UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1034

For the quarterly period ended December 27, 1997

or

[_] TRANSITION REPORT PURSUANT OF SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number: 0 - 20242

CENTRAL GARDEN & PET COMPANY

Delaware	68-0275553
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3697 Mt. Diablo Blvd., Suite 310, Lafayette, California 94549

(Address of principle executive offices)

(510) 283-4573

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [x] Yes [_] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

[_]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock Outstanding as of December 27, 1997	26,193,637
Class B Stock Outstanding as of December 27, 1997	1,663,167

Part 1- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 27, 1997	DECEMBER 27, 1997 (UNAUDITED)
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash & cash equivalents	$ 100,125	$ 77,856
Accounts receivable (less allowance for doubtful accounts of $5,204 and $4,880)	85,028	104,865
Inventories	218,796	308,014
Prepaid expenses and other assets	10,470	11,977
Total current assets	414,419	502,712
LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT - NET	22,688	45,530
GOODWILL	113,018	242,278
OTHER ASSETS	8,918	26,079
TOTAL	$ 559,043	$ 816,599
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 72	$ 21,543
Accounts payable	136,220	162,931
Accrued expenses	24,201	31,751
Current portion of long-term debt	0	503
Total current liabilities	160,493	216,728
LONG-TERM DEBT	115,200	127,843
DEFERRED INCOME TAXES AND OTHER LONG-TERM OBLIGATIONS	1,543	15,380
COMMITMENTS AND CONTINGENCIES	----	----
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value: 100 shares outstanding September 27, 1997 and December 27, 1997	----	----
Class B stock, $.01 par value: 1,663,167 shares outstanding September 27, 1997, and December 27, 1997	16	16
Common stock, $.01 par value: 19,143,325 shares outstanding September 27, 1997 26,219,637 shares issued and 26,193,637 shares outstanding December 27, 1997	191	264
Additional paid-in capital	245,783	

		421,053
Retained earnings	36,291	35,772
Treasury Stock	(364)	(364)
Restricted stock deferred compensation	(110)	(93)
Total shareholders' equity	281,807	456,648
TOTAL	$ 559,043	$ 816,599

</TABLE>

See notes to consolidated financial statements

CENTRAL GARDEN & PET COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)
(IN THOUSANDS)

<TABLE>
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	THREE MONTHS ENDED	
	DECEMBER 28, 1996	DECEMBER 27, 1997
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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (1,807)	$ (519)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	699	1,701
Change in assets and liabilities:		
Receivables	(16,442)	(5,465)
Inventories	(49,861)	(71,190)
Prepaid expenses and other assets	(247)	(2,047)
Accounts payable	69,089	20,137
Accrued expenses	(3,431)	(590)
Net cash used in operating activities	(2,000)	(57,973)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to land, buildings, improvements and equipment	(751)	(1,767)
Payments to acquire companies and other assets, net of cash acquired	0	(137,911)
Net cash used in investing activities	(751)	(139,678)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) notes payable - net	(27,904)	39
Repayments of long-term debt	(8,635)	0
Proceeds from issuance of long-term debt - net	111,836	0
Proceeds from issuance of stock - net	8	175,343

Net cash provided by financing activities	75,305	175,382
NET INCREASE (DECREASE) IN CASH	72,554	(22,269)
CASH AT BEGINNING OF PERIOD	1,272	100,125
CASH AT END OF PERIOD	$ 73,826	$ 77,856
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	$ 1,722	$ 210
Cash paid for income taxes	193	147
Assets (excluding cash) acquired through purchase of subsidiaries	0	63,562
Liabilities assumed through purchase of subsidiaries	0	49,112

</TABLE>

See notes to consolidated financial statements

CENTRAL GARDEN & PET COMPANY

Consolidated Statements of Operations

(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
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	THREE MONTHS ENDED	
	DECEMBER 28, 1996	DECEMBER 27, 1997
<S>	<C>	<C>
Net Sales	$ 100,144	$ 138,827
Cost of Goods Sold and Occupancy	82,690	105,505
Gross Profit	17,454	33,322
Selling, General and Administrative Expenses	19,633	33,289
Income (Loss) from operations	(2,179)	33
Interest Expense - Net	(937)	(927)
Loss Before Income Taxes	(3,116)	(894)
Income Taxes	(1,309)	(375)
Net Loss	$ (1,807)	$ (519)
Net Loss per Common Share Outstanding		
Basic	$ (0.12)	$ (0.02)
Diluted	$ (0.12)	$ (0.02)

