



Central Garden & Pet Company

2010 ANNUAL REPORT



Central Garden & Pet Company

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

A M D R O • B R E E D E R ' S C H O I C E • P E N N I N G T O N • L I L L Y M I L L E R



F A R N A M • T F H / N Y L A B O N E • F O U R P A W S • O C E A N I C • K A Y T E E

For years, we have successfully helped consumers beautify their outdoor living spaces and promote healthy interaction with their pets. The foundation of our success is our dedication to Innovation, Quality and Service. Our strategy is to continue to Strengthen and Build our branded products portfolio for consumers; to be both Effective and Efficient for our retail partners; and to deliver Superior Returns for our shareholders.

TO OUR FELLOW SHAREHOLDERS



William E. Brown
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER



At Central Garden & Pet, we know that the home is the heart of activity. Our focus is to provide consumers with high-quality, innovative products that improve the quality and beauty of outdoor living, and create fun and healthy interaction between pets and their owners.

Fiscal 2010 marked the completion of several milestones in the advancement of our business. We made significant progress by executing a complete recapitalization of the Company and continuing to focus on working capital and gross margin improvements and strict expense control.

FINANCIAL RECAPITALIZATION

Key to our future success is ensuring that our balance sheet has the capacity to support growth by enabling us to invest directly in our businesses and execute strategic acquisitions. After working over the last two years to stabilize our core operations, we were able to take the necessary steps this year to strengthen our balance sheet through a complete recapitalization of our debt. In March, we closed a new eight-year \$400 million Senior Subordinated Notes Facility and in June, we closed a new five-year, \$275 million Senior Secured Revolving Credit Facility. Our revolver remains undrawn and will be a primary source of capital to finance our organic and acquisition-related growth initiatives.

As a result, we have locked into historically attractive interest rates, eliminated refinancing risk, and extended our debt maturity profile. We also were able to negotiate flexible covenant packages for our new debt that gives us the ability to invest in the business and repurchase our stock.

Gardening is one of the most popular leisure activities in the United States.



The Garden Group at Central is focused on developing innovative, easy to use, highly efficacious products. We are a leading provider of grass seed, wild bird feed, insect, weed and other garden control products and decorative outdoor pottery.



INDUSTRY OUTLOOK

Despite tremendous economic uncertainty, consumers continued to spend willingly on premium care products for their gardens and pets in fiscal 2010. We fully expect this trend to continue, and to benefit us since our products continue to maintain their position as the number one or number two brand in many categories. That said, we have seen softness in some of the more discretionary categories of our product portfolio and expect that trend to continue as well. Looking forward, we expect the two industries in which we compete—pet and lawn & garden—to be growth markets for many years to come.

OUR PRODUCTS AND OPERATIONS

Our commitment to innovation remains a cornerstone of our growth strategy. Our internal goal remains that 15% of our branded product sales should come from products launched within the last two years. Over the past several years, we have not met this goal. We believe that we are now back on track to meet this goal with an exciting selection of new products in both the Garden and the Pet segments.

In our Garden business, the year-over-year decline in sales was due primarily to lower wild bird feed and grass seed sales. The decline in bird feed sales was due primarily to a reduction in unit volume and reflected lower consumer purchases for our products and the entire category.



U.S. pet ownership is at its highest level, with 71 million households, or 62%, owning a pet.



The Pet Group is a leading provider of aquariums and related supplies, products for birds and small animals, dog and cat food, supplies and treats, equine supplies, and insect controls and other animal and health products.

The decline in grass seed sales was largely due to price reductions as a result of lower raw material costs, which we passed on to retailers.

The increase in Pet segment sales was due primarily to greater sales in our dog and cat category. We also saw sales increases in other Pet categories including Aquatics, which had struggled for several years. We remain highly confident in our positioning and branded product portfolio as pet ownership levels reach record highs.

In the coming year, we expect that you will see new products that make a difference for consumers in each of our major categories. We are also actively looking to grow the business through accretive, strategic acquisitions that complement our internal growth opportunities.

FINANCIAL SUMMARY

Our focus on conserving cash along with our margin improvements helped offset the softness in sales on the Garden side. Earnings per share for fiscal 2010, adjusted for the impairment of an intangible asset, were \$0.82 compared to \$0.94 in fiscal 2009. Gross margin was 33.8%, an increase of 110 basis points year-over-year. As a result of our complete debt recapitalization, we were able to extend our debt maturities well into the future by issuing \$400 million of eight-year Senior Subordinated Notes along with a new \$275 million five-year Senior Secured Revolving

Approximately one third of U.S. households feed wild birds.



