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: 03/31/01 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.)

50 Charles Lindbergh Boulevard, Uniondale, New York	11553
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (516) 237-6200

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.

33,570,222 shares of Common Stock $.01 par value, as of May 14, 2001.

THE HAIN CELESTIAL GROUP, INC.
INDEX

PART I - ITEM 1 - FINANCIAL INFORMATION

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

	March 31, 2001 (Unaudited)	June 30, 2000 (Note)
ASSETS		
Current assets:		
Cash	$ 58,555	$ 38,308
Accounts receivable, less allowance for doubtful accounts of $1,339 and $929	51,017	36,120
Inventories	46,490	48,139
Recoverable income taxes	-	7,982
Deferred income taxes	8,724	8,724
Other current assets	4,360	3,611
Total current assets	169,146	142,884
Property, plant and equipment, net of accumulated depreciation and amortization of $23,853 and $19,471	47,603	39,340
Goodwill, net of accumulated amortization of $16,925 and $13,109	191,127	188,212
Trademarks and other intangible assets, net of accumulated amortization of $6,488 and $5,594	38,490	39,086
Deferred financing costs, net of accumulated amortization of $343 and $328	1,408	238
Other assets	6,203	6,257
Total assets	$ 453,977	$ 416,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 38,734	$ 43,039
Income taxes payable, net	7,786	-
Accrued merger related charges	1,681	9,414
Current portion of long-term debt	803	681
Total current liabilities	49,004	53,134
Long-term debt, less current portion	9,787	5,622
Deferred income taxes	5,537	5,537
Total liabilities	64,328	64,293
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $.01 par value, authorized 5,000,000 shares, no shares issued	-	-
Common stock - $.01 par value, authorized 100,000,000 shares, issued 33,570,222 and 32,147,261 shares	336	321
Additional paid-in capital	343,639	326,641
Retained earnings	45,949	25,037
	389,924	351,999
Less: 100,000 shares of treasury stock, at cost	(275)	(275)
Total stockholders' equity	389,649	351,724
Total liabilities and stockholders' equity	$ 453,977	$ 416,017

Note: The balance sheet at June 30, 2000 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,	
	2001	2000	2001	2000
	(Unaudited)		(Unaudited)	
Net Sales	$ 103,909	$ 111,916	$ 313,587	$ 316,531
Cost of sales	61,129	57,302	176,671	172,383
Gross profit	42,780	54,614	136,916	144,148
Selling, general & administrative expenses	34,697	37,670	97,008	107,968
Merger costs	-	-	1,032	-
Amortization of goodwill and other intangible assets	1,522	1,704	4,770	4,988
Operating income	6,561	15,240	34,106	31,192
Other income, net	915	619	2,324	1,372
Interest and financing costs	(163)	(1,318)	(375)	(5,684)
Income before income taxes and cumulative change in accounting principle	7,313	14,541	36,055	26,880
Provision for income taxes	3,072	5,904	15,143	10,954
Income before cumulative change in accounting principle	4,241	8,637	20,912	15,926
Cumulative change in accounting principle, net of income tax benefit of $2,547	-	-	-	(3,754)
Net income	$ 4,241	$ 8,637	$ 20,912	$ 12,172
Basic earnings per common share:				
Income before cumulative change in accounting principle	$ 0.13	$ 0.30	$ 0.64	$ 0.58
Cumulative change in accounting principle	-	-	-	(0.14)
Net income	$ 0.13	$ 0.30	$ 0.64	$ 0.44
Diluted earnings per common share:				
Income before cumulative change in accounting principle	$ 0.12	$ 0.28	$ 0.61	$ 0.54
Cumulative change in accounting principle	-	-	-	(0.13)
Net income	$ 0.12	$ 0.28	$ 0.61	$ 0.41
Weighted average common shares outstanding:				
Basic	33,368	28,840	32,833	27,443
Diluted	34,845	30,906	34,508	29,623

See notes to consolidated financial statements.