</TABLE>

See notes to consolidated financial statements

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Three Months Ended December 27, 1997
(Unaudited)

1. Basis of Presentation

The consolidated balance sheet as of December 27, 1997, and the consolidated statements of operations and cash flows for the three months ended December 27, 1997 and December 28, 1996 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods mentioned above, have been made.

Due to the seasonal nature of the Company's business, the results of operations for the three months ended December 27, 1997 are not indicative of the operating results that may be expected for the year ending September 26, 1998.

2. Recent Acquisitions

On December 17, 1997, the Company announced that it had acquired Kaytee Products Incorporated ("Kaytee"), one of the nation's largest manufacturers of bird and small animal food. Kaytee has approximately 425 employees and sales of $103 million for the fiscal year ended June 30, 1997. Under the terms of the agreement, the Company paid approximately $50 million. An additional payment, not to exceed $3 million, may be made based on future earnings of Kaytee.

On December 19, 1997, the Company announced that it had acquired TFH Publications, Inc. ("TFH"), a manufacturer of premium dog chews and the largest producer of pet books in the U.S. TFH has approximately 275 employees and sales of $32 million in the fiscal year ended December 31, 1996. Under the terms of the agreement, the Company paid approximately $70 million for the stock of TFH, and will pay $13 million for the stock of a related company over the next four years, subject to certain adjustments. Additional amounts may be paid based on future earnings over a five year period.

The purchase price of Kaytee and TFH exceeded the fair market value of net assets acquired by approximately $124,000,000, which was recorded as goodwill and is being amortized on a straight line basis over 40 years. The fair value of net assets acquired are based on preliminary estimates which are subject to change.

3. Common Stock Offering

On December 22, 1997, the Company issued 7,000,000 shares of its Common stock at $26.25 per share before deduction for underwriting commission and expenses related to the offering.

The net proceeds were used to finance the recent acquisitions of TFH and Kaytee and for general corporate purposes.

4. Earnings Per Share

<TABLE>
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	Loss	Shares	Per-Share Amount
For the Three-Month Period Ended December 27, 1997			
<S>	<C>	<C>	<C>
BASIC AND DILUTED EPS			
Net loss attributed to common stockholders	$(519,000)	21,318,000	$(0.02)
For the Three-Month Period Ended December 28, 1996			
BASIC AND DILUTED EPS			
Net loss attributed to common stockholders	$(1,807,000)	14,474,000	$(0.12)

</TABLE>

Options to purchase 1,388,308 and 843,304 shares of common stock at prices ranging from $1.30 to $29.88 per share were outstanding during the three-month periods ended December 27, 1997 and December 26, 1996, respectively, but were not included in the computation of diluted EPS because the assumed exercise would have been anti-dilutive in each period. Shares of common stock from the assumed conversion of the Company's convertible securities totaling 4,207,143 were also not included in the computation of diluted EPS for the three-month periods ended December 27, 1997 and December 26, 1996 because the assumed conversion would have been anti-dilutive.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company entered into a long-term agreement, effective October 1, 1995, with Solaris, its largest supplier, whereby the Company serves as master agent and master distributor for sales of Solaris products within the United States. The agreement also provides for the Company to perform a wide range of value added services including logistics, order processing and fulfillment, inventory management and merchandising, principally for Solaris' direct sales accounts. As a result of the Solaris Agreement, a majority of the Company's sales of Solaris products are now derived from servicing Solaris direct accounts, whereas historically, a majority of such sales were made by the Company as a traditional distributor.

A substantial portion of these sales now consist of large shipments to customer distribution centers. This type of sale is characterized by lower gross margins as a percent of sales and lower associated operating costs. The collective impact of these factors has served to substantially increase the Company's sales of Solaris products, increase gross profit and lower gross margins as a percent of sales.

