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: 03/31/02 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

33,888,922 shares of Common Stock $.01 par value, as of May 7, 2002.

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)

	March 31, 2002	June 30, 2001
ASSETS	(Unaudited)	(Note)
Current assets:		
Cash and cash equivalents	$ 4,167	$ 26,643
Accounts receivable, less allowance for doubtful accounts of $1,353 and $815	55,593	42,668
Inventories	56,992	49,593
Recoverable income taxes	1,968	8,232
Deferred income taxes	3,740	3,740
Other current assets	9,959	7,904
Total current assets	132,419	138,780
Property, plant and equipment, net of accumulated depreciation and amortization of $27,239 and $25,551	71,798	55,780
Goodwill, net	237,330	219,826
Trademarks and other intangible assets, net	38,421	38,230
Other assets	9,641	9,077
Total assets	$ 489,609	$461,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 45,105	$ 43,587
Income taxes payable	8,804	-
Current portion of debt instruments	2,594	2,881
Total current liabilities	56,503	46,468
Long-term debt instruments, less current portion	10,481	10,718
Deferred income taxes	7,854	7,854
Total liabilities	74,838	65,040
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 34,027,906 and 33,771,124 shares	340	338
Additional paid-in capital	354,129	348,942
Retained earnings	64,411	48,626
Foreign currency translation adjustment	(2,713)	(978)
	416,167	396,928
Less: 156,917 and 100,000 shares of treasury stock, at cost	(1,396)	(275)
Total stockholders' equity	414,771	396,653
Total liabilities and stockholders' equity	$ 489,609	$ 461,693

Note: The balance sheet at June 30, 2001 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 March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Net sales	$105,614	$ 87,092	$300,518	$269,082
Cost of sales	73,172	61,129	209,131	176,671
Gross profit	32,442	25,963	91,387	92,411
Selling, general and administrative expenses	23,911	19,402	63,788	57,273
Merger costs	-	-	-	1,032
Operating income	8,531	6,561	27,599	34,106
Interest expense (income)- net and other expenses	300	(752)	2,194	(1,949
Income before income taxes	8,231	7,313	25,405	36,055
Provision for income taxes	3,094	3,072	9,620	15,143
Net income	$ 5,137	$ 4,241	$ 15,785	$ 20,912
Basic earnings per common share:				
Net income	$ 0.15	$ 0.13	$ 0.47	$ 0.64
Diluted earnings per common share:				
Net income	$ 0.15	$ 0.12	$ 0.45	$ 0.61
Weighted average common shares outstanding:				
Basic	33,868	33,368	33,741	32,833
Diluted	34,908	34,845	34,808	34,508

See notes to consolidated financial statements.

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

	Nine Months Ended March 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES	(Unaudited)	
Net income	$ 15,785	$ 20,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	5,583	4,645
Amortization of goodwill and other intangible assets	168	4,770
Amortization of deferred financing costs	279	15
Provision for doubtful accounts	360	398
Other	35	36
Increase (decrease) in cash attributable to changes in assets and liabilities, net of amounts applicable to acquired businesses:		
Accounts receivable	(10,370)	(14,860)
Inventories	(5,920)	1,827
Other current assets	(419)	(480)
Other assets	(1,042)	41
Accounts payable and accrued expenses	(6,668)	(12,710)
Recoverable income taxes, net of income taxes payable	15,052	15,706
Net cash provided by operating activities	12,843	20,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of cash acquired	(13,963)	(5,687)
Purchases of property, plant and equipment	(18,121)	(10,063)
Net cash used in investing activities	(32,084)	(15,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from Credit Facility	1,000	4,400
Payments on economic development revenue bonds	(333)	(266)
Purchase of treasury stock	(1,121)	-
Costs in connection with bank financing	(200)	(1,185)
Proceeds from exercise of warrants and options, net of related expenses	724	12,954
Payment of other long-term debt and other liabilities	(2,706)	(206)
Net cash (used in)/provided by financing activities	(2,636)	15,697
Effect of exchange rate changes on cash	(599)	-
Net (decrease)increase in cash and cash equivalents	(22,476)	20,247
Cash and cash equivalents at beginning of period	26,643	38,308
Cash and cash equivalents at end of period	$ 4,167	$ 58,555

See notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Foregin Currency Translation Adjustment	Total	Comprehensive Income
	Shares	Amount at $.01			Shares	Amount			
Balance at June 30, 2001	33,771,124	$ 338	$ 348,942	$ 48,626	100,000	$(275)	$ (978)	$396,653	
Exercise of stock options	46,608		645					645	
Purchase of treasury shares					56,917	(1,121)		(1,121)	
Issuance of common stock	210,174	2	4,507					4,509	
Non-cash compensation charge			35					35	
Net income for the period				15,785				15,785	
Comprehensive income:									
Net income									$ 15,785
Translation adjustments							(1,735)	(1,735)	(1,735)
Total comprehensive income									$ 14,050
Balance at March 31, 2002	34,027,906	$ 340	$ 354,129	$ 64,411	156,917	$(1,396)	$(2,713)	$414,771	

See notes to consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 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), Terra Chips(R), Yves Veggie Cuisine(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, Weight Watchers(R) dry and refrigerated 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 most recent fiscal year, approximately 51% of our revenues were derived from products that are manufactured within our own facilities with 49% produced by various co-packers. There are no co-packers who manufactured 10% or more of our products.

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 nine months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending June 30, 2002. Please refer to the footnotes to our consolidated financial statements as of June 30, 2001 and for the year then ended included in our Annual Report on Form 10-K for information not included in these condensed footnotes.

3. ACCOUNTING FOR GOODWILL AND OTHER INTANGIBLE ASSETS

Our results for the three and nine months ended March 31, 2002, include the effect of adopting Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets", which resulted in a $1.6 and $4.8 million reduction in expenses ($1.1 and $3.3 million, net of tax) and a $.03 and $.08 increase in basic and diluted earnings per share, respectively, for the three and nine month periods ended March 31, 2002. SFAS No. 141 provides that all business combinations initiated after June 30, 2001 shall be accounted for using the purchase method. In addition, it provides that the cost of an acquired entity must be allocated to the assets acquired, including identifiable intangible assets and liabilities assumed based on their estimated fair values at the date of acquisition. The excess cost over the fair value of the net assets acquired must be recognized as goodwill. SFAS No. 142 provides that goodwill is no longer amortized and the value of an identifiable intangible asset must be amortized over its useful life unless the asset is determined to have an indefinite useful life. At March 31, 2002, included in trademarks and other intangible assets on the balance sheet, is approximately $.7 million of intangible assets deemed to have a finite life being amortized over their estimated useful lives. Goodwill must be tested for impairment at the beginning of the fiscal year in which SFAS No. 142 is adopted. In accordance with SFAS No. 142, we have evaluated the fair value of our reporting units and compared those values to the carrying values of their related goodwill and indefinite-life intangible assets, and based on such evaluation, no impairment existed at July 1, 2001. The $4.8 million pre-tax reduction of intangible amortization expense recognized during the nine-month period ended March 31, 2002 represents the amount of amortization of goodwill and indefinite-life intangible assets that arose from acquisitions prior to July 1, 2001 and are no longer amortized. Amounts assigned to indefinite-life intangible assets primarily represent the values of trademarks.

The following table reflects consolidated results of operations (net of tax effect) adjusted as though the adoption of SFAS No. 141 and 142 occurred as of the beginning of the nine-month period ended March 31, 2001.

	Three Months Ended March 31, 2001	Nine Months Ended March 31, 2001
Net Earnings:		
As reported	$ 4,241	$ 20,912
Goodwill and indefinite-life intangibles amortization, net	902	2,767
As adjusted	$ 5,143	$ 23,679
Basic earnings per common share:		
As reported	$ 0.13	$ 0.64
As adjusted	$ 0.15	$ 0.72
Diluted earnings per common share:		
As reported	$ 0.12	$ 0.61
As adjusted	$ 0.15	$ 0.69

The following table reflects the components of trademarks and other intangible assets as of March 31, 2002:

	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Licensing costs and other intangibles	$ 1,110	$ 375
Non-amortized intangible assets:		
Trademarks	$ 37,696	$ -

4. ADOPTION OF EITF CONSENSUS REGARDING SALES INCENTIVES

In May 2000, the Emerging Issues Task Force ("EITF") reached a consensus on Issue 00-14, "Accounting for Certain Sales Incentives". Under the consensus, certain sales incentives must be recognized as a reduction of sales rather than as an expense (we included such sales incentives within selling, general and administrative expenses). In April 2001, the EITF reached a consensus on Issue 00-25, "Vendor Statement Characterization of Consideration from a Vendor to a Retailer", which expanded upon the types of consideration paid by vendors to retailers which are to be considered sales incentives and, accordingly, should be classified as a reduction of sales rather than as a component of selling, general and administrative expenses. In November 2001, the EITF reached a consensus on Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of A Vendor's Product", which provides interpretative guidance to Issues 00-14 and 00-25. The results of operations reflect the adoption of these EITF consensuses related to the classification of certain vendor promotional allowances and other sales incentives as reductions of sales rather than as a selling expense as has been the predominant industry and company practice in the past. The sales amounts for the 2002 periods are in conformity with those EITF consensuses, which were adopted effective January 1, 2002. In order to provide comparable information from period to period, prior year periods have been restated by reclassifying promotional allowances and other sales incentives of $16.8 million in the third quarter of 2001, and $44.4 million for the nine months ended March 31, 2001, from selling expense to net sales.

5. ACQUISITIONS

On December 10, 2001, we acquired the outstanding common shares of Lima NV, a leading Belgian manufacturer and marketer of natural and organic foods, for cash and stock. The results of Lima's operations have been included in our consolidated financial statements since that date. The acquisition builds upon our growing European distribution and manufacturing capabilities and provides us with a strong platform for the expansion of our European operations.

On June 8, 2001, we acquired privately-held Yves Veggie Cuisine, Inc. ("Yves") a Vancouver, British Columbia based company. Yves is a leading North American manufacturer, distributor and marketer of soy protein meat alternative products.

On January 18, 2001, we acquired privately-held Fruit Chips B.V. a Netherlands based company, which we subsequently renamed Terra Chips B.V. Terra Chips B.V. is a manufacturer and distributor of low-fat fruit, vegetable and potato chips selling to European markets.

Details about the Yves and Fruit Chips acquisitions are included in our annual report for the year ended June 30, 2001.

Unaudited pro forma results of operations for the periods ended March 31, 2002 and 2001 reflecting the above acquisitions as if they occurred at the beginning of the respective periods would not be materially different than the actual results as presented.

6. INVENTORIES

Inventories consist of the following:

	March 31, 2002	June 30, 2001
Finished goods	$ 38,084	$ 29,933
Raw materials and packaging	18,908	19,660
	$ 56,992	$ 49,593

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	March 31, 2002	June 30, 2001
Land	$ 6,963	$ 6,673
Building and improvements	24,698	13,611
Machinery and equipment	53,091	42,861
Furniture and fixtures	2,734	2,505
Leasehold improvements	6,565	6,818
Construction in progress	4,986	8,863
	99,037	81,331
Less: Accumulated depreciation and amortization	27,239	25,551
	$ 71,798	$ 55,780

8. CREDIT FACILITY

We have available to us a $240 million Credit Facility (the "Credit Facility") which provides us with a four-year, $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 March 31, 2002, we had borrowed approximately $4.4 million under the revolving facility with interest at 3.0625% (classified within long-term debt instruments). We also borrowed $1.0 million as of March 31, 2002 under the Credit Facility with interest at 4.75% (classified as current portion of debt instruments as all of such amount has been subsequently repaid).

