

# Vision

“Our Vision for our company and our future is to be a high-performing growth company that innovates, markets and produces quality branded products that are #1 or #2 in their markets.”



GLENN W. NOVOTNY  
PRESIDENT & CHIEF EXECUTIVE OFFICER



WILLIAM E. BROWN  
CHAIRMAN OF THE BOARD

## DEAR SHAREHOLDERS

We are delighted to report that fiscal 2003 was an excellent year for Central. Our focus on growing our proprietary branded products has resulted in a significantly stronger and more profitable company, and 2003 was a record year in terms of gross profit, income from operations and net income. Our Pet and Garden Segments achieved strong top line growth led by branded products, which were up 8% year over year, and we also benefited from efforts to improve overall productivity and to reduce administrative and litigation expenses.

## FISCAL 2003 HIGHLIGHTS

- The grass seed business at Pennington enjoyed double-digit sales and profit growth fueled by innovative new products and consumer offerings.
- Our AMDRO Fire Ant business produced strong results including the launch of our new AMDRO Yard Treatment line.
- Wellmark enjoyed strong sales and profits, especially with our Altosid and Pre-Strike mosquito products to help prevent the spread of West Nile Virus.
- The Eliminator private label garden chemical line for Wal-Mart experienced excellent sales growth and competed very favorably against leading national brands.

- Our capital expansion at Kaytee was on time and on budget.
- Our actions to reduce costs at TFH have resulted in improving profitability at that unit.
- And, we completely refinanced our debt structure through two very successful debt offerings giving us a strong foundation for future growth.

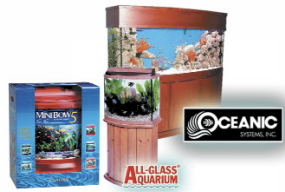
As we reported to you last year, in fiscal 2002 we successfully completed our strategic transformation from a distributor to a consumer products company. In 2003, we continued to improve our operating performance and strengthened our balance sheet, and now have a strong foundation on which to build through organic development and acquisitions.

Looking to 2004 and beyond, we have our sights set on growing this Company's sales and profits significantly over the next several years through organic growth and strategic acquisitions. We believe we can fulfill this vision while improving our return on equity and return on invested capital. We believe we are well positioned to capitalize on our leadership in both the pet and lawn and garden supplies industries to accelerate our growth and will continue to execute against our five key strategies: growing and extending

# Brands



*Kaytee is one of the largest marketers and producers of food and treats for pet birds, wild birds and small animals. Kaytee specializes in the premium end of the market, offering innovative products and upscale packaging.*



*All-Glass Aquarium is the largest producer of aquariums, terrariums and related lighting systems and furniture in the U.S. These products are sold under the All-Glass Aquarium, Oceanic and Island Aquarium brand names.*



*Wellmark is a leading producer of flea, tick, mosquito and other insect control products for both professional and consumer use. These products are sold primarily under the Zodiac, Altosid, Extinguish and Pre-Strike brand names.*



*TFH is a leading marketer and producer of premium dog chews, edible bones, carriers and other pet products. These products are primarily sold under the Nylabone, Dental Chew, Healthy Edibles and TFH brand names.*

our brands in Garden and Pet; developing and launching new innovative products, leveraging our cost structure; positioning our Company to support controlled growth; and pursuing and completing strategic acquisitions in our industries.

## FINANCIAL RESULTS

Net sales for 2003 were \$1.15 billion, a 6 percent increase from \$1.08 billion in the comparable 2002 period. This was the result of a \$65 million or 8 percent increase in our branded product sales, all organic, to \$863 million and a modest increase in sales of other manufacturer's products. Net income for the year increased 21 percent to \$34.6 million, or \$1.73 per diluted share.

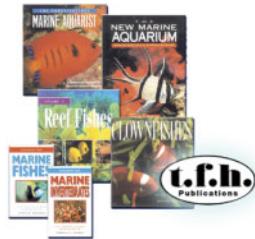
We made significant strides in improving our financial strength in 2003. In January, we refinanced our convertible debt that was maturing in November 2003 with \$150 million of 10-year 9-1/8% Senior Subordinated Notes. And in May, we closed a new \$200 million senior secured credit facility which replaced our \$175 million asset-based revolving credit facility. As a result of our recapitalization program, we now have a solid capital structure in place to invest in growth opportunities and potential strategic acquisitions.

## PET PRODUCTS

Our Pet Products Segment continued to concentrate on growing sales of consumer and professional branded products. For fiscal 2003, sales were \$502 million or 6.5% above last year. This increase was attributable to a 7.3% increase in sales of our brands and a 4.1% increase in sales of other manufacturers' products. Operating income for the year was \$52.7 million, up 21.4% over last year. This increase was attributable to increased sales of branded products, especially those with higher margins, new product introductions, productivity improvements, and cost reductions. Our Pet branded companies continue to focus on delivery of high quality, innovative products to the pet industry. In 2003, 16% of our Pet branded companies' sales were derived from products introduced in the last two years and we have earned 25 industry awards since 2000. We continue to position our Pet companies as the innovation leaders in their categories.

All of our Pet brands contributed to the strong top line and excellent bottom line growth for the year. Wellmark experienced another excellent year due to robust sales of our new Pre-Strike line of consumer mosquito control products and our Altosid line of mosquito control products

Central Garden & Pet is a **leading innovator, marketer and producer** of quality branded products for use in the **consumer and professional** pet and lawn and garden supplies markets.



