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

FORM 10-Q

- (Mark One)
- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
- For the quarterly period ended December 31, 2009
- Transition Report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 for the transition period from _____ to _____.**

Commission File No. 0-22818

THE HAIN CELESTIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

58 South Service Road
Melville, New York
(Address of principal executive offices)

22-3240619
(I.R.S. Employer
Identification No.)

11747
(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 requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of February 5, 2010 there were 40,830,976 shares outstanding of the registrant's Common Stock, par value \$.01 per share.

THE HAIN CELESTIAL GROUP, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December 31, 2009 (Unaudited)	June 30, 2009 (Note)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,813	\$ 41,408
Accounts receivable, less allowance for doubtful accounts of \$1,053 and \$1,175	124,929	114,506
Inventories	165,332	158,590
Deferred income taxes	13,053	13,028
Other current assets	17,275	21,599
Total current assets	347,402	349,131
Property, plant and equipment, net	101,819	102,135
Goodwill	461,346	456,459
Trademarks and other intangible assets, net	148,000	149,196
Investment in and advances to equity-method investees	46,253	49,061
Other assets	16,498	17,514
Total assets	<u>\$1,121,318</u>	<u>\$1,123,496</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 118,871	\$ 134,618
Income taxes payable	8,555	1,877
Current portion of long-term debt	33	44
Total current liabilities	127,459	136,539
Long-term debt, less current portion	235,072	258,372
Deferred income taxes and other liabilities	26,547	27,262
Total liabilities	389,078	422,173
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 41,809,008 and 41,699,509 shares	418	417
Additional paid-in capital	507,967	503,161
Retained earnings	231,557	212,285
Accumulated other comprehensive income	8,626	1,769
	748,568	717,632
Less: 1,003,032 and 1,001,898 shares of treasury stock, at cost	(16,328)	(16,309)
Total stockholders' equity	732,240	701,323
Total liabilities and stockholders' equity	<u>\$1,121,318</u>	<u>\$1,123,496</u>

Note: The balance sheet at June 30, 2009 has been derived from the audited financial statements at that date.

See notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Net sales	\$241,967	\$312,220	\$472,451	\$599,004
Cost of sales	172,067	241,838	340,743	459,789
Gross profit	69,900	70,382	131,708	139,215
Selling, general and administrative expenses	47,182	49,977	89,746	103,316
Restructuring expenses	1,157	894	2,936	1,492
Operating income	21,561	19,511	39,026	34,407
Interest and other expenses, net	3,515	5,224	6,557	9,208
Equity in net loss of equity-method investee	136	—	1,132	—
Income before income taxes	17,910	14,287	31,337	25,199
Provision for income taxes	6,728	5,498	12,065	9,644
Net income	11,182	8,789	19,272	15,555
Income attributable to noncontrolling interest	—	(649)	—	(393)
Net income attributable to The Hain Celestial Group, Inc.	<u>\$ 11,182</u>	<u>\$ 8,140</u>	<u>\$ 19,272</u>	<u>\$ 15,162</u>
Net income per share attributable to The Hain Celestial Group, Inc.:				
Basic	<u>\$ 0.27</u>	<u>\$ 0.20</u>	<u>\$ 0.47</u>	<u>\$ 0.38</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.20</u>	<u>\$ 0.47</u>	<u>\$ 0.37</u>
Shares used in the calculation of net income per common share attributable to The Hain Celestial Group, Inc.:				
Basic	<u>40,774</u>	<u>40,464</u>	<u>40,737</u>	<u>40,344</u>
Diluted	<u>41,352</u>	<u>41,025</u>	<u>41,255</u>	<u>41,262</u>

See notes to condensed consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2009
(In thousands, except per share and share amounts)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>		<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount at \$.01</u>			<u>Shares</u>	<u>Amount</u>		
Balance at June 30, 2009	41,699,509	\$ 417	\$503,161	\$212,285	1,001,898	\$(16,309)	\$ 1,769	\$701,323
Issuance of common stock pursuant to stock compensation plans	56,884	1	767					768
Issuance of common stock in connection with license agreement	52,615		965					965
Stock-based compensation income tax effects			(205)					(205)
Shares withheld for payment of employee payroll taxes due on shares issued under stock-based compensation plans					1,134	(19)		(19)
Non-cash compensation charge			3,279					3,279
Net income				19,272				19,272
Translation adjustments							6,766	6,766
Change in deferred gains on cash flow hedging instruments, net of tax							(654)	(654)
Reclassification of unrealized loss on available for sale investment, net of tax							745	745
Balance at December 31, 2009	<u>41,809,008</u>	<u>\$ 418</u>	<u>\$507,967</u>	<u>\$231,557</u>	<u>1,003,032</u>	<u>\$(16,328)</u>	<u>\$ 8,626</u>	<u>\$732,240</u>

See notes to condensed consolidated financial statements.