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 March 31,		Nine Months Ended March 31,	
	2002	2001	2002	2001
Numerator:				
Numerator for basic and diluted earnings per common share - Net income	$ 5,137	$4,241	$ 15,785	$ 20,912
Denominator:				
Denominator for basic earnings per common share - weighted average shares outstanding during the period	33,868	33,368	33,741	32,833
Effect of dilutive securities:				
Stock options	856	1,277	882	1,438
Warrants	184	200	185	237
	1,040	1,477	1,067	1,675
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	34,908	34,845	34,808	34,508
Basic net income per common share	$ 0.15	$0.13	$ 0.47	$0.64
Diluted net income per common share	$ 0.15	$0.12	$ 0.45	$0.61

10. SUBSEQUENT EVENTS

In May 2002, we entered into a letter of intent to form a joint venture with Shin-Shin, a Japanese food manufacturer and distributor, to distribute and sell our Yves Veggie Cuisine products, as well as other brands, in Japan.

During the period May 8, 2002 to May 10, 2002, we acquired 150,000 shares of our common stock in open market purchases at a cost of approximately $2.4 million.

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), Terra Chips(R), Gaston's(R), Yves Veggie Cuisine(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, Weight Watchers(R) dry and refrigerated 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.

Since our formation in 1993, we have completed a number of acquisitions of companies and brands. Since January 2001, we acquired the following companies and brands:

> On January 18, 2001, we acquired Fruit Chips B.V., (subsequently renamed Terra Chips B.V.) a Netherlands based company, which manufactures, distributes and markets low fat fruit, vegetable and potato chips.
>
> On June 8, 2001, we acquired Yves Veggie Cuisine, Inc. and its subsidiaries ("Yves"), a Vancouver, British Columbia based company. Yves is a manufacturer, distributor and marketer of premium soy protein meat alternative products.

On December 10, 2001, we acquired Lima NV, the leading Belgian natural and organic foods manufacturer and marketer.

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

Adoption of EITF Consensus Regarding Sales Incentives

The results of operations reflect the adoption of EITF consensuses related to the classification of certain vendor promotional allowances and other sales incentives as reductions of sales rather than as a selling expense as has been the predominant industry and company practice in the past. The sales amounts for the 2002 periods are in conformity with those EITF consensuses, which were adopted effective January 1, 2002. In order to provide comparable information from period to period, prior year periods have been restated by reclassifying promotional allowances and other sales incentives of $16.8 million in the third quarter of 2001, and $44.4 million for the nine months ended March 31, 2001, from selling expense to net sales.

Three months ended March 31, 2002

Net sales for the three months ended March 31, 2002 were $105.6 million, an increase of $18.5 million or 21.3% over net sales of $87.1 million in the same quarter of the prior year. Net sales increased by 23% on a comparable basis when adjusted for our reduced focus on supplements and certain non-core product categories. Approximately 16% of the overall 23% increase in net sales was derived from sales of businesses acquired subsequent to March 31, 2001. The remaining internal growth was derived principally from our Terra and Garden of Eatin' snack brands and from our refrigerated Westsoy and Health Valley brands.

Gross profit for the three months ended March 31, 2002 was 30.7% of net sales as compared to 29.8% of net sales in the same quarter of the prior year. Gross profit in the March 2001 period was negatively affected by approximately 2 percentage points due to an inventory charge when we consolidated certain warehouses and implemented a new corporate information system at that time. On a comparable basis, gross profit last year was 32.1%, or 1.4% higher than in the current period. The decrease in this year's period is a result of lower gross profits earned by certain businesses recently acquired and the added cost from the warehousing and distribution network. In addition, we incurred higher distribution costs associated with certain strategic initiatives to increase inventory levels to reduce stock-outs, and thereby increase customer satisfaction.

Selling, general and administrative expenses (excluding amortization) increased by $6.1 million to $23.9 million for the three months ended March 31, 2002 as compared to $17.8 million in the March 31, 2001 quarter. Such expenses as a percentage of net sales amounted to 22.6% for the three months ended March 31, 2002 compared with 20.5% in the March 31, 2001 quarter. The overall increase in dollars and percentage is a result of the added selling, general and administrative costs of $3.2 million brought on by the aforementioned acquisitions and additional consumer spending through television advertising and other media of approximately $3.5 million.