*TFH is also a leading producer of pet books about almost every type of pet animal. In 2003, TFH was recognized by Pet Business, a leading industry publication, as providing the leading pet book program in the industry.*



*Four Paws is a leading marketer and producer of dog, cat, reptile and small animal products in the U.S. These products include Magic Coat shampoos, Wee-Wee Pads and Rough & Rugged hard rubber toys.*



*Pennington is recognized as the domestic leader in the grass seed industry and is the largest producer of wild bird feed in the U.S. Pennington also manufactures lawn and garden chemicals, fertilizers, soils and related products.*



*AmBrands manufactures AMDRO Fire Ant Bait and Yard Treatment, a leading fire ant bait in the U.S., as well as IMAGE Consumer Concentrate, a selective herbicide for the control of difficult weeds in Southern Turf.*

for professional and public health applications. Wellmark also enjoyed another strong year of sales to Merial's Frontline Plus product line sold to veterinarians, which incorporates Wellmark's active ingredients, and continued growing international sales of insect control products, especially to Australia and New Zealand. TFH and Nylabone also experienced sales growth this year attributable to expansion of the plastic chew line, the Big Chew line, and the award-winning Chew & Brush line. In 2003, TFH executed its new book business model, which included outsourcing printing and binding operations, turning this business into a winner with higher quality, lower costs and more profits. Kaytee, the leader of innovation in the bird and small animal nutrition and treat markets, continued to record strong sales throughout the year and introduced several major new innovative product lines including Soft Sorbent, a revolutionary new concept in paper bedding for small animals, and our new "Treatster" line of small animal and bird treat bars, a totally new pet product concept similar to energy or granola bars. At the end of fiscal 2003, Kaytee completed the first phase of our new manufacturing facility in Chilton, Wisconsin, which is now fully operational. All-Glass and Oceanic turned in a strong year in sales, as new and innovative products continue to be the

strength of our aquarium businesses. Among new products offered for sale in 2003 were the All-Glass Geneva Line of contemporary aquarium furniture, recognized as Best New Aquarium Product at the 2003 APPMA show, and the Oceanic Contrast Collection, awarded Best New Aquarium Product by Pet Business Magazine. Four Paws also had a good year introducing a line of sleeper pads for dog crates and a line of stain and odor removers while expanding sales growth in the grocery and mass channel under the Pet Select Brand name.

#### **GARDEN PRODUCTS**

Our Garden Products segment continued to focus on growing sales of our own branded products as well as improving profitability. Fiscal 2003 sales were \$643.3 million or 6% above last year, due primarily to a \$39.4 million or 8.9% increase in sales of branded products, more than offsetting a \$2.7 million reduction in sales of third-party products. Operating income for fiscal 2003 was \$39.3 million, an increase of \$2 million over last year. The improvements in operating income occurred in spite of significantly higher than normal grain prices which reduced wild bird feed margins at Pennington throughout the year.

We are a **leader in two markets** that have proven to be **recession resistant** and are forecasted to show continued strong growth.



Norcal Pottery is a leading designer, importer and marketer of decorative indoor and outdoor pottery products in the U.S., offering a diverse selection of products in terra cotta, stoneware, ceramic and porcelain.



Grant Lab's manufactures ant control products, animal repellants and garden aid products. Grant's ant control product line consists of ant baits, aerosol and granules, and dust and concentrated liquids for carpenter ants and termites.



Lilly Miller is a leading marketer of weed and moss control products, lawn and garden fertilizers, baits and specialty control products. These products are sold under the Lilly Miller, Alaska Fish Fertilizer, Worry Free and Cooke brand names.



Matthews Four Seasons manufactures one of the broadest mixes of wooden garden products for the home and garden industry, including a complete line of planters, benches, barrel fountains, arbors, and trellises.

Pennington, the largest manufacturer of grass seed, continues to be the category leader in innovation and quality. Our new 2003 product introductions under MasterTurf®, Tournament Quality®, and Pennington® Select brands all performed well this year. Sales from our recently launched innovative Seed/Sod program, selling the same variety of seed to sod growers and consumers, enjoyed a successful launch and are well positioned for future sales to both professional and consumer channels. Pennington's Garden chemical operations reported exceptional results for the year, led by strong Eliminator private label sales to Wal\*Mart. AMDRO, the leading fire ant bait brand, delivered strong top-line growth and profitability, driven by sales of its new AMDRO Yard Treatment product. Sales of our Grant's ant control products also remained strong for the year. Lilly Miller finished the year with a very healthy year-over-year increase in sales, driven principally by new product introductions and the expanded listings and success of our Alaska Fish line of fertilizer products. Norcal Pottery products sales were up for the year and have secured expanded listings for 2004. We are also pleased to report that our Garden sales and logistics business returned to profitability in 2003 following three years of

monumental transformation. This business, which supports our garden brands, increased its sales of Central's branded products by 5%. We believe this business provides a strategic advantage over our competitors and offers economies of scale and convenience for our customers.

Finally, we would like to thank all of our employees, customers, suppliers and investors for their support and faith, particularly over the last few years. With this continued support, we are confident we can take Central to much higher levels in the years ahead. Thank you.

Sincerely,

Glenn W. Novotny  
President & Chief Executive Officer

William E. Brown  
Chairman of the Board