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

	Nine Months Ended March 31, 2001	Nine Months Ended March 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES	(Unaudited)	
Net income	$ 20,912	$ 12,172
Adjustments to reconcile net income to net cash provided by operating activities		
Cumulative change in accounting principle	-	3,754
Gain on sale of assets held for sale	-	(706)
Depreciation and amortization of property and equipment	4,645	3,990
Amortization of goodwill and other intangible assets	4,770	4,988
Amortization of deferred financing costs	15	625
Provision for doubtful accounts	398	(22)
Deferred income taxes	-	(2,047)
Other	36	35
Increase (decrease) in cash attributable to changes in assets and liabilities, net of amounts applicable to acquired businesses:		
Accounts receivable	(14,860)	(15,552)
Inventories	1,827	1,017
Other current assets	(480)	(205)
Other assets	41	(2,110)
Accounts payable and accrued expenses	(12,710)	(1,748)
Income tax payable, net	15,706	8,032
Net cash provided by operating activities	20,300	12,223
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of cash acquired	(5,687)	(4,673)
Purchases of property, plant and equipment and other intangible assets	(10,063)	(6,970)
Proceeds from sale of assets	-	1,152
Net cash used in investing activities	(15,750)	(10,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank revolving credit facility, net	4,400	235
Repayment of term loan facilities	-	(85,256)
Payments on economic development revenue bonds	(266)	(258)
Costs in connection with bank financing	(1,185)	(26)
Proceeds from private equity offering, net of expenses	-	80,589
Proceeds from exercise of warrants and options, net of related expenses	12,954	3,874
Payment of other long-term debt and other liabilities	(206)	(192)
Net cash provided by/(used in) financing activities	15,697	(1,034)
Net increase in cash and cash equivalents	20,247	698
Cash and cash equivalents at beginning of period	38,308	712
Cash and cash equivalents at end of period	$ 58,555	$ 1,410

See notes to consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)
FOR THE NINE MONTHS ENDED MARCH 31, 2001
(In thousands, except per share and share data)

	Common Stock				Treasury Stock		
	Shares	Amount at $.01	Additional Paid-in Capital	Retained Earnings	Shares	Amount	Total
Balance as June 30, 2000	32,147,261	$ 321	$ 326,641	$ 25,037	100,000	$ (275)	$ 351,724
Exercise of common stock warrants, net of related expenses	180,766	2	1,132		14,347	(475)	659
Exercise of stock options	1,132,712	12	12,282				12,294
Issuance of common stock in connection with a business combination	123,830	1	4,023				4,024
Retirement of Treasury Shares	(14,347)		(475)		(14,347)	475	-
Non-cash compensation charge			36				36
Net income for the period				20,912			20,912
Balance at March 31, 2001	33,570,222	$ 336	$ 343,639	$ 45,949	100,000	$ (275)	$ 389,649

See notes to consolidated financial statements.

1. GENERAL:

The Hain Celestial Group, Inc. (formerly known as The Hain Food Group, Inc., "Hain" or the "Company"), headquartered in Uniondale, NY, is a natural, specialty and snack food company. The Company is 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), DeBoles(R), Earth's Best(R), and Nile Spice(R). The Company's principal specialty product lines include Hollywood(R) cooking oils, Estee(R) sugar-free products, Weight Watchers(R) dry products, Kineret(R) kosher foods, Boston Better Snacks(R), and Alba Foods(R).

The Company and its subsidiaries operate in one business segment: the sale of natural, organic and other food and beverage products. Since fiscal 2000, approximately 55% of the Company's revenues were derived from products which are manufactured within its own facilities with 45% produced by various co-packers. There are no co-packers who manufactured 10% or more of the Company's products.

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

2. BASIS OF PRESENTATION:

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

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles. 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, 2001 are not necessarily indicative of the results that may be expected for the year ending June 30, 2001. Reference is made to the footnotes to the audited consolidated financial statements of the Company and subsidiaries as of June 30, 2000 and for the year then ended included in the Company's Annual Report on Form 10-K for information not included in these condensed footnotes.

