FORM 10-Q

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

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarterly period ended: 12/31/02   Commission file number: 0-22818

THE HAIN CELESTIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	22-3240619
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
58 South Service Road, Melville, New York	11747
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (631) 730-2200

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 requirement for the past 90 days.

Yes X   No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X   No

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

34,058,693 shares of Common Stock $.01 par value, as of February 5, 2003.

THE HAIN CELESTIAL GROUP, INC.

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PART I - ITEM 1 - FINANCIAL INFORMATION

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	December 31, 2002	June 30, 2002
ASSETS	(Unaudited)	(Note)
Current assets:		
Cash and cash equivalents	$ 12,673	$ 7,538
Accounts receivable, less allowance for doubtful accounts of $1,365 and $1,002	63,390	49,018
Inventories	57,667	53,624
Recoverable income taxes	315	3,677
Deferred income taxes	7,223	7,223
Other current assets	7,168	5,804
Total current assets	148,436	126,884
Property, plant and equipment, net of accumulated depreciation and amortization of $26,469 and $29,059	66,741	69,774
Goodwill, net	286,441	239,644
Trademarks and other intangible assets, net	38,117	38,083
Other assets	11,602	6,798
Total assets	$ 551,337	$ 481,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 49,262	$ 46,166
Accrued restructuring and non-recurring charges	5,378	6,410
Current portion of debt instruments	3,140	1,431
Income taxes payable	7,328	1,935
Total current liabilities	65,108	55,942
Long-term debt instruments, less current portion	55,591	10,293
Deferred income taxes	11,100	11,100
Total liabilities	131,799	77,335
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $.01 par value, authorized 5,000,000 shares, none issued	-	-
Common stock - $.01 par value, authorized 100,000,000 shares, issued 34,608,910 and 34,075,639 shares	346	341
Additional paid-in capital	361,844	354,822
Retained earnings	64,472	51,597
Foreign currency translation adjustment	(670)	963
	425,992	407,723
Less: 485,217 and 306,917 shares of treasury stock, at cost	(6,454)	(3,875)
Total stockholders' equity	419,538	403,848
Total liabilities and stockholders' equity	$ 551,337	$ 481,183

Note: The balance sheet at June 30, 2002 has been derived from the audited financial statements at that date.

See notes to consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Net sales	$ 123,006	$ 105,169	$ 219,426	$ 194,904
Cost of sales	82,660	72,696	149,826	135,769
Gross profit	40,346	32,473	69,600	59,135
Selling, general & administrative expenses	26,550	22,513	48,101	40,040
Restructuring and other non-recurring charges	440	-	440	-
Operating income	13,356	9,960	21,059	19,095
Interest expense (income) and other expenses, net	206	1,564	376	1,921
Income before income taxes	13,150	8,396	20,683	17,174
Provision for income taxes	4,964	3,191	7,808	6,526
Net income	$ 8,186	$ 5,205	$ 12,875	$ 10,648
Basic net income per common share	$ 0.24	$ 0.15	$ 0.38	$ 0.32
Diluted net income per common share	$ 0.24	$ 0.15	$ 0.37	$ 0.31
Weighted average common shares outstanding:				
Basic	33,776	33,690	33,739	33,678
Diluted	34,467	34,881	34,425	34,758

