The related amounts payable to, or receivable from, the contract counter parties are included in other accrued liabilities or prepaid expenses and other current assets.

The following forward exchange contracts held by the company have maturity dates in fiscal year 2001. 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 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 other comprehensive loss, and fair value of derivative instruments in other income, net at May 4, 2001 were as follows:

DOLLARS IN THOUSANDS	AVERAGE CONTRACTED RATE	NOTIONAL AMOUNT	VALUE IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	FAIR VALUE IMPACT GAIN (LOSS)
Buy US dollar/Sell Australian dollar	.5971	$ 3,791.9	--	$493.1
Buy US dollar/Sell Canadian dollar	1.4584	6,308.2	$ 247.0	57.8
Buy US dollar/Sell Euro	.8839	883.9	--	(9.5)
Buy Australian dollar/Sell US dollar	.5210	10,345.0	--	(44.2)
Buy Canadian dollar/Sell US dollar	1.5325	1,827.1	--	1.1
Buy Euro/Sell US dollar	.8953	4,297.2	--	(7.9)
Buy Japanese yen/Sell US dollar	106.6800	3,234.1	(244.0)	(133.6)
Buy Mexican peso/Sell US dollar	10.1964	490.4	--	33.0

Interest Rate Risk

The company is exposed to interest rate risk arising from transactions that are entered into during the normal course of business. The company's short-term debt rates are dependent upon the LIBOR rate plus an additional percentage based on the company's current borrowing level. See the company's most recent annual report filed on Form 10-K (Item 7A). There has been no material change in this information.

Commodities

Certain raw materials used in the company's products are exposed to commodity

price changes. Toro manages this risk by using long-term agreements with some vendors. The primary commodity price exposures are with aluminum, steel, and plastic resin.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Stockholders was held on March 13, 2001.

(b) The results of the stockholder votes were as follows:

	For	Against	Abstain	Broker Non-Votes
1. Election of Directors				
Robert C. Buhrmaster	10,350,752	790,806	0	0
Winslow H. Buxton	10,357,822	783,736	0	0
Robert H. Nassau	10,312,140	829,418	0	0
Christopher A. Twomey	10,323,531	818,027	0	0
2. Approval of The Toro Company 2000 Directors Stock Plan	8,219,856	2,549,840	371,862	0
3. Approval of Selection of Independent Auditors for Fiscal 2001.	10,899,399	105,925	136,234	0

Item 6. Exhibits and Reports on Form 8-K

3(i)(a) and 4(a)	Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form S-3, Registration No. 33-16125).
3(i)(b) and 4(b)	Certificate of Amendment to Certificate of Incorporation of Registrant dated December 9, 1986 (incorporated by reference to Exhibit 3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended January 30, 1987, Commission File No. 1-8649).
3(i)(c) and 4(c)	Certificate of Designation to Certificate of Incorporation of Registrant dated May 28, 1998 (incorporated by reference to Exhibit (1)(A) to Registrant's Current Report on Form 8-K dated May 27, 1998).
3(ii) and 4(d)	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 April 30, 1999).
4(e)	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(f)	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(g)	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 July 30, 1999).*
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.*

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

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE TORO COMPANY
(Registrant)

By /s/ Stephen P. Wolfe

Stephen P. Wolfe
Vice President, Finance
Treasurer and Chief Financial Officer
(principal financial officer)

Date: June 18, 2001

EXHIBIT 10(m)

THE TORO COMPANY
2000 DIRECTORS STOCK PLAN

1. PURPOSE OF THE PLAN. The purpose of The Toro Company 2000 Directors Stock Plan ("Plan") is to enable The Toro Company (the "Company") to attract and retain experienced and knowledgeable directors to serve on the Board of Directors of the Company or its subsidiaries, and to further align their interests with those of the stockholders of the Company by providing for or increasing their stock ownership interests in the Company. It is intended that the Plan be interpreted so that transactions under the Plan are exempt under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to the extent applicable.

2. ELIGIBILITY. All members of the Company's Board of Directors who are not current employees of the Company or any of its subsidiaries ("Nonemployee Directors") are eligible to participate in the Plan.