The Solaris Agreement provides for the Company to be reimbursed for costs incurred in connection with the services provided to Solaris' direct sales accounts and to receive payments based on the sales growth of Solaris products. The Company will also share with Solaris in the economic benefits of certain cost reductions, to the extent realized. As a result, management believes that the Company's profitability has become more directly attributable to the success of Solaris than it was in the past.

On January 8, 1998, Monsanto Company issued a press release stating it was considering alternatives for several of its businesses, including the Solaris Group. The alternatives included partnerships, restructurings, divestitures or joint ventures. While the Company's Master Agent and Distributor Agreement provides it with substantial protection, any significant change in the Company's relationship with Solaris as the result of any actions contemplated by the Monsanto announcement could have a significant impact on the Company's future performance.

THREE MONTHS ENDED DECEMBER 27, 1997 COMPARED WITH THREE MONTHS ENDED DECEMBER 28, 1996

Net sales for the three months ended December 27, 1997 increased by 38.6% or $38.7 million from $100.1 million for the comparable fiscal 1997 period. The $38.7 million increase reflects approximately $42.7 million of increases attributable to companies acquired subsequent to December 1996, and approximately $2.1 million relates principally to sales of lawn and garden products offset by a decrease of $6.1 million related to sales of pet supplies. While sales of pet supplies in the Northwest and Southwest markets increased during the current quarter by approximately 15.0% compared with the comparable fiscal 1997 quarter, the loss of certain large customers, principally in the Northeast and California, acquired during 1997 by a major pet retail chain, caused the total sales of pet supplies to decline.

Gross profit increased by 90.9% or $15.9 million from $17.4 million during the three months ended December 28, 1996 to $33.3 million for the three months ended December 27, 1997. The increase in gross profit relates to the increase in sales of lawn and garden products offset by a decrease in the sales of pet supplies coupled with the gross profit generated by the newly acquired operations, which primarily accounted for the increase. Gross profit as a percentage of net sales increased from 17.4% in the quarter ended December 28, 1996 to 24.0% for the similar period in fiscal 1998. While both pet supplies and lawn and garden products experienced higher gross profit margins in the current quarter, the overall increase in the gross margin percentage was largely attributable to the newly acquired branded products businesses which generate a significantly higher gross margin percent than lawn and garden and pet supplies products.

For the three months ended December 27, 1997, selling, general and administrative expenses increased by $13.7 million from $19.6 million for the similar 1997 quarter. As a percentage of net sales, these expenses increased from 19.6% during the quarter ended December 28, 1996 to 24.0% for the comparable fiscal 1998 period. The entire increase in these expenses is directly related to the businesses acquired subsequent to December 1996.

The Company has a receivable due from one of its distributor agents for approximately $2.4 million. The Company believes that it is likely the distributor will file for protection under the federal bankruptcy laws. Although there can be no assurances, the Company believes that the exposure in such event would be substantially reduced by supplier credits and the application of previously established reserves.

Net interest expense for the first three months of fiscal 1998 of $.9 million remained virtually unchanged compared with the comparable fiscal 1997 quarter. Interest related to the Company's $115.0 million 6% subordinated notes issued November 15, 1996 increased during the three months ended December 27, 1997 compared to the comparable fiscal 1997 period as a result of being outstanding for the entire three months. This increase was offset in part by interest income resulting from the proceeds received from the Company's common stock offering completed on August 1, 1997 and to a lesser extent from the common stock offering completed on December 22, 1997. Interest expense related to the Company's revolving credit line was lower during the current quarter when compared with the comparable fiscal 1997 quarter due to a lower average outstanding loan balance. Average short term borrowings for the three months ended December 27, 1997 were $5.3 million compared with $12.3 million for the similar fiscal 1997 period. Average interest rates on short term borrowings were 9.4% and 10.6%, respectively.

The Company's effective income tax rate was 42.0% for both periods.