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

	Six Months Ended December 31,	
	2009	2008
	(Unaudited)	
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income	\$ 19,272	\$ 15,555
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,359	11,076
Deferred income taxes	(1,489)	(302)
Equity in net loss of equity-method investee	1,132	—
Loss on write-down of investment	1,210	—
Non-cash compensation	3,279	2,897
Tax benefit from stock options	108	290
Other non-cash items, net	104	(114)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable	(10,223)	(1,314)
Inventories	(5,679)	(41,508)
Other current assets	2,952	5,885
Other assets	(647)	(3,355)
Accounts payable and accrued expenses	(16,816)	(5,170)
Income taxes	8,252	(879)
Net cash provided by (used in) operating activities	<u>10,814</u>	<u>(16,939)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of property and equipment	(4,924)	(6,234)
Proceeds from disposals of property and equipment	27	643
Acquisitions of business	(344)	(446)
Repayment of advances by equity-method investee	2,049	—
Net cash used in investing activities	<u>(3,192)</u>	<u>(6,037)</u>
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from exercises of stock options, net of related expenses	768	5,280
Drawings (repayments) under bank revolving credit facility	(23,330)	11,500
Repayments of other long-term debt, net	—	(76)
Shares withheld for payment of employee payroll taxes	(19)	(44)
Net cash provided by (used in) financing activities	<u>(22,581)</u>	<u>16,660</u>
Effect of exchange rate changes on cash	364	(2,285)
Net decrease in cash and cash equivalents	(14,595)	(8,601)
Cash and cash equivalents at beginning of period	41,408	58,513
Cash and cash equivalents at end of period	<u>\$ 26,813</u>	<u>\$ 49,912</u>

See notes to condensed consolidated financial statements.

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

1. GENERAL

The Hain Celestial Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the “Company,” and herein referred to as “we,” “us,” and “our”) manufacture, market, distribute and sell natural and organic products under brand names which are sold as “better-for-you” products. We are a leader in many natural food categories, with such well-known food brands as Earth’s Best®, Celestial Seasonings®, Hain Pure Foods®, Westbrae Natural®, WestSoy®, Rice Dream®, Soy Dream®, Imagine®, Walnut Acres Organic®, Ethnic Gourmet®, Rosetto®, Gluten Free Café™, Little Bear Organic Foods®, Bearitos®, Arrowhead Mills®, MaraNatha®, SunSpire®, Health Valley®, Breadshop’s®, Casbah®, Spectrum Naturals®, Spectrum Essentials®, Hollywood®, Garden of Eatin’®, Terra®, Boston’s The Best You’ve Ever Tasted®, Lima®, Grains Noirs®, Natumi®, Yves Veggie Cuisine®, DeBoles®, Nile Spice®, Linda McCartney® (under license), Daily Bread™, Realeat® and Granose®. Our natural personal care products are marketed under the Avalon Organics®, Alba Botanica®, JASON®, Zia®, Queen Helene®, Batherapy®, Shower Therapy®, Foottherapy®, Tushies® and TenderCare® brands. Our household cleaning products are marketed under the Martha Stewart Clean™ (under license) brand.

We have a minority investment in Hain Pure Protein Corporation (“HPP” or “Hain Pure Protein”), which processes, markets and distributes antibiotic-free chicken and turkey products. See Note 2, Basis of Presentation, and Note 12, Equity Investments.

We operate in one business segment: the manufacturing, distribution and marketing of natural and organic products. In our 2009 fiscal year, approximately 49% of our revenues were derived from products that were manufactured within our own facilities with 51% produced by various co-packers.

All dollar amounts in our condensed consolidated financial statements and tables have been rounded to the nearest thousand dollars, except per share amounts. Share amounts in the notes to condensed consolidated financial statements are presented in thousands.

Management evaluated all events and transactions occurring after the balance sheet date through the filing of this quarterly report on Form 10-Q on February 9, 2010.

2. BASIS OF PRESENTATION

Our condensed 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. Except for the retrospective adjustments related to the adoption of new accounting guidance contained in Accounting Standards Codification (“ASC”) 810, “Consolidation,” regarding noncontrolling interests as discussed in further detail below, the amounts as of and for the periods ended June 30, 2009 are derived from the Company’s audited annual financial statements. The condensed consolidated financial statements reflect all normal recurring adjustments which, in management’s opinion, are necessary for a fair presentation for interim periods. Operating results for the three and six months ended December 31, 2009 are not necessarily indicative of the results that may be expected for the year ending June 30, 2010. Please refer to the footnotes to our consolidated financial statements as of June 30, 2009 and for the year then ended included in our Annual Report on Form 10-K for information not included in these condensed footnotes.

