

Dear Shareholders

Fiscal 2000 was a challenging year. Our performance this year was not up to the standards that we expect to deliver to our shareholders. We achieved outstanding growth in sales and profitability in both our Garden Products and Pet Products branded businesses. However, the results in the branded businesses were completely overshadowed by the downsizing and restructuring of the Distribution business, specifically related to the termination of our relationship with The Scotts Company. We looked at many options for reorganizing our garden distribution business, including a spin-off to shareholders. After careful consideration, we determined that a spin-off did not provide the best value for shareholders, and as a result, we recently decided to pursue another path. We are pleased to announce that we are restructuring the Company around our highly successful branded consumer products – a reorganization which we firmly believe will provide an excellent platform on which to build the Company in 2001 and beyond.

Financial Results

Net sales in fiscal 2000 were \$1.4 billion compared with \$1.5 billion in fiscal 1999.

Central reported a net loss for fiscal 2000 of \$11.8 million, or \$0.63 per diluted share, compared with net income of \$24.5 million, or \$0.89 per diluted share in fiscal 1999. These results include charges taken in the fourth quarter of \$27.2 million and inventory valuation adjustments of \$7.5 million primarily related to activities associated with the discontinuance of our distribution relationship with The Scotts Company.

Net income for fiscal 2000, excluding these charges and inventory valuation adjustments, would have been \$14.6 million, or \$0.77 per diluted share.

The Garden Products Business

The branded Garden Products business showed strong results in fiscal 2000. Sales increased 15% to \$439 million while operating income before corporate allocations increased 26% to \$51 million. This strength is largely attributable to Pennington and Norcal Pottery, as well as a strong first-year contribution by Amdro, which we purchased in March 2000.

Late in the year, we took a number of significant actions that should benefit this business. We committed to purchase certain assets of the Lofts Seed Company and licensing of the Lofts and Rebel brands.

This acquisition closed in October 2000 and will give Pennington a very strong entry into the lucrative northeastern grass seed market. We also reorganized the Norcal/White's Pottery business and the Pennington-Louisiana/Texas pottery business to realize cost savings and marketing opportunities. Finally, we completed expanded line listings at Wal*Mart, Lowe's, Home Depot, and many other major garden brands accounts for the year 2001, and completed the rollout of the MAX-Q line of technologically advanced forage grasses.

The Pet Products Business

Revenues for the branded Pet Products group, which includes our Kaytee, TFH, Four Paws, Wellmark and Island Aquarium businesses, rose 11% in 2000 to \$262 million. Operating income before corporate allocations for this group was \$33 million, up 21% over 1999. This increase in profits was driven not only by sales increases, but also by improved margins, productivity gains, and expense controls across the group.

Sales were driven by continued initiatives with Wal*Mart, PETsMART, Petco and independent pet stores as well as through numerous new product launches across the Pet Brands, including the introductions of the patented Nylabone fold-away pet carrier and award-winning collapsible dog house. In late September 2000, we also acquired All-Glass Aquarium, which is home to both All-Glass aquariums, the largest selling aquarium brand in the U.S., and Oceanic Systems, the premium brand in the industry. Both of these aquarium brands complement our existing Island Aquarium business. We believe that we will capture significant synergies and savings across all three of our aquarium brands in 2001.

We are optimistic about the future for our Pet Products business. We are the owner of a stable of strong brands, including several number-one brands in the pet supplies industry, and a leading innovator of new products. We also have the industry's largest sales force and the unique ability to leverage our distribution strengths.

The Distribution Business

The Distribution business significantly under-performed during fiscal 2000 due primarily to the termination of the Scotts relationship. During the fourth quarter, the Company closed 13 garden distribution facilities and made substantial staffing reductions, resulting in the charges of \$27.2 million and inventory valuation adjustments of \$7.5 million mentioned earlier. In fiscal 2001, we believe we have resolved the remaining issues facing this business by integrating it into the Garden Products and Pet Products businesses to focus resources on our branded strategies.

Organizational Model and Focus

We are now organizing our business around an integrated garden business and an integrated pet business model. The pet business will be headed up by our President, Glenn Novotny. On the garden side, the business is headed up by Bill Brown, Sonny Pennington, the President of Pennington, and Neil Pincus, the President of our newly created Garden Products Division. This new division consists of our branded garden products businesses: Grant's, Maxide, Matthews, Amdro, Lilly Miller, and Strike, along with Norcal Pottery and our former garden distribution businesses. The Garden Products Division aggregates our businesses that are principally in the western U.S., including the Texas markets, while our Pennington business operates

principally in the southern and eastern markets. Together they provide us with a powerful organization nationally focused on executing our proprietary brands strategies.

The new organizational structure will enable us to more effectively service our large and diverse customer base with our proprietary products and strategic partner brands with the highest level of excellence. In making this organizational change, we are recognizing the tremendous shift in the mix of our business as well as the opportunity to focus our brightest and best people on servicing our retail customers with all of the branded products that we produce. Our ultimate objective is to create an integrated family of brands with top-flight sales and logistical support.

The Future


Our goal is to create the best branded consumer products company in the industries in which we operate. Over the past few years, we made significant strides in this area, with revenues in our branded manufacturing operations increasing from \$60 million in fiscal 1997 to more than \$700 million in fiscal 2000. We are strongly focused on continuing to expand our brands, and have set a goal of doubling branded product sales to \$1.4 billion within the next five years. This growth is a function of two important elements.

First, we will focus on internal growth in our branded products businesses. The foundation of this effort is the application of our knowledge and expertise gained from our years of experience in these industries – coupled with both new products and expanded customer relationships. The strong demographics inherent in the garden and pet sectors – with the aging baby-boomer markets – reinforce the confidence we have in the future internal growth potential of our key businesses.

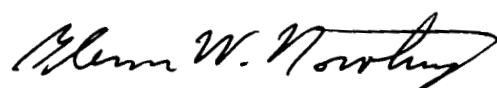
Second, we plan to continue to pursue branded product acquisitions – purchasing leading brands like our recent All-Glass Aquarium acquisition – that will further bolster our already-strong portfolio of brands.

With our new integrated structure in place to support the growth and profitability of our pet and garden brands, we believe we are well positioned for the future. We thank our employees and shareholders for their continued support.

Sincerely,



William E. Brown
Chairman & Chief Executive Officer



Glenn W. Novotny
President & Chief Operating Officer