Dear Shareholders

Fiscal 2000 and 2001 have been very tough years for the Company, principally related to the transition resulting from the termination of the Scotts relationship with our garden business. This termination has been painful and costly, as we have closed 13 garden distribution facilities, made significant personnel reductions, and have become involved in expensive litigation. Suffice it to say, the 4th quarter of 2001 and the full-year results were disappointments to the management team.

While this year was difficult, we continued to pursue single-mindedly our strategic plan which is to be the best branded consumer products company in the industries in which we operate. The business model in pet and garden branded products is solid, the Company is generating significant EBITDA and cash flow and we expect to continue to do so in 2002 and beyond.

Financial Results

Fiscal 2001 net sales were $1.1 billion compared with $1.4 billion in fiscal 2000. Central reported a net loss for fiscal 2001 of $9.3 million, or $0.50 per share, compared with a net loss of $11.8 million, or $0.63 per share in fiscal 2000. Reported results continue to be impacted by the termination of the Scotts/Solaris relationship, resulting in the Company's previously articulated strategy shift from a classic distribution model to a consumer branded garden and pet products business. As a result of this business model transition and other unanticipated legal and operational events, the results for fiscal 2001 included approximately $32.3 million of unusual items related to branch closings and personnel reductions, excess freight costs, litigation and professional expenses, bad debt write-offs and inventory write-downs. While we expect unusual expenses of this nature to continue in 2002, albeit at a reduced level, we are hopeful that by 2003 these types of expenses will be behind us.

Despite the termination of the Scotts/Solaris relationship and the business model transition, the Company achieved earnings before interest, taxes, depreciation, amortization, other income, other charges, and unusual items (EBITDA — excluding other income, other charges and unusual items) of $71.2 million and $79.3 million in fiscal 2001 and 2000, respectively. While not intended to replace net income (loss), cash flows or financial position, as determined in accordance with generally accepted accounting principles (GAAP) in the United States, management uses the EBITDA metric as one of the measures to evaluate the operating performance of its business segments.

The following table is intended to supplement your understanding of the Company's operating performance:

		2001	2000
Net Sales		$ 1,123.0	$ 1,350.9
Net Loss		$ (9.3)	$ (11.8)
Add:	Other Charges	—	27.2
	Unusual Items	32.3	11.3
	Interest Expense – Net of Interest Income	23.1	22.6
Less:	Other Income	(1.6)	(1.2)
	Income Tax Expense (Benefit)	(1.7)	5.2
EBIT [1]		42.8	53.3
Add:	Depreciation and Amortization	28.4	26.0
EBITDA [2]		$ 71.2	$ 79.3

[1] Earnings before interest, taxes, other income, other charges and unusual items.
[2] Earnings before interest, taxes, depreciation, amortization, other income, other charges and unusual items.

The Pet Products Business

The Pet Products business had a good year, with improved branded product sales, reduced costs and the smooth integration of our latest acquisition, All-Glass. For the full fiscal year, sales were $519 million, favorably impacted by the All-Glass acquisition.

All of our brands, with the exception of the TFH book business, continued to grow. Four Paws introduced a number of new products and new upscale packaging and continued expense control. Kaytee continued improving financial results by lowering costs and eliminating lower margin wild bird seed sales. Wellmark experienced stronger results due primarily to high margin sales to the professional market for mosquito and flea and tick control chemicals. It recorded significant sales of methoprene to Merial for their highly successful Frontline® Plus product line. Wellmark is also introducing a new, unique break away flea control collar for cats and has recently seen significant business in its professional product lines for fire ant control in Australia and mosquito control in New Zealand, which are counter cyclical markets to the United States. TFH's Nylabone business improved performance, primarily due to the continued success of the patented Nylabone foldaway pet carrier line, the Nylabone dog chew line of products, and new packaging and cross-promotions. All-Glass was a strong performer, as it turned in a good performance on both the top and bottom line. Its continued success is largely attributable to its innovative new products and cost controls. We are also pleased to note that 13% of all pet branded sales were from products developed and launched within the last two years. This is a key competitive strength of our Pet Products segment.

The pet sales and logistics group provided valuable strategic support to our branded pet products. Sales of our own proprietary branded products through this business unit increased from 23 percent last year to 28 percent in 2001.

The Garden Products Business

For the full fiscal year, the Garden Products business had sales of $677 million. AMDRO, as the number one fire ant bait in the country, produced strong top and bottom line growth in fiscal 2001 through increased brand awareness building with key radio advertising during the year. Norcal Pottery continued to make progress with good improvements in sales and profits for the year even though it was negatively impacted in the fourth quarter by the September 11th tragedy and the bankruptcy of a major retail account. Lilly Miller and Grant's both had a steady year. Pennington had the hardest time in fiscal 2001 as it achieved significantly lower operating income compared to fiscal 2000, primarily due to poor commodity markets in grass seed and bird seed. This was due to worldwide oversupply of grass seed and an unfavorable grain commodity market. In addition, Pennington had to sell and dispose of all Dursban products in 2001 due to the EPA stop-sale on this chemical. The Dursban issue resulted in lower margins for the chemical sales division of Pennington, as it did for the Garden Products group. This will not be a factor in 2002, as the Dursban problem is now behind us. We expect Pennington will have a better 2002, driven primarily by improved commodity markets and cost control measures.

The garden sales and logistics group was again directly impacted by the termination of the Scotts relationship that occurred in late 2000. Actions taken included closing 13 distribution facilities, consolidating administrative and regional offices, terminating a large number of employees, moving inventory from closed facilities to the five remaining garden warehouses, reducing leased facilities and trucks, and disposing of excess inventories at reduced margins. These actions created significant, but necessary, costs.

Fiscal 2002

While there is a lot of work to do, we believe the worst is behind us. We also know that there are still hurdles to overcome in 2002. It is our goal to clear these hurdles in 2002 and rebuild our credibility with investors through improved results.

Sincerely,

William E. Brown
Chairman & Chief Executive Officer

Glenn W. Novotny
President & Chief Operating Officer