The Company’s investment in HPP is accounted for under the equity method of accounting effective from June 30, 2009. The Company’s condensed consolidated statements of operations for all periods prior to July 1, 2009 include the revenues and expenses of HPP.

The condensed consolidated statement of operations for the three and six months ended December 31, 2008 includes adjustments to reclassify \$3,341 and \$5,874, respectively, from selling, general and administrative expenses to net sales as a result of a misclassification of certain promotional expenses in prior periods. The reclassifications did not affect previously reported net income.

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

Newly Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) approved the Accounting Standards Codification as the single source of authoritative nongovernmental GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The standard is effective for interim and annual periods ending after September 15, 2009. We adopted the standard for the quarter ended September 30, 2009, and as a result, disclosures include references to ASC.

On July 1, 2009, we adopted a new accounting standard issued by the FASB, which is included in ASC 805, “Business Combinations” which provides revised guidance related to accounting for business combinations using the acquisition method of accounting (previously referred to as the purchase method). The standard requires the acquiring entity in a business combination to recognize the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the business acquired at their acquisition-date fair values and generally requires acquisition-related costs to be expensed as incurred. The standard also provides guidance for recognizing and measuring the goodwill acquired in a business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The impact of this standard will be dependent on the number, size, terms and nature of acquisitions we may make in future periods.

On July 1, 2009 we also adopted a new accounting standard issued by the FASB, which is included in ASC 810, “Consolidation,” which establishes new accounting and reporting standards for a noncontrolling interest in a subsidiary, which was previously referred to as minority interest. Among other requirements, the guidance establishes accounting and reporting standards that require noncontrolling interests to be reported as a separate component of equity in the consolidated financial statements, changes in a parent’s ownership interest while the parent retains its controlling interest be accounted for as equity transactions and that consolidated net income include the amounts attributable to both the parent and the noncontrolling interest, with disclosure of those amounts on the face of the consolidated statement of income. The provisions of this standard must be applied prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented. As a result of the dilution of the Company’s ownership interest in HPP as of June 30, 2009, the Company deconsolidated HPP at that date. We reclassified \$1.1 million (\$0.6 million net of tax) and \$0.6 million (\$0.4 million net of tax) related to HPP from “Interest and other expenses, net” to “Income attributable to noncontrolling interest” in our Consolidated Statement of Operations for the three months and six months ended December 31, 2008. The recorded amount for the prior year’s second quarter and first six months previously presented as “Net income”, which is now presented as “Net income attributable to The Hain Celestial Group, Inc.,” has not changed as a result of the adoption.

Recently Issued Accounting Pronouncements Not Yet Effective

In June 2009, the FASB issued a new standard, included in ASC 810, “Consolidation,” regarding the consolidation of variable interest entities. The standard includes guidance for determining whether an entity is a variable interest entity and replaces the quantitative-based risks and rewards approach with a qualitative approach that focuses on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance. It also requires an ongoing reassessment of whether an entity is the primary beneficiary, and it requires additional disclosures about an enterprise’s involvement in variable interest entities. This standard is effective for us beginning in the first quarter of fiscal 2011. We are currently evaluating the impact that the adoption will have on our consolidated financial statements.

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

3. EARNINGS PER SHARE ATTRIBUTABLE TO THE HAIN CELESTIAL GROUP, INC.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Numerator:				
Net income attributable to The Hain Celestial Group, Inc.	\$ 11,182	\$ 8,140	\$ 19,272	\$ 15,162
Denominator for basic earnings per share - weighted average shares outstanding during the period	40,774	40,464	40,737	40,344
Effect of dilutive stock options and unvested restricted stock	578	561	518	918
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	41,352	41,025	41,255	41,262
Basic net income per share	\$ 0.27	\$ 0.20	\$ 0.47	\$ 0.38
Diluted net income per share	\$ 0.27	\$ 0.20	\$ 0.47	\$ 0.37

Basic earnings per share excludes the dilutive effects of stock options and unvested restricted stock. Diluted earnings per share includes only the dilutive effects of common stock equivalents such as stock options and restricted stock. Anti-dilutive stock options, restricted stock and restricted stock units totaling 2,676 for the three months and 2,644 for the six months ended December 31, 2009 and 2,900 for the three months and 2,424 for the six months ended December 31, 2008 were excluded from our earnings per share calculations.

4. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss) are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Net income	\$ 11,182	\$ 8,789	\$ 19,272	\$ 15,555
Other comprehensive income (loss):				
Foreign currency translation adjustments, net	1,081	(25,311)	6,766	(36,906)
Unrealized gains (losses) on cash flow hedging instruments, net of tax	36	—	(654)	—
Change in unrealized loss on available-for-sale investment, net of tax	641	(400)	745	(400)
Comprehensive income (loss)	12,940	(16,922)	26,129	(21,751)
Comprehensive income attributable to the noncontrolling interest	—	(649)	—	(393)
Comprehensive income (loss) attributable to The Hain Celestial Group, Inc.	\$ 12,940	\$ (17,571)	\$ 26,129	\$ (22,144)

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

Accumulated other comprehensive income attributable to The Hain Celestial Group, Inc. consisted of the following:

	December 31, 2009	June 30, 2009
Foreign currency translation adjustment	\$ 9,079	\$2,313
Unrealized loss on available for sale securities	—	(745)
Deferred gains (losses) on hedging instruments	(453)	201
Total accumulated other comprehensive income	<u>\$ 8,626</u>	<u>\$1,769</u>

5. INVENTORIES

Inventories consisted of the following:

	December 31, 2009	June 30, 2009
Finished goods	\$ 111,865	\$103,458
Raw materials, work-in-progress and packaging	53,467	55,132
	<u>\$ 165,332</u>	<u>\$158,590</u>

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	December 31, 2009	June 30, 2009
Land	\$ 9,179	\$ 9,113
Buildings and improvements	37,506	35,151
Machinery and equipment	133,518	129,790
Furniture and fixtures	7,178	7,093
Leasehold improvements	3,386	3,528
Construction in progress	1,736	1,766
	<u>192,503</u>	<u>186,441</u>
Less: Accumulated depreciation and amortization	90,684	84,306
	<u>\$ 101,819</u>	<u>\$102,135</u>

7. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company performs its annual goodwill impairment test on the first day of its fiscal fourth quarter. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units below its carrying value, an interim test is performed. We recognized non-cash impairment charges for goodwill and other intangibles of \$52.6 million during the third quarter of fiscal 2009, which included \$49.6 million for goodwill, net of \$7.6 million attributed to the noncontrolling interest of our Hain Pure Protein joint venture, and \$3.0 million for other intangibles.

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

Changes in the carrying amount of goodwill for the six months ended December 31, 2009 were as follows:

Balance as of June 30, 2009	\$456,459
Translation adjustments, net	4,887
Balance as of December 31, 2009	<u>\$461,346</u>

In October 2009, the Company entered into an additional License and Promotion Agreement with Martha Stewart Living Omnimedia, Inc. (“MSLO”) for the use of the trademark Martha Stewart™ and the Martha Stewart name in connection with the marketing and sale of certain baking and pasta products. In connection with the license agreement, the Company issued 52,615 shares of its common stock to MSLO in exchange for the use of the trademark for the five-year term. The fair value of the shares issued was approximately \$1.0 million based on the market price of our common stock on the date of issuance and is being amortized on a straight-line basis over the initial five-year term. If certain sales targets are met, additional shares will be issued for a total value of up to \$9.0 million and the agreement will be extended for up to ten additional years. The Company is also required to pay royalties based on net sales and required to spend certain amounts on advertising and promotion of the products. Products contemplated by this agreement are expected to be launched beginning in fiscal 2010.

At December 31, 2009, included in trademarks and other intangible assets on the balance sheet is approximately \$11.7 million of intangible assets deemed to have a finite life, which are being amortized over their estimated useful lives. The following table reflects the components of trademarks and other intangible assets:

	<u>December 31, 2009</u>		<u>June 30, 2009</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Amortized intangible assets:				
Other intangibles	\$ 24,934	\$ 13,190	\$ 21,976	\$ 11,728
Non-amortized intangible assets:				
Trademarks	\$142,882	\$ 6,626	\$145,630	\$ 6,682

Amortization of intangible assets with finite lives amounted to \$1.5 million in the six months ended December 31, 2009. The expected aggregate amortization expense in each of the next five fiscal years is \$3.0 million in 2010, \$2.8 million in 2011, \$2.2 million in 2012, \$1.6 million in 2013 and \$0.7 million in 2014.

8. SENIOR NOTES AND CREDIT FACILITY

We have \$150 million in aggregate principal amount of 10 year senior notes due May 2, 2016, which were issued in a private placement. The notes bear interest at 5.98%, payable semi-annually on November 2nd and May 2nd. We also have a credit agreement which provides us with a \$250 million revolving credit facility (the “Credit Facility”) expiring in May 2011. The Credit Facility provides for an uncommitted \$100 million accordion feature, under which the facility may be increased to \$350 million. The Credit Facility and the notes are guaranteed by substantially all of our current and future direct and indirect domestic subsidiaries. Loans under the Credit Facility bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus an applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of December 31, 2009, there were \$85.0 million of borrowings outstanding under the Credit Facility. We are required by the terms of the Credit Facility and the notes to comply with customary affirmative and negative covenants for facilities and notes of this nature.