See notes to consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Six Months Ended December 31, 2002	Six Months Ended December 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES	(Unaudited)	
Net income	$ 12,875	$ 10,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,163	3,853
Provision for doubtful accounts	(138)	402
Increase (decrease) in cash attributable to changes in assets and liabilities, net of amounts applicable to acquired businesses:		
Accounts receivable	(7,740)	(10,428)
Inventories	3,100	(10,899)
Other current assets	(1,536)	2,449
Other assets	(1,950)	(1,168)
Accounts payable and accrued expenses	(4,191)	(1,339)
Accrued restructuring and non-recurring charges	(1,046)	-
Recoverable taxes, net of income tax payable	8,695	11,960
Net cash provided by operating activities	12,232	5,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,262)	(14,315)
Acquisitions of businesses, net of cash acquired	(44,659)	(14,219)
Net cash used in investing activities	(48,921)	(28,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Credit Facility	44,300	5,200
Payments on economic development revenue bonds	(250)	(208)
Purchase of treasury stock	(2,579)	(1,121)
Proceeds from exercise of warrants and options, net of related expenses	4	650
Proceeds (repayment) of other long-term debt and other liabilities	589	(1,081)
Net cash provided by financing activities	42,064	3,440
Effect of exchange rate changes on cash	(240)	(419)
Net increase (decrease) in cash and cash equivalents	5,135	(20,035)
Cash and cash equivalents at beginning of period	7,538	26,643
Cash and cash equivalents at beginning of period	$ 12,673	$ 6,608

See notes to consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2002
(In thousands, except per share and share data)

	Common Stock				Treasury Stock		Foreign Currency		
	Shares	Amount at $.01	Additional Paid-in Capital	Retained Earnings	Shares	Amount	Translation Adjustment	Total	Comprehensive Income
Balance at June 30, 2002	34,075,639	$341	$354,822	$51,597	306,917	$ (3,875)	$ 963	$403,848	
Exercise of stock options	506		4					4	
Purchase of treasury shares					178,300	(2,579)		(2,579)	
Issuance of common stock	532,765	5	6,995					7,000	
Non-cash compensation charge			23					23	
Net income for the period				12,875				12,875	$ 12,875
Translation adjustments							(1,633)	(1,633)	(1,633)
Total comprehensive income									$ 11,242
Balance at December 31, 2002	34,608,910	$ 346	$ 361,844	$ 64,472	485,217	$(6,454)	$ (670)	$419,538	

See notes to consolidated financial statements.

1. GENERAL

The Hain Celestial Group (herein referred to as "we","us" and "our") is a natural, specialty and snack food company. We are a leader in 13 of the top 15 natural food categories, with such well-known natural food brands as Celestial Seasonings(R) teas, Hain Pure Foods(R), Westbrae(R), Westsoy(R), Rice Dream(R), Soy Dream(R), Imagine(R), Arrowhead Mills(R), Health Valley(R), Breadshop's(R), Casbah(R), Garden of Eatin'(R), Terra Chips(R), Yves Veggie Cuisine(R), The Good Dog(R), The Good Slice(R), DeBoles(R), Earth's Best(R), and Nile Spice(R). Our principal speciality product lines include Hollywood(R) cooking oils, Estee(R) sugar-free products, Kineret(R) kosher foods, Boston Better Snacks(R), and Alba Foods(R).

We operate in one business segment: the sale of natural, organic and other food and beverage products. In our 2002 fiscal year, approximately 54% of our revenues were derived from products that are manufactured within our own facilities with 46% produced by various co-packers. Had the completed sale of our Health Valley manufacturing facility to one of our co-packers (see Note 4) occurred at the beginning of our 2002 fiscal year, approximately 56% of our revenues in such fiscal year would have been derived from products produced at various co-packers.

Certain reclassifications have been made to our previous year's consolidated financial statements to conform them to the current year's presentation.

All amounts in our consolidated financial statements have been rounded to the nearest thousand dollars, except share and per share amounts.

2. BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended December 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2003. Please refer to the footnotes to our consolidated financial statements as of June 30, 2002 and for the year then ended included in our Annual Report on Form 10-K for information not included in these condensed footnotes.

3. ADOPTION OF EITF CONSENSUS REGARDING SALES INCENTIVES

Effective January 1, 2002, we adopted various Emerging Issues Task Force (EITF) consensuses related to the accounting for and classification of certain sales incentives. In accordance with these consensuses, we have classified certain sales incentives as a reduction of sales rather than as selling expenses. In order to provide comparable information from period to period, promotional allowances and other sales incentives of $19.6 million and $34.7 million, respectively, in the three-month and six-month periods ended December 31, 2001 have been reclassified from selling expense to net sales.