3. Celestial Merger

On May 30, 2000, Hain completed a merger (the "Merger") with Celestial Seasonings, Inc. ("Celestial") by issuing 10.3 million shares of Hain common stock in exchange for all of the outstanding common stock of Celestial. Each share of Celestial common stock was exchanged for 1.265 shares of Hain common stock. In addition, Hain assumed all Celestial stock options previously granted. As part of the Merger, Hain changed its name to The Hain Celestial Group, Inc. Celestial, the common stock of which was previously publicly traded, is the market leader in specialty teas.

The Merger was accounted for as a pooling-of-interests and, accordingly, all prior period consolidated financial statements of Hain have been restated to include the results of operations, financial position and cash flows of Celestial. Information concerning common stock, employee stock plans and per share data has been restated on an equivalent share basis.

During the nine months ended March 31, 2001, the Company incurred approximately $1 million of Merger related employee costs.

4. RESTRUCTURING AND OTHER NON-RECURRING CHARGES

During the fourth quarter of fiscal 2000, the Company approved a plan to streamline and restructure certain non-core businesses and consolidate warehouses and information systems within the Company's distribution and operating network which resulted in a pre-tax charge of $3.7 million. At June 30, 2000 the Company had accrued approximately $2 million of future costs associated with this restructuring charge. During the three and nine months ended March 31, 2001, approximately $.9 million and $1.3 million, respectively, was charged to the accrual, bringing the remaining balance to $.7 million which has been included in accounts payable and accrued expenses on the Consolidated Balance Sheet at March 31, 2001.

In addition, during the three months ended September 30, 1999, Celestial decided to cease production of its 30-count supplements product line and focus its efforts on its 60-count product line. In conjunction with the discontinuance of the 30-count products, Celestial decided to offer a return program to its customers. Accordingly, Celestial reversed sales ($5.1 million) and recorded additional cost of sales ($4.0 million) for the estimated 30-count products still with customers and an estimated write-down of inventory on hand and expected to be returned.

Additionally, in September 1999, Celestial entered into a settlement agreement relating to a shareholder lawsuit resulting in a one-time charge of $1.2 million which has been included in selling, general and administrative expenses.

5. ACCOUNTING FOR CERTAIN SALES INCENTIVES

In May 2000, the Emerging Issues Task Force ("EITF") issued 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 (the Company includes 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 now considered sales incentives, and accordingly, should be classified as a reduction of sales, rather than as a component of selling, general and administrative expenses. This consensus is effective for fiscal quarters beginning after December 15, 2001 (the Company's March 2002 quarter). Upon application of these consensus', the Company's earnings for current and prior periods will not be changed, but rather a reclassification will take place within the Consolidated Statements of Income for all periods presented for comparative purposes. The EITF changed the effective date of Issue 00-14 to coincide with the effective date of Issue 00-25.

Had EITF 00-14 and 00-25 been adopted at the beginning of the nine-month periods ended March 31, 2001 and 2000, the Company's net sales and selling, general and administrative expenses would have each been reduced by $51,097,000 and $52,710,000, for the respective periods.

6. CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE

In April 1998, the American Institute of Certified Public Accountants issued SOP 98-5, "Reporting Costs of Start-up Activities" ("SOP 98-5"). SOP 98-5 was adopted by the Company effective July 1, 1999, and requires start-up costs capitalized prior to such date be written-off as a cumulative effect of an accounting change as of July 1, 1999, and any future start-up costs to be expensed as incurred. Start-up activities are defined broadly as those one-time activities related to introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or commencing some new operations. In accordance with SOP 98-5, the Company recorded a one-time non-cash charge in the first quarter of fiscal 2000 reflecting the cumulative effect of a change in accounting principle, in the amount of $3.8 million, net of tax benefit, representing start-up costs capitalized as of the beginning of fiscal year 2000.