9. INCOME TAXES

The effective income tax rate was 37.2% and 38.0% for the first six months of fiscal 2010 and 2009, respectively. The 2010 and 2009 effective income tax rates differed from the federal statutory rate primarily due to the effect of state income taxes and the mix of pretax earnings by jurisdiction. Based upon a review of its deferred tax asset valuation allowances, in the second quarter of fiscal 2010, the Company determined that it is more likely than not that a portion of the deferred tax asset related to its U.S. foreign tax credits would be utilized, resulting in the release of approximately \$0.9 million of valuation allowances. There were no material changes in unrecognized tax benefits during the first six months of fiscal 2010.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(Continued)

10. STOCK BASED COMPENSATION

We have various stock based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees, consultants and non-employee directors.

During the six months ended December 31, 2009, 155,186 shares of restricted stock and restricted stock units were granted with an estimated grant date value of \$2.8 million. In addition, 173,289 stock options were granted with an estimated fair value of \$6.03 per share, using the Black-Scholes option pricing model based on a risk-free rate of 2.38%, expected volatility of 34.2%, an expected life of 4.75 years and a dividend yield of 0.0%.

The Company recorded stock based compensation expense of \$1.7 million for the three months ended December 31, 2009 and \$1.5 million for the three months ended December 31, 2008 and \$3.3 million for the six months ended December 31, 2009 and \$2.9 million for the six months ended December 31, 2008 in selling, general, and administrative expenses in its condensed consolidated statements of operations. At December 31, 2009, there was \$14.3 million of unrecognized stock based compensation expense, net of estimated forfeitures, which will be recognized over a weighted average period of approximately 1.6 years.

Stock Options

A summary of our stock option plans' activity for the six months ended December 31, 2009 is as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding June 30, 2009	5,568,667	\$ 20.64		
Granted	173,289	\$ 18.20		
Exercised	(48,050)	15.98		
Canceled and expired	(227,900)	22.48		
Options outstanding December 31, 2009	<u>5,466,006</u>	20.57	3.91	\$ 8,916
Options exercisable at December 31, 2009	<u>4,033,013</u>	\$ 21.38	3.17	\$ 4,629

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing stock price on the last day of trading in the six month period ended December 31, 2009 and the exercise price) that would have been received by the option holders had all options been exercised on December 31, 2009. This value will change based on the fair market value of the Company's common stock. During the first six months of fiscal year 2010, the cash received from stock option exercises was \$0.8 million. The intrinsic value of the stock options exercised and the tax benefit expected to be realized from the tax deductions for stock options exercised were not significant for the six months ended December 31, 2009.

Restricted Stock

Non-vested restricted stock awards at December 31, 2009 and activities during fiscal 2010 were as follows:

	<u>Number of Shares and Units</u>	<u>Weighted Average Grant Date Fair Value (per share)</u>
Non-vested restricted stock and units – June 30, 2009	489,878	\$ 21.73
Granted	155,186	\$ 18.23
Vested	(8,834)	\$ 21.31
Forfeited	(24,047)	\$ 16.75
Non-vested restricted stock and units – December 31, 2009	<u>612,183</u>	\$ 21.05

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

At December 31, 2009, \$8.7 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to non-vested restricted stock awards is expected to be recognized over a weighted-average period of approximately 1.5 years.

There were 6,410,806 shares of Common Stock reserved for future issuance in connection with stock based awards as of December 31, 2009.

11. RESTRUCTURING AND OTHER CHARGES

The Company periodically assesses its operations to ensure that they are efficient, aligned with market conditions and responsive to customer needs.

During the first quarter of fiscal 2010 we initiated a plan to consolidate the production of our fresh food-to-go products in the United Kingdom into our Luton facility. As a result, we recorded costs of \$2.9 million for the six months ended December 31, 2009 related to this plan, including \$2.6 for severance and benefits and \$0.3 million of other exit costs. In addition, during fiscal years 2009 and 2008, we implemented Stock Keeping Unit (“SKU”) rationalizations and initiated plans to streamline and integrate several of our other operations. The following table summarizes the changes in the liability for these reorganization and restructuring activities as of December 31, 2009:

	<u>Severance and Personnel Costs</u>	<u>Other Exit Costs</u>	<u>Total</u>
Accrued at July 1, 2009	\$ 319	\$ 120	\$ 439
Charged to expense in fiscal 2010	2,591	344	2,935
Amounts utilized	(2,619)	(443)	(3,062)
Accrued at December 31, 2009	<u>\$ 291</u>	<u>\$ 21</u>	<u>\$ 312</u>

12. EQUITY INVESTMENTS

At June 30, 2009, the Company owned a 48.7% equity interest in the Hain Pure Protein joint venture. This investment is accounted for under the equity method of accounting (see Note 2). Our investment in HPP of \$25.9 million and advances to HPP of \$20.3 million are included on the consolidated balance sheet in “Investment in and advances to equity-method investee.” The Company provided advances to HPP to finance its operations prior to its deconsolidation. As a result of the deconsolidation and HPP simultaneously entering into a separate credit agreement, the Company and HPP entered into a subordination agreement covering the outstanding advances. The subordination agreement allows for prepayments of the advances based on HPP’s meeting certain conditions under its separate credit facility. The advances are fully repayable no later than December 31, 2012.

