



Central Garden & Pet Company

2006 ANNUAL REPORT

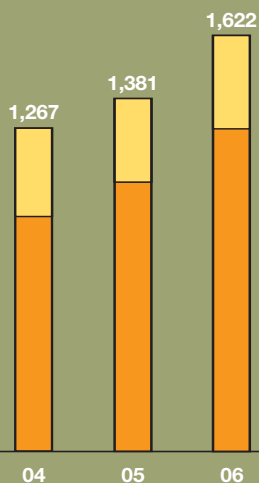


Creativity Service Brands Family Passion Enthusiasm

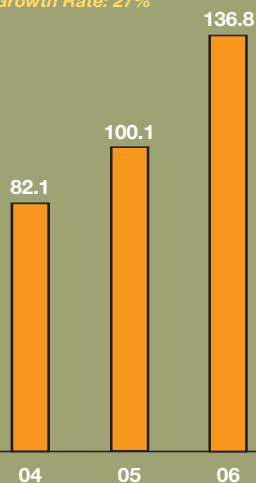
CENTRAL GARDEN & PET COMPANY IS A LEADING INNOVATOR, MARKETER AND PRODUCER OF QUALITY BRANDED PRODUCTS FOR CONSUMER AND PROFESSIONAL USE IN THE LAWN AND GARDEN AND PET SUPPLIES MARKETS. FOR YEARS WE HAVE SUCCESSFULLY HELPED CONSUMERS BEAUTIFY THEIR OUTDOOR LIVING SPACES AND PROMOTE HEALTHY INTERACTION 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.

FINANCIAL HIGHLIGHTS

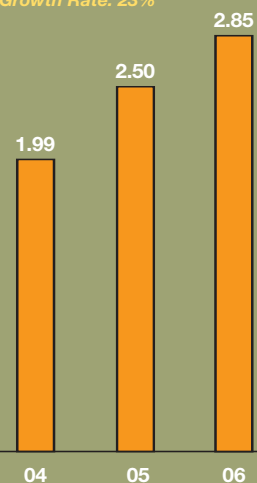
NET SALES
(dollars in millions)
*Four Year
Compound Annual
Growth Rate: 11%*



INCOME FROM OPERATIONS
(dollars in millions)
*Four Year
Compound Annual
Growth Rate: 27%*



EARNINGS PER SHARE
(dollars per diluted share)
*Four Year
Compound Annual
Growth Rate: 23%*



■ Branded Products
■ Other Manufacturers' Products

To Our Fellow Shareholders



Glenn W. Novotny
PRESIDENT &
CHIEF EXECUTIVE OFFICER



William E. Brown
CHAIRMAN OF THE BOARD

At Central Garden & Pet we share our consumers' passion for beautifying their homes and caring for their pets. We remain focused on innovating, developing and bringing to market award winning branded products that enhance outdoor living experiences and deepen the bond between owners and their pets. Our products are fun, healthy, easy to use and provide superior performance.

We are pleased with the Company's performance in fiscal 2006. We delivered on our two broad objectives - to strengthen and build our brands and to improve our operating effectiveness and efficiency. We reported record financial results for the fourth consecutive year. Additionally, we improved operating margins by 110 basis points and our return on invested capital by 90 basis points.

STRENGTHEN & BUILD BRANDS

In fiscal 2006, sales of our branded products increased 23% through a combination of internal growth and strategic acquisitions.

Core to our internal growth objectives is our dedication to innovation, quality and service. In fiscal 2006, once again, we achieved our goal of delivering approximately 15% of branded product sales from products launched within the past 24 months. Our retail partners and consumers continue to recognize our accomplishments. In fiscal

2006, we received approximately 20 awards for new product innovation and superior service – the most in our history.

Complementing our internal growth objectives is our disciplined acquisition strategy. In fiscal 2006, we made a number of strategic acquisitions that strengthened our brands, broadened our platform and gave us even greater access to leading technologies. These acquisitions will add over \$200 million in sales on an annualized basis.

The largest of the acquisitions was Farnam, the leading North American brand in equine care and growing rapidly in companion pet supplies. We are in the process of integrating Farnam into a new Central Life Sciences strategic business unit, or SBU. The backbone of this SBU is a leading position in efficacious, active ingredient-based products that provide superior care for horses, dogs and cats and other animals. Breeder's Choice is another acquisition that we are particularly excited about. It offers ultra-premium dog and cat food and related treats, featuring the brands Pinnacle, Avoderm and Active Care. Its products are targeted toward the high-end consumer and contain all-natural ingredients such as trout, salmon, free-range chicken, avocado and other wholesome foods that provide distinct health benefits to companion animals.



Gardening is the number 1 leisure time activity in the U.S. with 80% household participation. 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.



On the Garden side, we strengthened our branded products portfolio and access to technology through two strategic acquisitions: Ironite and Tech Pac. The Ironite brand is a leading all-natural mineral supplement for gardens and lawns that improves the health and appearance of plants. Tech Pac's leading brands include Sevin, a broad based insecticide, and Over N Out, a leading fire ant control product. Our ownership interest in Tech Pac also strengthens our access to next generation active ingredient technologies.

Supporting our brands, we increased our consumer outreach efforts in fiscal 2006. We built upon the success of our "Power of Three" initiative – designed to benefit our brands, drive traffic to our retail partners and provide specific incentives for consumers to use our products. In 2006, we sponsored Dog Day at the Ballpark events with selected Major League baseball teams. These fun events encouraged owners to bring their dogs to the ballpark and helped build our brand awareness with consumers. We also signed NASCAR racing legend Richard Petty and gardening expert P. Allen Smith to serve as brand spokespeople. Finally, we continued to sponsor numerous key community and socially responsible programs such as Tony La Russa's Animal Rescue Foundation and Dogs for Diabetes.