7. INVENTORIES:

Inventories consist of the following:

	March 31, 2001	June 30, 2000
Finished goods	$ 28,392	$ 28,730
Raw materials and packaging	18,098	19,409
	$ 46,490	$ 48,139

8. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following:

	March 31, 2001	June 30, 2000
Land	$ 6,049	$ 6,049
Building and improvements	11,251	10,579
Machinery & equipment	40,043	33,890
Assets held for sale	-	197
Furniture and fixtures	2,822	2,580
Leasehold improvements	5,372	5,014
Construction in progress	5,919	502
	71,456	58,811
Less:		
Accumulated depreciation and amortization	23,853	19,471
	$ 47,603	$ 39,340

9. EARNINGS PER SHARE:

The Company reports basic and diluted earnings per share in accordance with FASB Statement No. 128, "Earnings Per Share" ("SFAS 128"). Basic earnings per share excludes any dilutive effects of options and warrants. Diluted earnings per share includes 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 128:

	Three Months Ended March 31		Nine Months Ended March 31	
	2001	2000	2001	2000
Numerator:				
Numerator for basic and diluted earnings per share -				
Income before cumulative change in accounting principle	$ 4,241	$ 8,637	$20,912	$ 15,926
Cumulative change in accounting principle	-	-	-	(3,754)
Net income	$ 4,241	$ 8,637	$20,912	$ 12,172
Denominator:				
Denominator for basic earnings per share - weighted average shares outstanding during the period	33,368	28,840	32,834	27,443
Effect of dilutive securities:				
Stock options	1,277	1,738	1,437	1,740
Warrants	200	328	237	440
	1,477	2,066	1,674	2,180
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	34,845	30,906	34,508	29,623
Basic earnings per share:				
Income before cumulative change in accounting principle	$ 0.13	$ 0.30	$ 0.64	$ 0.58
Cumulative change in accounting principle	-	-	-	(0.14)
Net income	$ 0.13	$ 0.30	$ 0.64	$ 0.44
Diluted earnings per share:				
Income before cumulative change in accounting principle	$ 0.12	$ 0.28	$ 0.61	$ 0.54
Cumulative change in accounting principle	-	-	-	(0.13)
Net income	$ 0.12	$ 0.28	$ 0.61	$ 0.41

10. CREDIT FACILITY:

In March 2001, the Company entered into a new $240 million Senior Revolving Credit Facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a four year, $145 million revolving credit facility (initially this revolving facility is priced at LIBOR plus 1.00%) and a $95 million 364-day facility (the 364-day facility is also initially priced at LIBOR plus 1.00%). The Senior Credit Facility is unsecured, but guaranteed by all current and future direct and indirect domestic subsidiaries of the Company. This Senior Credit Facility also includes customary affirmative and negative covenants for transactions of this nature. The Company's outstanding revolving credit loans under these facilities bears interest at the Company's base rate (greater of the applicable prime rate or Federal Funds Rate plus 0.50% per annum) or, at the Company's option, the reserve adjusted LIBOR rate plus the applicable margin (as defined in the Senior Credit Facility). As of March 31, 2001, approximately $4.4 million was borrowed under the revolving facility.

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

Results of Operations

Three months ended March 31, 2001

Net sales for the three months ended March 31, 2001 were approximately $104 million, a decrease of $8 million or 7.1% over net sales of approximately $112 million in the quarter ended March 31, 2000. The decrease is primarily due to: a slowing U.S. economy whereby distributors and retailers made a conscious decision to reduce inventory levels; a change in the selling price per unit billing arrangements with our medically directed brands sold to our exclusive domestic distributor; a change in our selling price per unit billing arrangement for certain of our club store channel products sold to Heinz and a change in management focus on the selling of Celestial supplements.

Gross profit for the three months ended March 31, 2001 decreased by approximately $11.8 million to $42.8 million (41.2% of net sales) as compared to $54.6 million (48.8% of net sales) in the corresponding 2000 period. The decrease in gross profit dollars and percentage is a result of the aforementioned decrease in sales, which significantly and unfavorably impacted our manufacturing, distribution and logistics infrastructure by approximately $7.9 million; inventory write-offs associated with the Company's decision to write-off certain nonperforming inventory SKU's as a result of its decision to move and consolidate warehouses and upgrade the Company's management information system within its distribution infrastructure of approximately $1.9 million; approximately $.3 million associated with the Company's consolidation and move of one of its distribution facilities into its new Ontario, California distribution facility that opened in September 2000; approximately $.3 million of higher fuel costs associated within freight cost and approximately a $1.4 million decrease associated with the aforementioned change in the billing arrangements.