In October 2009, the Company formed a joint venture, Hutchison Hain Organic Holdings Limited, with Hutchison China Meditech Ltd. (“Chi-Med”), a majority owned subsidiary of Hutchison Whampoa Limited, to market and distribute co-branded infant and toddler feeding products and market and distribute selected Hain Celestial brands in China and other markets. The Company’s investment in its 50% share of the joint venture totaled approximately \$0.1 million. Voting control of the joint venture is shared 50/50 between the Company and Chi-Med. The investment is being accounted for under the equity method of accounting. For the three months ended December 31, 2009, the joint venture’s results of operations were insignificant.

Available-For-Sale Securities

The Company has a less than 1% equity ownership interest in Yeo Hiap Seng Limited (“YHS”), a Singapore based natural food and beverage company listed on the Singapore Exchange, which is accounted for as an available-for-sale security. The cost basis of this available-for-sale security was \$7.9 million and the fair values were \$6.7 million at December 31, 2009 and \$6.7 million at June 30, 2009. The fair value of this investment is included in “Other assets” in the Company’s condensed consolidated balance sheets. During the second quarter of fiscal 2010, the Company determined that an other-than-temporary decline in the fair value of YHS occurred based upon various factors including the near-term prospects of YHS, the length of time the investment was in an unrealized loss position, and publicly available information about the industry and geographic region in which YHS operates and, accordingly recorded a loss of \$1.2 million on the write-down of this investment, which is included in “Interest and other expenses, net”.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(Continued)

13. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In accordance with ASC 820, the Company's financial assets and liabilities measured at fair value are required to be grouped in one of three levels. The levels prioritize the inputs used to measure the fair value of the assets or liabilities. These levels are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following table presents by level within the fair value hierarchy assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available for sale securities	\$6,696	\$ 6,696	—	—
Forward foreign currency contracts	(645)	—	(645)	—
Total	\$6,051	\$ 6,696	\$ (645)	—

The following table presents assets measured at fair value on a recurring basis as of June 30, 2009:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available for sale securities	\$6,686	\$ 6,686	—	—
Forward foreign currency contracts	290	—	\$ 290	—
Total	\$6,976	\$ 6,686	\$ 290	—

The carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values because of the relatively short-term maturity of these items.

Cash Flow Hedges

The Company primarily has exposure to changes in foreign currency exchange rates relating to certain anticipated cash flows from its international operations. To reduce that risk, the Company may enter into certain derivative financial instruments, when available on a cost-effective basis, to manage such risk. Derivative financial instruments are not used for speculative purposes.

Foreign Exchange contracts — The Company utilizes foreign currency contracts to hedge forecasted transactions, primarily intercompany transactions, on certain foreign currencies and designates these derivative instruments as foreign currency cash flow hedges when appropriate. The notional and fair value amounts of the Company's foreign exchange derivative contracts at December 31, 2009 were \$11.0 million and \$0.6 million of net liabilities. The fair value of these derivatives is included in accrued expenses on the Company's condensed consolidated balance sheet. For these derivatives, which qualify as hedges of probable forecasted cash flows, the effective portion of changes in fair value is temporarily reported in Accumulated Other Comprehensive Income ("OCI") and recognized in earnings when the hedged item affects earnings. These foreign exchange contracts have maturities over the next 12 months. There were \$13.5 million of notional amount and \$0.2 million of fair value net assets of foreign exchange derivative contracts outstanding at June 30, 2009.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)—(Continued)

The Company assesses effectiveness at the inception of the hedge and on a quarterly basis. These assessments determine whether derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of change in fair value is not deferred in accumulated OCI and is included in current period results. For the three months and six months ended December 31, 2009, the impact of hedge ineffectiveness on earnings was not significant. The Company will discontinue cash flow hedge accounting when the forecasted transaction is no longer probable of occurring on the originally forecasted date or when the hedge is no longer effective. There were no discontinued foreign exchange hedges for the six months ended December 31, 2009.

The impact on other comprehensive income from foreign exchange contracts that qualified as cash flow hedges was as follows:

	Six months ended December 31, 2009
Net carrying amount at July 1, 2009	\$ 201
Cash flow hedges deferred in OCI	(637)
Changes in deferred taxes	(18)
Net carrying amount at December 31, 2009	<u>\$ (454)</u>

14. LEGAL PROCEEDINGS

From time to time, we are involved in litigation incidental to the ordinary conduct of our business.