4. RESTRUCTURING AND OTHER NON-RECURRING CHARGES

During the fourth quarter of fiscal 2002, we recorded charges aggregating $21.3 million, before taxes, related to the sale (consummated on September 30, 2002) of our Health Valley facility in Irwindale, California and the discontinuation of our supplements business and Weight Watchers licenses.

The Health Valley facility charge, which totaled $11.3 million, included $7.6 million of restructuring and non-recurring charges associated with reduced values of inventories of raw ingredients and packaging, certain lease obligations and other items, and $3.7 million of impairment charges to reduce the Health Valley plant's manufacturing assets to their net realizable value. At June 30, 2002, we accrued $2.1 million of future costs associated with this charge primarily relating to lease exit costs relating to incremental costs and contractual obligations and other facility exit costs expected to be incurred as part of this sale. We anticipate that there may be additional charges of approximately $2 million in fiscal 2003 (approximately $.4 million was incurred in the three and six-month periods ended December 31, 2002) for potential severance liabilities and related employee costs and trade items. At December 31, 2002, approximately $.2 million was charged against this accrual in the aggregate.

We also discontinued our supplements business at Celestial Seasonings, and did not renew our license to sell certain Weight Watchers products. In connection with these discontinuations, we recorded charges of $7.9 million related to supplements principally for inventories, packaging and trade items. The charge for the non-renewal of the Weight Watchers license amounted to $2.1 million. At June 30, 2002, we accrued $3.1 and $1.2 million for future costs associated with the Celestial Seasonings supplements and Weight Watchers license discontinuations, respectively. These future costs primarily relate to sales returns resulting from the discontinuation notification, other trade incentives, employee severance costs and other items. At December 31, 2002, approximately $.8 million has been charged against these accruals in the aggregate.

At December 31, 2002, our balance sheet includes the above-described aggregate of $5.4 million of accrued restructuring and non-recurring charges, substantially all of which are expected to be paid during fiscal 2003.

5. ACQUISITIONS

On December 2, 2002, we acquired substantially all of the assets and assumed certain liabilities of privately-held Imagine Foods, Inc. ("Imagine") in the United States and the United Kingdom. Imagine is a non-dairy beverage company specializing in aseptic and refrigerated rice and soy milks, organic aseptic soups and broths, and organic frozen desserts in the U.S., Canada, and Europe. The acquisition of these product lines is expected to enhance our existing market positions in non-dairy beverages and soups while adding frozen dessert products to our offerings to customers. The purchase price consisted of approximately $44.2 million in cash, 532,765 shares of our common stock valued at $7 million, plus the assumption of certain liabilities.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition:

Current assets	$ 13,797
Property and equipment	2,308
Total assets	16,105
Liabilities assumed	11,460
Net assets acquired	$ 4,645

The balance sheet at December 31, 2002, includes the assets acquired and liabilities assumed based upon a preliminary allocation of the purchase price. We are in the process of accumulating the data necessary to complete the purchase price allocation, and have estimated that most of the excess cost over net assets acquired will be goodwill and trademarks, which will not amortize under SFAS No. 142. The remaining valuation analysis requiring completion is appraisal of property and equipment and various intangibles. We expect this analysis to be completed by the fourth quarter of fiscal 2003.

Our results of operations for the three and six-month periods ended December 31, 2002 include the results of Imagine from the date of acquisition. Unaudited pro forma results of operations reflecting the above acquisition as if it occurred at the beginning of the periods presented would have been as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
Net Sales	$137,477	$124,521	$ 254,526	$ 233,608
Net Income	$8,630	$4,772	$14,143	$ 9,782
Earnings per share:				
Basic	$ 0.25	$ 0.14	$ 0.41	$ 0.29
Diluted	$ 0.25	$ 0.13	$ 0.41	$ 0.28
Weighted average shares:				
Basic	34,131	34,223	34,183	34,211
Diluted	34,822	35,414	34,869	35,291

In management's opinion, the unaudited pro forma results of operations are not indicative of the actual results that would have occurred had the Imagine acquisition been consummated at the beginning of the periods presented or of future operations of the combined companies under our management.