Selling, general and administrative expenses decreased by $3.0 million (33.4% of net sales) to $34.7 million for the three months ended March 31, 2001 as compared to $37.7 million (33.7% of net sales) in the March 31, 2000 quarter. The dollar and percentage decrease is a combination of $2.5 million of synergies realized in the March 2001 period resulting from the Celestial merger, and approximately $.5 million in lower other general and administrative expense components. To date, a substantial portion of synergies from the Celestial merger have been identified and it is expected that the integration process will be substantially completed by the end of calendar 2002. In the next few fiscal quarters, the Company expects to invest in consumer spending and to enhance brand equity while closely monitoring its trade spending. These consumer spending categories include, but are not limited to, consumer advertising using radio and print, coupons, direct mailing programs, and other forms of promotions. There is no guarantee that these promotional investments in consumer spending will be successful, and as the Company attempts to monitor its trade spending and increase consumer awareness, there may be a period of higher costs.

Amortization of goodwill and other intangible assets was approximately $1.5 million for the three months ended March 2001 compared with $1.7 million in the March 2000 period. Amortization expense in total amounted to approximately 1.5% of net sales for both the three months ended March 31, 2001 and 2000 periods, respectively.

Operating income decreased by $8.6 million to $6.6 million for the three months ended March 31, 2001 compared to $15.2 million for the 2000 period.

Operating income as a percentage of net sales amounted to 6.3%, compared with 13.6% in the March 2000 quarter. The dollar and percentage decrease resulted principally from lower sales and gross profits offset by lower selling, general, administrative expenses.

Interest and other income amounted to $.9 million for the three months ended March 31, 2001 compared with $.6 million in the corresponding period. This increase is a direct result of the interest earned on the increased cash balance (approximately $58 million) during the three months ended March 31, 2001 compared to gains on proceeds received from assets held for sale sold within the March 2000 period.

Interest and financing costs for the three months ended March 31, 2001 amounted to approximately $.2 million, compared to $1.3 million in the 2000 period. This decrease is a result of significantly reduced debt levels ($10.6 million outstanding at March 31, 2001 compared with $53.4 million at March 31, 2000). The average interest rate was 7.2% in the March 2001 period compared with approximately 9.2% in the March 2000 period.

Income before income taxes for the three months ended March 31, 2001 decreased to $7.3 million (7.0% of net sales) from $14.5 million (13.0% of net sales) in the corresponding 2000 period. This $7.2 million decrease in profitability was attributable to the aforementioned decrease in operating income, offset by higher other income generated.

Income taxes decreased to $3.1 million for the three months ended March 31, 2001 compared to $5.9 million in the corresponding 2000 period. The effective tax rate was 42.0% in the 2001 period compared with 40.6% in the corresponding 2000 period. The lower tax rate in 2000 was a result of additional tax deductions generated from Celestial's contributions of its 30-count supplements to a qualified organization. The Company expects its pre-tax earnings will be taxed at a 42.0% effective rate for the remainder of this fiscal year.

Net income for the three months ended March 31, 2001 decreased to $4.2 million (4.1% of net sales) from $8.6 million (7.7% of net sales) in the corresponding 2000 period. This $4.4 million decrease in earnings was primarily attributable to the aforementioned decrease in income before income taxes offset by higher income taxes.

Nine months ended March 31, 2001

Net sales for the nine months ended March 31, 2001 were $313.6 million, a decrease of $2.9 million over net sales of $316.5 million in the period ended March 31, 2000. As previously mentioned, our net sales were affected by a slowing U.S. economy, changes in the selling price per unit billing arrangements and, redirection of management focus on certain product lines (supplements). On a pro forma comparable basis, net sales increased by approximately $11.5 million with the growth coming from our Westsoy, Health Valley, Earth's Best, and Terra Chips brands.