3. PLAN AWARDS.

   a. DIRECTORS SHARES. To carry out the purposes of the Plan, the Company shall issue shares ("Directors Shares") of the Company's Common Stock, $1.00 par value and related preferred share purchase rights (subject to adjustment as provided in Section 5 hereof) (the "Common Stock"), to each person who is then a Nonemployee Director, on the first day of each fiscal year in an amount equal to $10,000 divided by the fair market value of one share of Common Stock rounded down to the greatest number of whole shares. Fair market value for this purpose shall be the average of the 4 p.m. Eastern Time closing prices of the Common Stock as reported by the New York Stock Exchange for each of the trading days in the three calendar months immediately prior to the date of issue of the Directors Shares.

   b. DIRECTORS OPTIONS.

      i. Annual Grant. Subject to the terms and conditions of this Section 3.b., the Company shall grant a nonqualified option ("Directors Option") to purchase 2,000 shares of Common Stock, to each person who is then a Nonemployee Director, on the first day of each fiscal year, except that in Fiscal 2001, the Company shall make a one time grant of 1,000 shares to each person serving as a Non-Employee Director on the date stockholders first approve the Plan. Directors Options will be granted at an exercise price per share equal to the fair market value of one share of Common Stock on the date of grant, but not less than par value. The fair market value for this purpose shall be the 4 p.m. Eastern Time closing price of the Common Stock as reported by the New York Stock

Exchange for the first business day of the Company's fiscal year with respect to which the grant is made, except for the one time grant, in which case it shall be on the date of grant.

ii. VESTING, TRANSFERABILITY AND EXERCISABILITY.

(a) VESTING. Directors Options shall be exercisable in whole or in part commencing six months following the date of grant and shall remain exercisable for a term of five years after the date of grant.

(b) NO TRANSFER. No Directors Option shall be assigned or transferred, except by will or the laws of descent and distribution. An option so transferred may be exercised after the death of the individual to whom it is granted only by such individual's legal representatives, heirs or legatees, not later than the earlier of the date the option expires or one year after the date of death of such individual, and only with respect to an option exercisable at the time of death.

(c) EXERCISE. During the lifetime of a Nonemployee Director, options held by such individual may be exercised only by the Nonemployee Director and only while serving as a member of the Board of Directors of the Company and only if the Nonemployee Director has been continuously so serving since the date such options were granted, except as follows:

1. Disability. In the event of disability of a Nonemployee Director, options may be exercised by such individual not later than the earlier of the date the option expires or one year after the date such service as a Nonemployee Director ceases by reason of disability, but only with respect to an option exercisable at the time such service ceases.

2. Termination After Five Years of Service. In the event of termination after service as a Nonemployee Director for five years or longer, options may be exercised by such individual not later than the earlier of one year after the date of termination of service as a Nonemployee Director or the date the option expires.

(d) METHODS OF EXERCISE AND PAYMENT OF EXERCISE PRICE. Subject to the terms and conditions of the Plan and the terms and conditions of the option agreement, an option may be exercised in whole at any time or in part from time to time, by delivery to the Company at its principal office of a written notice of exercise specifying the number of shares with respect to which the

option is being exercised, accompanied by payment in full of the exercise price for shares to be purchased at that time. Payment may be made (i) in cash, (ii) by tendering (either actually or by attestation) shares of Common Stock already owned for at least six months (or shorter period necessary to avoid a charge to the Company's earnings for financial statement purposes) valued at the fair market value of the Common Stock on the date of exercise, (iii) in a combination of cash and Common Stock or (iv) by delivery of a notice of exercise of options, together with irrevocable instructions, approved in advance by proper officers of the Company, (A) to a brokerage firm designated by the Company, to deliver promptly to the Company the aggregate amount of sale or loan proceeds to pay the exercise price and any related tax withholding obligations and (B) to the Company, to deliver certificates for such purchased shares directly to such brokerage firm, all in accordance with regulations of the Federal Reserve Board.

No shares of Common Stock shall be issued until full payment has been made.

c. SHARE PRORATION. If, on any date on which Directors Shares are to be issued pursuant to Section 3.a. or Directors Options are to be granted pursuant to Section 3.b., the number of shares of Common Stock is insufficient for the issuance of the entire number of shares to be issued or for the grant of the entire number of options, as calculated in accordance with Section 3.a. or Section 3.b., respectively, then the number of shares to be issued to each Nonemployee Director entitled to receive Directors Shares or Directors Options on such date shall be such Nonemployee Director's proportionate share of such available number of shares or options (rounded down to the greatest number of whole shares), provided that if a sufficient number of shares of Common Stock is available to issue all of the Directors Shares, then the entire number of Directors Shares shall be issued first and the number of shares to be subjected to options shall be prorated in accordance with this section.