Our results of operations for the three and six-month periods ended December 31, 2002 include the operations of Lima, N.V., a leading manufacturer and marketer of natural and organic foods located in Belgium, which we acquired in December 2001. Results for the three-months and six-months ended December 31, 2001 include less than one month of results for Lima. Had the acquisition of Lima occurred at the beginning of the six-month period ended December 31, 2001, our consolidated results of operations for that period would not be materially different than the actual results as presented.

6. INVENTORIES

Inventories consist of the following:

	December 31, 2002	June 30, 2002
Finished goods	$39,198	$35,158
Raw materials and packaging	18,469	18,466
	$57,667	$53,624

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31, 2002	June 30, 2002
Land	$ 6,826	$ 6,852
Building and improvements	24,928	25,537
Machinery and equipment	54,747	49,797
Furniture and fixtures	2,421	2,648
Leasehold improvements	1,082	3,218
Construction in progress	3,206	6,012
Health Valley plant assets held for sale (see Note 4)	-	4,769
	93,210	98,833
Less: Accumulated depreciation and amortization	26,469	29,059
	$ 66,741	$ 69,774

8. CREDIT FACILITY

We have available to us a $240 million Credit Facility (the "Credit Facility") which provides us with a $145 million revolving credit facility through March 29, 2005 and a $95 million 364-day facility through March 27, 2003. The Credit Facility is unsecured, but is guaranteed by all of our direct and indirect domestic subsidiaries. We are required to comply with customary affirmative and negative covenants for facilities of this nature. Revolving credit loans under this facility bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of December 31, 2002, we had borrowed approximately $48.7 million under the revolving facility with interest at 2.44% (classified within long-term debt instruments).

9. EARNINGS PER SHARE

We report basic and diluted earnings per share in accordance with SFAS Statement No. 128, "Earnings Per Share" ("SFAS No. 128"). Basic earnings per share exclude any dilutive effects of options and warrants. Diluted earnings per share include all dilutive common stock equivalents such as stock options and warrants.

The following table sets forth the computation of basic and diluted earnings per share pursuant to SFAS No. 128:

	Three Months Ended December 31		Six Months Ended December 31	
	2002	2001	2002	2001
Numerator:				
Numerator for basic and diluted earnings per common share - Net income	$ 8,186	$ 5,205	$ 12,875	$ 10,648
Denominator:				
Denominator for basic earnings per common share - weighted average shares outstanding during the period	33,776	33,690	33,739	33,678
Effect of dilutive securities:				
Stock options	535	1,003	529	894
Warrants	156	188	157	186
	691	1,191	686	1,080
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	34,467	34,881	34,425	34,758
Basic net income per common share	$ 0.24	$ 0.15	$0.38	$0.32
Diluted net income per common share	$ 0.24	$ 0.15	$0.37	$0.31

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We manufacture, market, distribute and sell natural, specialty, organic and snack food products under brand names which are sold as "better-for-you" products. We are a leader in many of the top natural food categories, with such well-known natural food brands as Celestial Seasonings(R) teas, Hain Pure Foods(R), Westbrae(R), Westsoy(R), Arrowhead Mills(R), Health Valley(R), Breadshop's(R), Casbah(R), Garden of Eatin'(R), Rice Dream(R), Soy Dream(R), Imagine(R), Terra Chips(R), Yves Veggie Cuisine(R), The Good Dog(R), The Good Slice(R), Gaston's(R), Lima(R) and Biomarche(R) in Europe, DeBoles(R), Earth's Best(R), and Nile Spice(R). Our principal specialty product lines include Hollywood(R) cooking oils, Estee(R) sugar-free products, Kineret(R) kosher foods, Boston Better Snacks(R), and Alba Foods(R). Our website can be found at www.hain-celestial.com.

Our products are sold primarily to specialty and natural food distributors, supermarkets, natural food stores, and other retail classes of trade including mass-market stores, food service channels and club stores.