Gross profit for the nine months ended March 31, 2001 decreased by approximately $7.2 million to $136.9 million (43.7% of net sales) as compared to $144.1 million (45.5% of net sales) in the corresponding 2000 period. The decrease in gross profit dollars and percentage of net sales was a direct result of the decreased sales levels in 2001 compared to 2000; the aforementioned inventory write-offs of approximately $1.9 million; higher freight costs due to higher fuel costs of approximately $1.0 million; additional warehousing and freight costs, principally due to the consolidation and move to the Company's new Ontario, California distribution center ($.5 million) and mix of products sold.

Selling, general and administrative expenses decreased by $11.0 million to $97.0 million for the nine months ended March 31, 2001 as compared to $108.0 million in the March 31, 2000 period. Such expenses as a percentage of net sales amounted to 30.9% for the nine months ended March 31, 2001 compared with 34.1% in the March 31, 2000 period. The dollar decrease is a combination of $5.4 million of synergies realized in the March 2001 period resulting from the Celestial merger, a $1.2 million nonrecurring charge incurred in the September 1999 period as a result of a shareholder lawsuit settled by Celestial, approximately $2.4 million in lower advertising and promotion costs and $2.0 million of lower other selling, general and administrative expense components. To date, a substantial portion of the synergies from the Celestial merger have been identified and it is expected that the integration process will be completed by the end of calendar 2002.

Merger related charges amounted to $1 million for the nine months ended March 31, 2001. There were no merger related charges in the corresponding period in 2000. Merger related charges incurred relate to certain employee costs associated with the Celestial merger.

Amortization of goodwill and other intangible assets was approximately $4.8 million for the March 2001 period compared to $5.0 million in the 2000 period. Amortization expense in total amounted to approximately 1.5% of net sales for both the nine months ended March 31, 2001 and 2000, respectively.

Operating income increased by $2.9 million compared to the 2000 period. Operating income as a percentage of net sales amounted to 10.9%, compared with 9.9% in the March 2000 period. The dollar and percentage increase resulted principally from lower selling, general and administrative expenses, offset by lower gross profit dollar contributions and higher merger related costs.

Other income amounted to $2.3 million for the nine months ended March 31, 2001 compared with $1.4 million in the corresponding period in 2000. This increase is a direct result of the interest earned on the increased cash balance during the March 31, 2001 period compared with other income generated (gains on sales of marketable securities and assets held for sale) within the March 2000 period.

Interest and financing costs for the nine months ended March 31, 2001 amounted to approximately $.4 million, compared to $5.7 million in the 2000 period. This decrease is a result of the aforementioned significantly reduced debt levels at March 31, 2001 compared to the March 31, 2000 period.

Income before income taxes and cumulative change in accounting principle for the nine months ended March 31, 2001 increased to $36.1 million (11.5% of net sales) from $26.9 million (8.5% of net sales) in the corresponding 2000 period. This $9.2 million improvement in profitability was attributable to the aforementioned increase in operating income, as well as the other income generated.

Income taxes increased to $15.1 million for the nine months ended March 31, 2001 compared to $11.0 million in the corresponding 2000 period. The effective tax rate was 42.0% in the 2001 period compared to 40.8% in the corresponding 2000 period. The lower tax rate in fiscal 2000 was a result of additional tax deductions generated from Celestial's contributions of its 30-count supplements to a qualified organization. The Company expects its pre-tax earnings will be taxed at a 42.0% effective rate for the remainder of this fiscal year.

Income before cumulative change in accounting principle for the nine months ended March 31, 2001 increased to $20.9 million (6.7% of net sales) from $15.9

million (5.0% of net sales) in the corresponding 2000 period. This $5.0 million improvement in earnings was primarily attributable to the aforementioned increase in income before income taxes and cumulative change in accounting principle.

Change in Accounting Principle:

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting Costs of Start-up Activities" ("SOP 98-5"). SOP 98-5 was effective beginning on July 1, 1999, and required that start-up costs capitalized prior to such date be written-off as a cumulative effect of an accounting change as of July 1, 1999. Any future start-up costs are being expensed as incurred. Start up activities are broadly defined as those one time activities related to introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or commencing some new operation. In accordance with SOP 98-5, the Company recorded a one-time non-cash charge in the first quarter of fiscal 2000 reflecting the cumulative effect of a change in accounting principle, in the amount of $3.8 million, net of tax benefit, representing such start-up costs capitalized as of the beginning of fiscal year 2000.