Amortization of goodwill and other intangible assets was $1.6 million for the March 2001 period compared to less than $.1 million in the 2002 period. The results for the quarter ended March 31, 2002, include the effect of adopting Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets", which resulted in a $1.5 million reduction in overall expenses ($1.1 million net of tax) and a $.03 increase in basic and diluted earnings per share. The $1.5 million pre-tax reduction of amortization expense recognized this quarter represents the amount of amortization of goodwill and indefinite-life intangible assets that arose from acquisitions prior to July 1, 2001 and is no longer being amortized.

Operating income was $8.5 million in the 2002 period compared to $6.6 million in the 2001 period. Operating income as a percentage of net sales amounted to 8.1%, compared with 7.5% in the March 2001 quarter. The dollar and percentage increases resulted principally from higher gross profits, offset by higher selling, general and administrative costs, all as described above.

Interest expense (income) - net and other expenses amounted to $.3 million of expense for the three months ended March 31, 2002 compared to $.8 million of income in the comparable period. The decrease of $1.1 million was caused entirely by the interest expense we incurred this year while using our credit facility as compared to the interest we earned on the investible cash we had during the March 2001 period. Since that time, we have used that cash to fund the Yves and Lima acquisitions and to fund the construction of our new Terra Chip manufacturing facility in Moonachie, New Jersey. In addition, in the 2002 period we have added carrying costs associated with our Credit Facility, which we entered into on March 28, 2001.

Income before income taxes for the three months ended March 31, 2002 amounted to $8.2 million compared to $7.3 million in the corresponding 2001 period. This increase was attributable to the aforementioned increase in operating income, offset by the swing in interest expense (income) - net and other expenses.

Income taxes remained flat at $3.1 million for both the three months ended March 31, 2002 and 2001. The effective tax rate was approximately 38% in the 2002 period compared to 42% in the corresponding 2001 period. The lower tax rate was a result of the elimination of non-deductible goodwill amortization from our income statement as a result of the aforementioned adoption of the new accounting for goodwill and other intangible assets at the beginning the current fiscal year.

Net income for the three months ended March 31, 2002 was $5.1 million compared to $4.2 million in the corresponding 2001 period. The increase of $.9 million in earnings was primarily attributable to the aforementioned increase in income before income taxes.

Nine months ended March 31, 2002

Net sales for the nine months ended March 31, 2002 were $300.5 million, an increase of $31.4 million or 12% over net sales of $269.1 million in the same period of the prior year. Net sales increased by 12.7% on a comparable basis when adjusted for our reduced focus on supplements and certain non-core product categories. Our increase in sales is primarily the result of strong increases in unit volume from our Terra, Garden of Eatin' and refrigerated Westsoy brands, as well as sales contributed by companies we acquired in the second half of fiscal 2001 and in the second quarter of fiscal 2002. Our sales during this period were impacted by the events of September 11, 2001, and the impact from the unusually warm winter months of October 2001 to February 2002 on our teas, soups and hot cereal products.

Gross profit for the nine months ended March 31, 2002 decreased to 30.4% of net sales as compared to 34.3% of net sales in the same period of the prior year. Including the effects of the aforementioned March 2001 inventory write-off of $2 million, the gross profit decrease as a percentage of net sales was 4.5%. Approximately 1% of this decrease is a result of higher than anticipated start-up production costs at our new Terra Chip manufacturing facility in Moonachie, New Jersey, including the cost of training employees on new technology, production downtime during start-up, and the additional costs of the transition of production from the original Terra Chips facility in Brooklyn, NY, while we operated both our Brooklyn and Moonachie facilities; approximately 2.2% of lower gross profits caused by changes in the mix of sales driven principally by the warm winter weather; and approximately 1.5% due to additional freight and warehousing costs associated with certain strategic initiatives to increase inventory levels to reduce stock-outs, thereby increasing customer satisfaction, and an increase in additional warehousing and distribution costs from our newly acquired businesses.

Selling, general and administrative expenses (excluding amortization expense) increased by $10.3 million to $63.8 million for the nine months ended March 31, 2002 as compared to $53.5 million in the March 31, 2001 period. As a percentage of net sales, these expenses amounted to 21.2% for the nine months ended March 31, 2002 compared with 20.0% in the March 31, 2001 period. The increase is a result of $3.3 million of costs brought on by the second half fiscal 2001 and second quarter fiscal 2002 acquisitions, with the remainder of the increase principally attributable to higher advertising and marketing costs (media and print) over the comparable 2001 period.