Our brand names are well recognized in the various market categories they serve. We have acquired numerous brands and we will seek future growth through internal expansion as well as the acquisition of additional complementary brands.

Our overall mission is to be a leading marketer and seller of natural, organic, beverage and specialty food products by integrating all of our brands under one management team and employing a uniform marketing, sales and distribution program. Our business strategy is to capitalize on the brand equity and the distribution previously achieved by each of our acquired product lines and to enhance revenues by strategic introductions of new product lines that complement existing products.

Results of Operations

Three months ended December 31, 2002

Net sales for the three months ended December 31, 2002 were $123.0 million, an increase of $17.8 million or 17.0% over net sales of $105.2 million in the December 31, 2001 quarter. Approximately 9% of the increase in sales came from organic growth. Approximately 8% of the overall 17% increase in net sales was derived from the net sales of businesses which we acquired subsequent to September 30, 2001.

Gross profit for the three months ended December 31, 2002 was 32.8% of net sales as compared to 30.9% of net sales in the December 31, 2001 quarter. The increase was a result of a more favorable mix of products sold, and reduced distribution costs, partially offset by the lower gross profits earned by our businesses in Europe.

Selling, general and administrative expenses increased by $4.0 million to $26.5 million for the three months ended December 31, 2002 as compared to $22.5 million in the December 31, 2001 quarter. Such expenses as a percentage of net sales amounted to 21.6% for the three months ended December 31, 2002 compared with 21.4% in the December 31, 2001 quarter. While as a percent of sales, selling, general and administrative expenses are flat, we increased consumer advertising and spending in the quarter ended December 31, 2002 verses the quarter ended December 31, 2001 by approximately $3 million. The remaining increases are from our additional infrastructure in Europe and the added costs of the Imagine Foods business.

During the quarter ended December 31, 2002, we recorded approximately $0.4 million of additional restructuring and other non-recurring charges related to our sale of the Health Valley Facility.

Operating income was $13.4 million in the three months ended December 31, 2002 compared to $10.0 million in the December 31, 2001 quarter. Operating income as a percentage of net sales amounted to 10.9% in the December 2002 quarter, compared with 9.5% in the December 2001 quarter. The dollar and percentage increase resulted principally from the higher gross profit as described above offset by the aforementioned increase in selling, general and administrative expenses.

Interest and other expenses amounted to $.2 million for the three months ended December 31, 2002 compared to $1.6 million in the comparable period of the prior year. During the quarter ended December 31, 2001, we incurred a loss of approximately $1.5 million when we closed our Terra Chips manufacturing facility in Brooklyn, NY in connection with the opening of a replacement facility in Moonachie, NJ.

Income before income taxes for the three months ended December 31, 2002 amounted to $13.2 million compared to $8.4 million in the comparable period. This increase was attributable to the increase in operating income as well as the swing in interest expense and other expenses, net.

Income taxes remained relatively flat at 38% of pre-tax income for both the three months ended December 31, 2002 and 2001. We expect our tax rate to approximate this rate during the remainder of Fiscal 2003.

Net income for the three months ended December 31, 2002 was $8.2 million compared to $5.2 million in the December 31, 2001 quarter. The increase of $3 million in earnings was primarily attributable to the aforementioned increase in income before income taxes.

Six months ended December 31, 2002

Net sales for the six months ended December 31, 2002 were $219.4 million, an increase of $24.5 million or 12.6% over net sales of $194.9 million in the December 31, 2001 quarter. Our increase in sales is primarily the result of strong increases in sales on our Yves, Celestial, and Garden of Eatin' brands, as well as sales contributed by companies we acquired in December 2002 and 2001.

Gross profit for the six months ended December 31, 2002 was 31.7% of net sales as compared to 30.3% of net sales in the December 31, 2001 quarter. The increase was a result of a more favorable mix of products sold and reduced distribution costs, partially offset by the lower gross profits earned by our businesses in Europe.