Liquidity and Capital Resources

The Company requires liquidity for working capital needs and debt service requirements.

The Company had working capital and a current ratio of $120.1 million and 3.45 to 1, respectively, at March 31, 2001 as compared to $89.8 million and 2.7 to 1, respectively, at June 30, 2000. The increase in working capital and the current ratio is primarily attributable to cash flows from operations and financing activities. The cash flow from financing activities is attributable to the exercise of stock options and warrants during the nine months ended March 31, 2001.

The Company believes that its cash on hand of $58.6 million at March 31, 2001, as well as cash flows from operations are sufficient to fund its foreseeable working capital needs, anticipated capital expenditures, other operating expenses, as well as provide liquidity to pay down the remaining merger related and restructuring accruals (aggregating approximately $1.7 million of accrued merger costs and $.7 million of restructuring accruals) existing at March 31, 2001 for the remainder of fiscal 2001. Of the $2.4 million of these accruals, approximately $.5 will be utilized during the remainder of fiscal 2001. The Company is currently investing its cash on hand in highly liquid short-term investments yielding approximately 5.0% per annum.

In March 2001, the Company entered into a new $240 million Senior Revolving Credit Facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a four year, $145 million revolving credit facility (initially this revolving facility is priced at LIBOR plus 1.00%) and a $95 million, 364-day facility (the 364-day facility is also initially priced at LIBOR plus 1.00%). The Senior Credit Facility is unsecured, but guaranteed by all current and future direct and indirect domestic subsidiaries of the Company. This Senior Credit Facility also includes customary affirmative and negative covenants for transactions of this nature. The Company's outstanding revolving credit loan under these facilities bears interest at the Company's base rate (greater of the applicable prime rate or Federal Funds Rate plus 0.50% per annum) or, at the Company's option to reserve adjusted LIBOR rate plus the applicable margin (as defined in the Senior Credit Facility). As of March 31, 2001, approximately $4.4 million was borrowed under the revolving facility.

Seasonality

Sales of food and beverage products consumed generally decline to some degree during the Summer months (the first quarter of the Company's fiscal year). However, the Company believes that such seasonality has a limited effect on operations.

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 which 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

The Company has not entered into market risk sensitive transactions required to be disclosed under this item.

Part II - OTHER INFORMATION

Item 2. - Changes in Securities and Use of Proceeds

As previously disclosed in the Company's filings on September 27, 1999, the Company announced that it had entered into a global strategic alliance with Heinz related to the production and distribution of natural products domestically and internationally. In connection with the alliance, the Company issued 2,837,343 shares of its common stock, par value $.01 per share to a wholly-owned subsidiary of Heinz, for an aggregate purchase price of $82,383,843 under a Securities Purchase Agreement dated September 24, 1999 between the Company and the Heinz Subsidiary. In addition, as part of the consideration paid by the Company to the Heinz Subsidiary in connection with the Company's acquisition of the Earth's Best trademarks, the Company issued 670,234 shares of its common stock to Earth's Best.

On June 19, 2000, the Heinz Subsidiary executed its preemptive right under the aforementioned Security Purchase Agreement to purchase additional shares of the Company's common stock. The Company issued 2,582,774 additional shares to the Heinz Subsidiary for an aggregate purchase price of $79,743,147.

On January 18, 2001 in connection with the Company's acquisition of Fruit Chips, B.V., a private company incorporated under the laws of the Netherlands, the Company issued 123,830 shares of its common stock, par value $.01 per share, to

Mosvad Investments B.V.

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 6. - Exhibits and Reports on Form 8-K

Reports on Form 8-K

None.

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 15, 2001

/s/ Irwin D. Simon

Irwin D. Simon,
President and Chief
Executive Officer

Date: May 15, 2001

/s/ Gary M. Jacobs

Gary M. Jacobs,
Executive Vice President, Finance
and Chief Financial Officer