During fiscal 1997, the Company commenced an analysis of the impact of modifying its existing computer software for conforming to the requirements of Year 2000. While the analysis is not finalized, the Company believes that all software required to effectively operate our business will be replaced, modified or upgraded by the Year 2000, and that any associated costs will not have a material impact on the operations, cash flows or financial condition of future periods.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically financed its growth through a combination of bank borrowings, supplier credit and internally generated funds. In addition, the Company received net proceeds (after offering expenses) of approximately $227.0 million from its four public offerings of common stock in July 1993, November 1995, July 1996 and August 1997, and in November 1996 the Company completed the sale of $115 million 6% subordinated convertible notes generating approximately $112 million net of underwriting commissions. Further, the Company recently completed its fifth public offering in December 1997 generating approximately $175 million net of underwriting commissions.

The Company's business is highly seasonal and its working capital requirements and capital resources track closely to this seasonal pattern. During the first fiscal quarter accounts receivable reach their lowest level while inventory, accounts payable, and short-term borrowings begin to increase. Since the Company's short-term credit line fluctuates based upon a specified asset borrowing base, this quarter is typically the period when the asset borrowing base is at its lowest and consequently the Company's ability to borrow is at its lowest. During the second quarter, receivables, accounts payable and short-term borrowings begin to increase, reflecting the build-up of inventory and related payables in anticipation of the peak selling season. During the third quarter, principally due to the Solaris Agreement, inventory levels remain relatively constant while accounts receivable peak and short-term borrowings start to decline as cash collections are received during the peak selling season. During the fourth quarter, inventory levels are at their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash.

For the three months ended December 27 1997, the Company used cash in operating activities of $58.0 million principally relating to $56.0 million of early payments for purchases of inventory under various promotional programs offered by certain suppliers and the normal cycle of inventory and receivables build up. Net cash used from investing activities of $139.7 million resulted from acquisitions during the fiscal quarter and the acquisition of office and warehouse equipment. Cash generated from financing activities of $175.4 million consisted principally of net proceeds from the sale of 7,000,000 shares of the Company's stock in December 1997.

The Company has recently amended its line of credit with Congress Financial Corporation (Western) increasing the loan limit to $100 million. The available amount under the line of credit fluctuates based upon a specific asset borrowing base. The amended line of credit, bears interest at a rate equal to the prime rate per annum, is secured by substantially all of the Company's assets. At December 27, 1997, the Company had no outstanding borrowings and had $100.0 million of available borrowing capacity under this line. The Company's line of credit contains certain financial covenants such as minimum net worth and minimum working capital requirements. The line also requires the lender's prior written consent to any acquisition of a business. In connection with the acquisition of two companies in December 1997, their combined lines of credit were $22.1 million of which $7.0 million was available. Interest rates related to these lines averaged approximately 7.0% at December 27, 1997.

The Company believes that cash flow from operations, funds available under its line of credit, proceeds from its sale of convertible notes, common stock sales and arrangements with suppliers will be adequate to fund its presently anticipated working capital requirements for the foreseeable future. The Company anticipates that its capital expenditures will not exceed $5.0 million for the next 12 months.

As part of its growth strategy, the Company has engaged in acquisition discussions with a number of companies in the past and it anticipates it will continue to evaluate potential acquisition candidates. If one or more potential acquisition opportunities, including those that would be material, become available in the near future, the Company after first using the funds received from the sale of 7,000,000 shares of stock completed in December 1997, may require additional external capital. In addition, such acquisitions would subject the Company to the general risks associated with acquiring companies, particularly if the acquisitions are relatively large.

II. OTHER INFORMATION

ITEM 6. REPORTS ON FORM 8-K

(a) The following report on Form 8-K was filed during the quarter ended December 27, 1997.

(1) On December 8, 1997, the Company filed a report on Form 8-K dated December 8, 1997, disclosing that the Company issued a press release announcing that it had signed a letter of intent to acquire TFH Publications.

(2) On December 8, 1997, the Company filed a report on Form 8-K dated December 8, 1997, disclosing that the Company issued a press release announcing that it had signed a letter of intent to acquire Kaytee Products Incorporated.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

CENTRAL GARDEN & PET COMPANY

Registrant

Dated: February 9, 1998

William E. Brown, Chairman of the Board and
Chief Executive Officer

/s/ Robert B. Jones

Robert B. Jones, Vice President-Finance and
Chief Financial Officer

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