A purported shareholder derivative action was filed against the Company (solely as a nominal defendant) and certain current and former officers and directors on September 21, 2006 in the Supreme Court of the State of New York, County of Suffolk, alleging breaches of fiduciary duties and unjust enrichment in connection with the Company's past stock option practices. The plaintiff seeks unspecified damages, disgorgement of options, attorneys' fees and expenses, and other unspecified equitable relief from the defendants. A second purported shareholder derivative action was filed on October 31, 2006 in the same court, against substantially the same defendants and containing substantially the same allegations, adding a claim of breach of fiduciary duty. The two actions were consolidated by a Court Order dated March 3, 2008. The parties have entered into a Stipulation of Settlement dated as of October 9, 2009 which provides for the settlement and dismissal of the action. On November 2, 2009, the Court executed a Preliminary Approval Order preliminarily approving the Stipulation of Settlement and setting the settlement hearing date for February 11, 2010.

Disposition of pending litigation related to these matters is not expected by management to have a material adverse effect on our business, results of operations or financial condition.

15. SEGMENT INFORMATION

The Company is engaged in one business segment: the manufacturing, distribution and marketing of natural and organic products. We define business segments as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by our chief operating decision maker.

Outside the United States, we primarily conduct business in Canada and Europe. Selected information related to our operations by geographic area is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2009	2008	2009	2008
Net sales:				
United States (1)	\$ 191,772	\$ 261,742	\$ 371,919	\$ 488,864
Canada	15,768	13,161	30,970	28,338
Europe	34,427	37,317	69,562	81,802
	<u>\$ 241,967</u>	<u>\$ 312,220</u>	<u>\$ 472,451</u>	<u>\$ 599,004</u>
Earnings before income taxes:				
United States (1)	\$ 22,037	\$ 17,900	\$ 38,305	\$ 27,755
Canada	916	661	1,861	2,751
Europe	(5,043)	(4,274)	(8,829)	(5,307)
	<u>\$ 17,910</u>	<u>\$ 14,287</u>	<u>\$ 31,337</u>	<u>\$ 25,199</u>

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

	<u>December 31,</u> <u>2009</u>	<u>June 30,</u> <u>2009</u>
Long-lived assets:		
United States	\$ 688,727	\$693,122
Canada	59,802	54,183
Europe	25,387	27,060
	<u>\$ 773,916</u>	<u>\$774,365</u>

- (1) Includes net sales of \$61,458 and \$99,848 and earnings before income taxes of \$1,463 and \$888 for the three months and six months ended December 31, 2008, respectively, related to HPP, which was deconsolidated as of June 30, 2009. See Note 2.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the December 31, 2009 Condensed Consolidated Financial Statements and the related Notes contained in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended June 30, 2009. Forward-looking statements in this review are qualified by the cautionary statement included in this review under the sub-heading, "Note Regarding Forward Looking Information," below.

Overview

We manufacture, market, distribute and sell natural and organic products, under brand names which are sold as "better-for-you" products, providing consumers with the opportunity to lead A Healthy Way of Life™. We are a leader in many natural food and personal care products categories, with an extensive portfolio of well known brands. We operate in one segment, the manufacturing, distribution, marketing and sale of natural and organic products, including food, beverage and personal care products. Our business strategy is to integrate all of our brands under one management team and employ a uniform marketing, sales and distribution program. Our products are sold to specialty and natural food distributors, as well as to supermarkets, natural food stores, and other retail classes of trade including mass-market retailers, drug store chains, food service channels and club stores. We manufacture internationally and our products are sold in more than 50 countries. Our brand names are well recognized in the various market categories they serve.

We have acquired numerous brands since our formation and we intend to seek future growth through internal expansion as well as the acquisition of complementary brands. We consider the acquisition of natural and organic food and personal care products companies and product lines an integral part of our business strategy. We believe that by integrating our various brands, we will achieve economies of scale and enhanced market penetration. We seek to capitalize on our brand equity and the distribution achieved through each of our acquired businesses with strategic introductions of new products that complement existing lines to enhance revenues and margins. Our continuing investments in the operational performance of our business units and our focused execution on cost containment, productivity, cash flow and margin enhancement positions us to offer innovative new products with healthful attributes and enables us to build on the foundation of our long-term strategy of sustainable growth. We are committed to creating and promoting A Healthy Way of Life™ for the benefit of consumers, our customers, shareholders and employees.