We are a leading marketer and producer of wild bird feed, bird feeders, bird houses and other birding accessories in the United States primarily under the brand names of Pennington and Kaytee.



Credit Facility. We ended the year with a leverage ratio of 2.6 times compared to 2.9 times a year ago, as well as a cash, equivalents, and short-term investments balance of \$107 million.

FINAL THOUGHTS

Central has spent significant time and effort assessing every aspect of its operations in order to maximize the performance of each business. These efforts have resulted in substantial progress to date and we still have more opportunities for improvement ahead of us.

As we look ahead to fiscal 2011, we will focus on profitable growth and increasing sales across the entire portfolio. I can assure you that we are tackling this initiative with the same energy that we applied to our recent financial initiatives. While we consider 2010 to be a transition year, we are excited about the new products and programs that are in store for 2011 and beyond.

Finally, just as important, we have a terrific team of talented and committed employees and I want to thank them for their contributions to Central's success.

Sincerely,

Handwritten signature of William E. Brown.

William E. Brown

CHAIRMAN OF THE BOARD & CHIEF EXECUTIVE OFFICER

CORPORATE INFORMATION

Central Garden & Pet Company

BOARD OF DIRECTORS

William E. Brown
Chairman and
Chief Executive Officer

Brooks M. Pennington, III
Former President,
Pennington Seed, Inc.

John B. Balousek
Self-employed Consultant;
Former CEO/President of True
North Technologies, Digital and
Interactive Services Company;
Former President/
Chief Operating Officer,
Foote, Cone & Belding
Communications, Global
Communications Company

David N. Chichester
Partner, Tatum CFO Partners, LLP;
Former CFO, Starbucks Coffee
Japan, Ltd.; Former Senior Vice
President of Finance, Starbucks
Corporation

Alfred A. Piergallini
Consultant, Desert Trail Consulting;
Former Chairman, President and
CEO, Gerber Products Company;
Former Chairman, President and
CEO, Novartis Consumer
Health Worldwide

John R. Ranelli
Former CEO Mikasa, Inc.;
Former Chairman, CEO and
President of FGX International
(FosterGrant/Magnivision)

EXECUTIVE OFFICERS

William E. Brown
Chairman and
Chief Executive Officer

Lori Varlas
Senior Vice President,
Chief Financial Officer
and Secretary

Glen R. Fleischer
President
Pet Products

Michael A. Reed
Executive Vice President

CORPORATE EXECUTIVES

John Casella
Vice President
Chief Information Officer

James Heim
President
Business Development

Timothy J. Kane
Director of Tax and
Assistant Secretary

Howard Machek
Corporate Controller and
Assistant Secretary

Carl Peterson
Vice President
Operations Improvement

OPERATIONAL EXECUTIVES

Glen S. Axelrod
President
T.F.H. Publications, Inc.

Eric N. Blomquist
President
Farnam Companies, Inc.

Mark S. Cavanaugh
President
Aquatics

Marilyn Choi Reynolds
Chief Financial Officer
Garden Group

Paul Duval
Senior Vice President of Sales
Garden Group

Chris Mings
President
Avian and Small Animal SBU

Dean Morrison
President
Garden Distribution

Randy Sieve
Chief Financial Officer
Pet Products

Dan Pennington
Executive Vice President
Chief Operating Officer
Pennington Seed, Inc.

Kay M. Schwichtenberg
President
Central Life Sciences

Allen J. Simon
President
Four Paws Products Ltd.

Ronnie Stapp
Executive Vice President
Seed Division
Pennington Seed, Inc.

Jeff Sutherland
President
Breeder's Choice

Fredric W. Vogelgesang
Vice President
Product Development
Garden Group

CORPORATE OFFICE

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Walnut Creek, California 94597
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www.central.com

INDEPENDENT AUDITORS

Deloitte & Touche LLP
San Francisco, California

TRANSFER AGENT

BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015
800-356-2017
www.bnymellon.com/shareowner/isd

STOCK LISTING

NASDAQ Symbol CENT/CENTA

ANNUAL MEETING

The annual meeting of shareholders
will be held at 10:30 a.m.
Monday, February 14, 2011 at:
The Lafayette Park Hotel
3287 Mt. Diablo Boulevard
Lafayette, California

For additional information,
please visit the Company's website:
www.central.com
or contact Investor Relations:
(925) 948-4000



CENTRAL GARDEN & PET COMPANY

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