4. SHARES IN LIEU OF FEES. A Nonemployee Director shall have the right to elect to receive shares of Common Stock in lieu of annual retainer and meeting fees otherwise payable in cash. The election to receive Common Stock shall be made prior to the first day of the calendar year in which the fees are to be earned. Fees that are earned shall be reserved through the year and shares shall be issued in December of that year. The number of shares to be issued shall be determined by dividing the amount of the cash that otherwise would have been paid by the 4 p.m. Eastern Time closing price of one share of Common Stock as reported by the New York Stock Exchange for the date that the shares are issued.

5. STOCK SUBJECT TO PLAN. Subject to adjustment as provided in this paragraph and subject to increase by amendment of the Plan, the total number of shares of Common Stock that is

reserved and available for issuance in connection with the Plan shall be 120,000 shares. If any Directors Option granted hereunder expires unexercised or terminates, the shares of Common Stock reserved for issuance pursuant to such option shall, to the extent of any such termination or to the extent the shares covered by an option are not issued or used, again be available for option grants under the Plan. Any shares issued by the Company in connection with the assumption or substitution of outstanding option grants from any acquired corporation shall not reduce the shares available for stock awards or option grants under the Plan. In the event of a corporate transaction involving the Company, the Common Stock or the Company's corporate or capital structure, including but not limited to any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, reclassification, split-up, spin-off, combination or exchange of shares, or a sale of the Company or of all or part of its assets or any distribution to stockholders other than a normal cash dividend, the Committee shall make such proportional adjustments as are necessary to preserve the benefits or potential benefits of the Directors Shares and Directors Options. Action by the Committee may include all or any of adjustment in (a) the maximum number and kind of securities subject to the Plan as set forth in this paragraph; (b) the maximum number and kind of securities that may be made subject to Directors Options and the determination of the number or kind of Directors Shares; (c) the number and kind of securities subject to any outstanding Directors Option; and (d) any other adjustments that the Committee determines to be equitable.

6. CHANGE OF CONTROL. In the event of a Change of Control of the Company as hereinafter defined, all options shall fully vest, and be exercisable in their entirety immediately, and notwithstanding any other provisions of the Plan, shall continue to be exercisable for three years following the Change of Control, but not later than five years after the date of grant.

Change of Control means:

a. The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of 15% or more of either (i) the then-outstanding shares of Common Stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection a., the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection c. of this Section 6; or

b. Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the

Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

c. Consummation of a reorganization, merger or consolidation of the Company or sale or other disposition of all or substantially all of the assets of the Company or the acquisition by the Company of assets or stock of another entity (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination, or the combined voting power of the then-outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

d. Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

7. ADMINISTRATION OF THE PLAN. The Plan shall be administered by a committee composed of those members of the Board of Directors of the Company who are also employees of the Company (the "Committee"). The Committee shall have the authority to carry out all provisions of the Plan; provided, however, that it shall have no discretion to determine which Nonemployee Directors may receive Directors Shares or Directors Options or to

set the value of such Directors Shares or Directors Options, other than to make the calculations required by Section 3.a., Section 3.b. and Section 5.

8. TAX WITHHOLDING. The Company shall have the right to deduct from any settlement made under the Plan, including the exercise of an option or the sale of shares of Common Stock, any federal, state or local taxes of any kind required by law to be withheld with respect to such payments or to require the option holder to pay the amount of any such taxes or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Common Stock is withheld or surrendered to satisfy tax withholding, such stock shall be valued at its fair market value as of the date such Common Stock is withheld or surrendered. The Company may also deduct from any such settlement any other amounts due the Company by the option holder.

9. EFFECTIVE DATE AND TERM OF PLAN. The effective date of the Plan shall be March 13, 2001, subject to approval by stockholders. The Plan shall be perpetual, unless sooner terminated by action of the Board of Directors.

10. AMENDMENT. The Board may amend, suspend or terminate the Plan at any time, with or without advance notice to option holders.The effective date of any amendment to the Plan shall be the date of its adoption by the Board of Directors. No amendment of the Plan shall adversely affect in a material manner any right of any option holder with respect to any option theretofore granted without such option holder's written consent.

11. GOVERNING LAW. The Plan, options and awards granted under the Plan and agreements entered into under the Plan shall be construed, administered and governed in all respects under and by the applicable laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan or an option or an award or agreement to the substantive law of another jurisdiction.