Selling, general and administrative expenses increased by $8.1 million to $48.1 million for the six months ended December 31, 2002 as compared to $40.0 million in the December 31, 2001 quarter. Such expenses as a percentage of net sales amounted to 21.9% for the six months ended December 31, 2002 compared with 20.5% in the December 31, 2001 quarter. The overall increase in dollars and percentage is a result of the increased consumer advertising and spending in the six months ended December 31, 2002 verses the six months ended December 31, 2001 by approximately $5 million. The remaining increases are as a result of the aforementioned acquisitions of Imagine and Lima/Biomarche.

During the six months ended December 31, 2002 we recorded approximately $0.4 million of additional restructuring and other non-recurring charges related to our sale of the Health Valley Facility.

Operating income was $21.1 million in the six months ended December 31, 2002 compared to $19.1 million for the six months ended December 31, 2001. Operating income as a percentage of net sales amounted to 9.6% for the six months ended December 2002, compared with 9.8% for the six months ended December 31, 2001. While as a percent of sales operating income has remained flat, the dollar increases resulted principally form the higher gross profit as described above offset by the aforementioned increase in selling, general, and administrative costs.

Interest and other expenses amounted to $.4 million for the six months ended December 31, 2002 compared to $1.9 million in the comparable period. The prior year period included a loss of approximately $1.5 million incurred when we closed our Terra Chips manufacturing facility in Brooklyn, NY in connection with the opening of a replacement facility in Moonachie, NJ.

Income before income taxes for the six months ended December 31, 2002 amounted to $20.7 million compared to $17.2 million in the comparable period. This increase was attributable to the increase in operating income as well as the swing in interest expense and other expenses, net.

Income taxes remained relatively flat at 38% of pre-tax income for both the six months ended December 31, 2002 and 2001. We expect our tax rate to approximate this rate during the remainder of fiscal 2003.

Net income for the six months ended December 31, 2002, was $12.9 million compared to $10.6 million for the six months ended December 31, 2001. The increase of $2.3 million in earnings was primarily attributable to the aforementioned increase in income before income taxes.

Liquidity and Capital Resources

We finance our operations and growth primarily with the cash flows we generate from our operations and from borrowings under our Credit Facility.

We have available to us a $240 million Credit Facility which provides us with a $145 million revolving credit facility through March 29, 2005 and a $95 million 364-day facility through March 27, 2003. The Credit Facility is unsecured, but is guaranteed by all direct and indirect domestic subsidiaries. We are required to comply with customary affirmative and negative covenants for facilities of this nature. As of December 31, 2002, we had $48.7 million outstanding under these facilities.

This access to capital provides us with flexible working capital needs in the normal course of business and the opportunity to grow our business through acquisitions or develop our existing infrastructure through capital investment.

Net cash provided by operations was $12.2 and $5.5 million for the six months ended December 31, 2002 and 2001, respectively. Our working capital and current ratio was $83.3 million and 2.3 to 1, respectively, at December 31, 2002 compared with $70.9 million and 2.3 to 1 respectively, at June 30, 2002. The improvement in working capital was derived principally from the net income earned during the six months ended December 31, 2002.

Net cash provided by financing activities was $42.1 million and $3.4 million for the six months ended December 31, 2002 and 2001, respectively. During December 2002, we borrowed $44.3 million to fund the cash portion of our purchase of the Imagine Foods business. We also continued to acquire shares of our common stock in open market purchases as part of our stock buy back program.

Obligations for all debt instruments, capital and operating leases and other contractual obligations are as follows:

	Payments Due by Period			
	Total	Less than 1 year	1 - 3 Years	Thereafter
Debt instruments	$ 56,363	$ 2,343	$ 51,308	$ 2,712
Capital lease obligations	2,368	797	1,546	25
Operating leases	21,755	3,565	8,483	9,707
Total contractual cash obligations	$ 80,486	$6,705	$ 61,337	$ 12,444

We believe that cash on hand of $12.7 million at December 31, 2002, projected remaining fiscal 2003 cash flows from operations, and availability under our Credit Facility are sufficient to fund our working capital needs, anticipated capital expenditures of $6.0 million for the remainder of fiscal 2003, $5.4 million in costs associated with restructuring and non-recurring charges and the $6.7 million of debt and lease obligations described in the table above. We currently invest our cash on hand in highly liquid short-term investments yielding approximately 1.5% interest.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies; however, it is likely that materially different amounts would be reported under different conditions or using assumptions different from those that we have consistently applied. We believe our critical accounting policies are as follows, including our methodology for estimates made and assumptions used.

