Dear Shareholders

Central stepped up to a new level in fiscal 1998, growing revenues by 54 percent over 1997 and passing the $1 billion mark in revenues. For the fiscal year, we achieved approximately $1.3 billion in net sales and grew net income over 90 percent to $33.7 million – inclusive of other charges totaling $11 million. The other charges were mainly for facilities consolidations resulting from changes in the pet retail environment, eliminating duplicative garden facilities, and to write off costs associated with our attempt to acquire Solaris.

Earnings per share, inclusive of the charges, grew from $1.07 per diluted share in fiscal 1997 on 19,970,000 weighted average number of shares outstanding to $1.15 per diluted share on 33,007,000 weighted average shares outstanding. The increase in outstanding shares is due primarily to the secondary offering of Central common stock in December 1997 and shares issued in connection with the March 1998 acquisition of Pennington Seed.

We firmly believe that we can continue to achieve superior growth in the years ahead. Central today is the country's leading national distributor of lawn and garden and pet and pool supply products. We offer a blue-chip roster of retail and manufacturing customers – including Wal*Mart, Home Depot, Lowes, and Scotts – a wide array of value-added services including inventory management, advertising and promotional programs, in-store service and display building and sales program development, all designed to increase our customers' sales and profitability. Because of our scale, national geographic reach, cost structure and experience, Central is uniquely positioned to make our customers successful, which is important in this age of specialization and outsourcing.

Central has also become a major factor in proprietary branded lawn and garden and pet products. In 1998, we substantially enhanced our branded products position and portfolio with the acquisitions of Pennington Seed®, a manufacturer of proprietary branded grass seed and wild bird seed; Kaytee® Products, the national leader in specialty pet foods for birds and small animals; and TFH® Publications, a manufacturer of premium Nylabone® dog chews and the largest producer of pet books in the U.S. With these acquisitions, plus our existing brands including Zodiac® and Four Paws® pet products, Island® aquariums, Matthews® redwood products and Grant's® ant control products, our branded products now represent about $311 million in annual sales to Central which is equal to 24% of total revenue.

Our primary focus in the year ahead will be building on the solid platform we have built, continuing to leverage our strengths in value-added distribution and branded products with the objective of achieving strong internal growth, while also pursuing economically sensible acquisitions. We continue to have an attractive pipeline of potential acquisitions both small and large and, indeed, as this report was going to print, we announced the acquisition of Norcal Pottery Products, Inc., one of the country's leading importers and distributors of indoor and outdoor pottery products for the home and garden. Norcal, with annual sales of about $25 million, is an excellent strategic fit with Central as it offers products appealing to our target demographic audience in lawn and garden. We believe we can grow Norcal substantially by leveraging our nationwide distribution capabilities.

Although we fully expect to be announcing other acquisitions over the next several months, the unprecedented economic events of the past year suggest that we be especially prudent in how we commit our shareholders' capital to acquisitions. We are and have always been a disciplined buyer. We do not intend to pursue acquisitions that we do not believe would be economically sound over the long term, even if they might deliver near-term growth.

At the same time, we are ever mindful of our responsibility to deliver real value and returns on equity for our shareholders. In fiscal 1998, we were not happy with our return on equity (ROE), which suffered principally because of shares issued in anticipation of large acquisitions such as Pennington. Of course, our largest anticipated acquisition – Solaris – did not materialize and is, in fact, in the process of being acquired by The Scotts Company. We are hopeful that, in 1999, we will be able to strike a mutually beneficial multi-year agreement with Scotts on distribution of Solaris' Ortho, Roundup and GreenSweep lawn and garden products.

Partly to address the 1998 ROE impact on our shareholders, and believing that our shares were significantly undervalued after the general market tumble in August, our Board of Directors authorized the Company to spend up to $25 million to repurchase shares of Central common stock. That authorization was increased to $55 million on December 18, 1998. Because of our strong financial position, the share repurchase program should not in any way inhibit our ability to execute our growth strategy or to aggressively pursue acquisition opportunities.

We believe that Central enters 1999 in the best position ever. We have great products, great customers, strong relationships and an unparalleled infrastructure. We have also completed some important house cleaning, consolidating several pet and lawn and garden distribution branches to reduce costs and enable us to better service our customer base more cost effectively.

Central's rapid growth, solid performance in often challenging circumstances and outstanding future prospects are directly attributable to the hard work of thousands of our people across the country. We are truly grateful for their many contributions day in and day out. With them and with the continued support of our loyal shareholders, we are intent on taking Central to yet another level of achievement in the years ahead. Thank you.

Sincerely,

William E. Brown
Chairman & Chief Executive Officer

Glenn W. Novotny
President & Chief Operating Officer