OPERATING EFFECTIVENESS & EFFICIENCY

Last year, we announced our target to achieve an operating margin of 10% by fiscal 2008. In fiscal 2006, operating margins expanded 110 basis points to 8.4%. We believe we are on track to achieve the 10% margin objective.

We are improving our effectiveness and efficiency by creating strategic business units. Our SBUs are intended to simplify the

interaction between us and our retailers by creating one point of contact for each operating unit. Additionally, we are combining the research & development functions within each SBU to generate integrated product solutions within category. Finally, by consolidating functions and facilities wherever possible, we are enhancing operating leverage within our business.

In support of our effectiveness and efficiency efforts, we have embarked on a new information technology strategy that includes the implementation of SAP as our enterprise platform. We believe that our new SAP platform will provide us with a common platform to support and empower future growth and that our disciplined four-year roll-out will mitigate risk.

FINANCIAL & OPERATING SUMMARY

In fiscal 2006, net sales increased 17% to \$1.62 billion; operating income increased 37% to \$137 million; and net income increased 22% to \$66 million translating into earnings per fully diluted share of \$2.85, an increase of 14% over fiscal 2005. Sales from existing operations increased approximately 7% while acquisitions contributed \$174 million to sales. Our return on invested capital increased 90 basis points to 9.3% and return on equity was 10.3%. Our objective is to improve these returns year after year.

Garden Products

Our Garden products segment produced strong results. Net sales increased 8% to \$802 million. Garden branded products sales increased 12% to \$659 million. Acquisitions contributed \$29 million in net sales. Operating income increased 22% to \$57 million.

Pet Products

Our Pet products segment produced another solid year. Net sales increased 28% to \$819 million. Pet branded products sales increased 35% to \$665 million.



The Pet industry accounts for \$38 billion in annual retail sales - 63% U.S. households own at least one pet and nearly 50% of households own multiple pets. The Pet Group at Central is focused on developing innovative products and ultra-premium, all-natural food and treats. We are a leading provider of aquariums and related supplies, products for birds and small animals, dog & cat food, supplies and treats, insect control and other animal health products for companion animals and the equine industry.



One of the significant acquisitions we completed in Fiscal 2006 was of the Farnam Companies. Founded in 1946, Farnam is one of the nation's leaders in the animal health care industry. Farnam has a leading share in the Horse Health Care segment and rapidly growing shares in the Pet Health Care, Professional Veterinary and Economic Animal segments. To learn more about Farnam, please visit www.farnam.com.



Breeder's Choice Pet Foods is another of the acquisitions we completed during the year. Breeder's Choice Pet Foods has been making high quality, ultra-premium dog & cat food and treats for over 60 years. Breeder's Choice leading brands are focused on providing the highest level of nutrition for pets, including all-natural, allergy-free alternative ingredients. Visit www.breeders-choice.com to discover the specific food that meets your pet's dietary needs.



DEDICATED TO NEW PRODUCT INNOVATION, WE CONTINUE TO DEVELOP THE LEADING PRODUCTS THAT HELP CONSUMERS BEAUTIFY THEIR OUTDOOR LIVING SPACES AND HELP PROMOTE HEALTHY INTERACTION BETWEEN PETS AND THEIR OWNERS.



Central Garden & Pet continues to identify innovative new ways to reach consumers. In Fiscal 2006, Central expanded its relationship with several Major League Baseball teams; continued to be a major supporter of Tony La Russa's Animal Rescue Foundation and Dogs for Diabetes and teamed with NASCAR racing legend, "The King" Richard Petty.

Acquisitions contributed \$146 million in net sales. Operating income increased 25% to 105 million.

OTHER DEVELOPMENTS

Early in fiscal 2006, the Board of Directors authorized a \$100 million share repurchase program. By fiscal year-end, we had used approximately \$10 million to repurchase approximately 241,000 shares. We expect to continue to opportunistically repurchase shares in the open market. In September, we received shareholder approval for the creation of a new class of stock. This Class A Common Stock has the same attributes as the current common stock except that it has no voting rights. This new class of stock provides us additional flexibility to pursue large acquisitions without diluting the voting power of our current shareholders. We would like to thank all of our shareholders who supported this proposal. Finally, we would also like to recognize and thank Brooks "Sonny" Pennington and Neil Pincus for their years of dedication to the business. Both Sonny and Neil have assumed new consulting roles within the organization after distinguished careers in Garden operations. We are thankful for their past contributions and look forward to new opportunities together.

CONCLUDING OBSERVATIONS

Looking ahead, we will continue to pursue our core strategy to drive sales and profits. We believe our business is on the right course to continue to deliver meaningful, innovative products to our customers, more effective focus for our retailers and superior returns to our shareholders. We are passionate about our products, people and business.

We would like to thank all of our employees for their dedication, commitment and positive attitude. These special attributes determine who we are as a company and who we will be in the future. We are fortunate to have the vision, the people and the attitude to accomplish great things for our customers and shareholders.

Sincerely,

Glenn W. Novotny
PRESIDENT & CHIEF EXECUTIVE OFFICER

William E. Brown
CHAIRMAN OF THE BOARD



CENTRAL GARDEN & PET COMPANY

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