Amortization of goodwill and other intangible assets was $4.8 million for the March 2001 period compared to $.2 million in the 2002 period. The decrease is a result of the aforementioned adoption of SFAS No. 142.

Merger related charges, which related to certain employee costs associated with our May 2000 merger with Celestial Seasonings, amounted to $1 million for the nine months ended March 31, 2001. There were no merger related charges in the current 2002 period.

Operating income decreased by $6.5 million compared to the 2001 period. Operating income as a percentage of net sales amounted to 9.2% compared with 12.7% in the March 2001 period. The dollar and percentage decreases resulted principally from higher cost of goods sold, higher selling, general and administrative expenses, offset by the lack of merger related costs and lower amortization expense in the 2002 period.

Interest expense (income) - net and other expenses amounted to $2.2 million for the nine months ended March 31, 2002 compared with income of $1.9 million in the same period of the prior year. The change of $4.1 million is primarily a result of the items discussed above in the three month period ended March 31, 2002 and other costs and expenses totaling $1.5 million resulting from the closure of our Terra Chips Brooklyn, NY manufacturing facility in December 2001 and the return of the leased premises to the owner. We disposed of machinery and equipment and leasehold improvements deemed unusable which totaled $1 million, and we were required to retrofit the leased Brooklyn facility to its original condition at a cost of approximately $.5 million.

Income before income taxes for the nine months ended March 31, 2002 amounted to $25.4 million compared to $36.1 million in the same period of the prior year. The $10.7 million decrease was attributable to the aforementioned decrease in operating income, as well as the swing in interest expense and other expenses, net.

Income taxes decreased to $9.6 million for the nine months ended March 31, 2002 compared to a $15.1 million in the corresponding 2001 period. The effective tax rate was 38% in the 2001 period compared to 42.0% in the corresponding 2001 period. The reason for our lower tax rate was described above in the three month section on income taxes.

Net income for the nine months ended March 31, 2002 amounted to $15.8 million compared to $20.9 million in the corresponding 2001 period. This $5.1 million decrease in earnings was primarily attributable to the aforementioned decrease in income before income taxes offset by the reduction in income tax expense.

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 four-year, $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.

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 $12.8 and $20.3 million for the nine months ended March 31, 2002 and 2001, respectively. The decrease in operating cash flows is primarily due to the decrease in net income. Our working capital and current ratio was $75.9 million and 2.3 to 1, respectively, at March 31, 2002 compared with $92.3 million and 2.99 to 1 respectively, at June 30, 2001. The decrease in working capital and current ratio is due to the use of approximately $18 million for capital expenditures and $14.3 million of cash to fund our recent acquisitions. This $32.3 million of investments compares with only $15.8 million of cash used in investing activities in the comparable March 2001 period.

Net cash used in financing activities was $2.6 million for the nine months ended March 31, 2002. During the nine months ended March 2002, we borrowed, net of repayments, approximately $1 million under our Credit Facility to fund working capital needs and we used $1.1 million of cash for a stock buyback program. Net cash provided by financing activities of $15.7 million in the March 2001 period was derived principally from proceeds received from exercises of warrants and stock options. During the period May 8, 2002 to May 10, 2002, we acquired 150,000 shares of our common stock in open market purchases at a cost of approximately $2.4 million.

We believe that cash on hand of $4.2 million at March 31, 2002, as well as projected remaining fiscal 2002 and 2003 cash flows from operations, and availability under our Credit Facility are sufficient to fund our working capital needs, anticipated capital expenditures and scheduled debt payments for the remainder of fiscal 2002 and 2003. 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.

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 allowances 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.

Part II - OTHER INFORMATION

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

Reports on Form 8-K

On January 28, 2002, we announced our second quarter of fiscal 2002 net sales and the increase in net sales over the comparable period in 2001.

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: May 14, 2002

/s/ Irwin D. Simon

Irwin D. Simon,
President and Chief
Executive Officer

Date: May 14, 2002

/s/ Ira J. Lamel

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