Valuation of Accounts and Chargeback Receivables

We perform ongoing credit evaluations on existing and new customers daily. We apply reserves for delinquent or uncollectible trade receivables based on a specific identification methodology and also apply a general reserve based on the experience we have with our trade receivables aging categories. Credit losses have been within our expectations over the last few years. While two of our customers represent approximately 30% of our trade receivable balance on an ongoing basis, we believe there is no credit exposure at this time.

Based on cash collection history and other statistical analysis, we estimate the amount of unauthorized deductions that our customers have taken to be repaid and collectible in the near future in the form of a chargeback receivable. While our estimate of this receivable balance could be different had we used different assumptions and judgments, historically our cash collections of this type of receivable has been within our expectations and no significant write-offs and/or impairment has occurred. Our chargebacks receivable (included in trade receivables) balance at December 31, 2002 was $6.6 million as compared to $5 million at June 30, 2002.

There can be no assurance that we would have the same experience with our receivables during different economic conditions, or with changes in business conditions, such as consolidation within the food industry and/or a change the way we market and sell our products.

Inventory

Our inventory is valued at the lower of cost or market. Cost has been derived principally using standard costs utilizing the first-in, first-out method. We provide write-downs for finished goods expected to become non-saleable due to age and specifically identify and reserve for slow moving or obsolete raw ingredients and packaging.

Property, Plant and Equipment

Our property, plant and equipment is carried at cost and depreciated and or amortized on a straight-line basis over the lesser of the estimated useful lives or lease life, whichever is shorter. We believe the asset lives assigned to our property, plant and equipment are within ranges/guidelines generally used in food manufacturing and distribution businesses. Our manufacturing plants and distribution centers, and their related assets, are periodically reviewed to determine if any impairment exists by analyzing underlying cash flow projections. At this time, we believe no impairment exists on the carrying value of such assets.

Revenue Recognition

Sales are recognized upon the shipment of finished goods to customers. Allowances for cash discounts and returns are recorded in the period in which the related sale is recognized.

Seasonality

Our tea business consists primarily of manufacturing and marketing hot tea products and, as a result, its quarterly results of operations reflect seasonal trends resulting from increased demand for its hot tea products in the cooler months of the year. This is also true for our soups and hot cereals businesses, but to a lesser extent. Quarterly fluctuations in our sales volume and operating results are due to a number of factors relating to our business, including the timing of trade promotions, advertising and consumer promotions and other factors, such as seasonality, abnormal and inclement weather patterns and unanticipated increases in labor, commodity, energy, insurance or other operating costs. The impact on sales volume and operating results, due to the timing and extent of these factors, can significantly impact our business. For these reasons, you should not rely on our quarterly operating results as indications of future performance. In some future periods, our operating results may fall below the expectations of securities analysts and investors, which could harm our business.

Inflation

The Company does not believe that inflation had a significant impact on the Company's results of operations for the periods presented.

Note Regarding Forward Looking Information

Certain statements contained in this Quarterly Report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and Sections 21E of the Exchange Act. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, the ability of the Company to implement its business and acquisition strategy; the ability to effectively integrate its acquisitions; the ability of the Company to obtain financing for general corporate purposes; competition; availability of key personnel, and changes in, or the failure to comply with governments regulations. As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity and achievements and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the reported market risks since the end of the most recent fiscal year.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer have reviewed our disclosure controls and procedures within 90 days prior to the filing of this report. Based upon this review, these officers believe that our disclosure controls and procedures are effective in ensuring that material information related to us is made known to them by others within the company.

(b) Changes in Internal Controls.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls during the quarter covered by this report or from the end of the reporting period to the date of this Form 10-Q.

Part II - OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

On December 2, 2002, in connection with our purchase of substantially all of the assets and the assumption of certain liabilities of privately held Imagine Foods, Inc. ("Imagine") in the United States and United Kingdom, we issued 532,765 shares of common stock, par value $.01 per share, and paid approximately $44.2 million in cash to the seller. The issuance of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of Securities Act for transactions by an issuer not involving any public offering.

Item 4. - Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on November 12, 2002. The Company submitted the following matters to a vote of security holders:

1. To elect a board of directors to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified; and
2. To approve our 2002 Long Term Incentive and Stock Award Plan, and
3. To ratify the appointment of Ernst & Young LLP as our independent auditors for fiscal 2003.

The stockholders elected the persons named below, the Company's nominees for directors, as directors for the Company, casting approximately 27,305,000 (on average) votes in favor of each nominee and withholding approximately 1,918,000 votes (on average) for each nominee:

Irwin D. Simon
Andrew R. Heyer
Beth L. Bronner
Jack Futterman
James S. Gold
Joseph Jimenez
Marina Hahn
Roger Meltzer
Michael J. Bertasso
Daniel R. Glickman
Larry Zilavy

The stockholders ratified the 2002 Long Term Incentive and Stock Award Plan casting 17,209,973 votes in favor, 11,941,809 votes against, and 71,119 abstaining.

The stockholders ratified the appointment of Ernst & Young LLP casting 28,246,778 votes in favor, 958,423 against, and 17,700 abstaining.

Item 6. - Exhibits and Reports on Form 8-K

Exhibits

Exhibit Number	Description
99.1	Certification of Chief Executive Officer
99.2	Certification of Chief Financial Officer

Reports on Form 8-K

On December 2, 2002, we announced that we had completed the purchase of substantially all of the assets and the assumption of certain liabilities of privately-held Imagine Foods, Inc. ("Imagine") in the United States and United Kingdom.

SIGNATURES

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

THE HAIN CELESTIAL GROUP, INC.

Date: February 14, 2003

/s/ Irwin D. Simon

Irwin D. Simon,
Chairman, President and Chief Executive Officer

Date: February 14, 2003

/s/ Ira J. Lamel

Ira J. Lamel,
Executive Vice President,
Chief Financial Officer and Treasurer

CERTIFICATION

I, Irwin D. Simon, President and Chief Executive Officer of The Hain Celestial Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hain Celestial Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 14, 2003

/s/ Irwin D. Simon

Irwin D. Simon
Chairman, President and
Chief Executive Officer

CERTIFICATION

I, Ira J. Lamel, Chief Financial Officer of The Hain Celestial Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hain Celestial Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 14, 2003

/s/ Ira J. Lamel

Ira J. Lamel
Executive Vice President,
Chief Financial Officer and Treasurer

Exhibit 99.2

Certification Pursuant to Chapter 63, Title 18 United States Code ss.1350
As Adopted by Section 906 of the Sarbanes-Oxley Act of 2002
Accompanying Quarterly Report on Form 10-Q of
The Hain Celestial Group, Inc. for the Quarter Ended December 31, 2002

I, Ira J. Lamel, Chief Financial Officer of The Hain Celestial Group, Inc. (the "Company"), certify that the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2003

/s/ Ira J. Lamel

Ira J. Lamel
Chief Financial Officer

Exhibit 99.1

Certification Pursuant to Chapter 63, Title 18 United States Code ss.1350 As
Adopted by Section 906 of the Sarbanes-Oxley Act of 2002
Accompanying Quarterly Report on Form 10-Q of
The Hain Celestial Group, Inc. for the Quarter Ended December 31, 2002

I, Irwin D. Simon, President and Chief Executive Officer of The Hain Celestial Group, Inc. (the "Company"), certify that the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2003

/s/ Irwin D. Simon

Irwin D. Simon
President and Chief Executive Officer