The economic challenges and uncertainties experienced in the United States as well as the rest of the world have persisted since our fiscal 2009 second quarter. We continued to experience challenging industry conditions during the first two quarters of 2010 due to the global economic slowdown. The general economic conditions, increased unemployment and lower consumer confidence continue to negatively affect consumer demand and result in changes in consumers' spending habits, which can impact our customers and our sales. These conditions have led to significant distributor and retailer destocking, which had, and may continue to have, an adverse impact on our business. We continue to address these unfavorable external influences by seeking to provide consumers with better value and quality products.

Despite these challenging conditions, our results in the United States and Canada continued to reflect the strength of our brands and our focus on performance. We experienced significant inventory reductions initiated by two large distributors, the impact of which we were able to partially offset with increased sales in other channels. We are encouraged by recently published independent syndicated consumption data (consumption data measures sales scanned through cash registers at retail) and similar information provided directly by retailers indicating that our consumption trends at certain retailers are improving. We monitor consumption trends as part of the total mix of information used to evaluate expectations of future sales. We improved profitability through productivity initiatives and we continued to manage our balance sheet to improve our cash flows. The global economic challenges have also impacted our business in Europe, where sales in the United Kingdom declined in the three and six month periods ended December 31, 2009 from the prior year comparable periods primarily as a result of the phasing out of the supply of fresh sandwiches to Marks and Spencer, a major retailer. We completed the consolidation of our Daily Bread production activities into our Luton facility, which was initiated during our first fiscal quarter, resulting in a reduction of our manufacturing costs and setting the groundwork for future opportunities.

While we cannot predict the continuing magnitude and duration of the economic downturn or its impact on the demand for our products, we believe that we will continue to derive benefits from new, innovative products, seeking to provide consumers with healthful, "better-for-you" products at reasonable prices.

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We continued our focus on generating cash and maintaining a strong balance sheet with ample liquidity. During the first six months of fiscal 2010, we repaid \$23.3 million of borrowings under our credit facility. During the 12 months ended December 31, 2009 we have repaid a total of \$82.0 million.

Our corporate website is www.hain-celestial.com. The information contained on our website is not, and shall not be deemed to be, a part of this report or incorporated into any of our other filings made with the Securities and Exchange Commission ("SEC").

Factor Affecting Comparability

As of June 30, 2009, the then minority owner of Hain Pure Protein Corp. ("HPP") acquired a controlling interest in the joint venture through the purchase of newly issued shares. As a result, the Company's equity interest was reduced to 48.7% and, effective June 30, 2009, the Company deconsolidated HPP and began accounting for its investment in HPP under the equity method of accounting. Beginning on July 1, 2009, the revenues and expenses of HPP are no longer consolidated and the Company's 48.7% share of HPP's results are reported as a separate line on the condensed consolidated statement of operations. The Company's condensed consolidated statements of operations for all periods prior to July 1, 2009 include the revenues and expenses of HPP.

Results of Operations

Three months ended December 31, 2009

Net sales for the three months ended December 31, 2009 were \$242.0 million compared to \$312.2 million for the three months ended December 31, 2008, a decrease of \$70.2 million, which includes the impact of deconsolidating \$61.5 million of HPP sales reported in the prior year quarter. Stronger foreign currencies relative to the year ago quarter increased our reported sales by approximately \$4.8 million or 2.0%. Sales in North America, excluding the impact of deconsolidating HPP, decreased \$5.9 million, or 2.8%, from the year ago quarter. The decrease in sales resulted primarily from distributor destocking and the Celestial Seasonings SKU rationalization implemented in the fourth quarter of fiscal 2009. This decrease was partially offset by sales increases in other channels, the initial sales of the Martha Stewart Clean brand, and the commencement of sales to our new Hong Kong joint venture which we expect will expand the distribution of our global brands in Asia. Our sales in Canada increased 3.0% in local currency and were up 19.8% in U.S. dollars as a result of the favorable exchange rate movement. Sales in Europe decreased \$2.9 million, or 7.8%, which reflects an \$8.8 million decrease due to the phasing out of production of fresh sandwiches for Marks and Spencer. This was partially offset by increased sales of our Linda McCartney frozen meat-free brand in the United Kingdom and increased sales, principally for our Lima brand, at our continent-based operations.

Gross profit for the three months ended December 31, 2009 was \$69.9 million, a decrease of \$0.5 million from last year's quarter. Gross profit as a percentage of net sales was 28.9% for the three months ended December 31, 2009 compared to 22.5% of net sales for the December 31, 2008 quarter. The increase in gross profit percentage was attributable to a less volatile and more normalized input cost environment when compared to the high input cost inflation experienced in the prior year, as well as improvements in productivity. The gross profit percentage also improved as a result of the deconsolidation of HPP, which impacted the prior year's gross profit percentage by approximately 370 basis points.

Selling, general and administrative expenses decreased by \$2.8 million, or 5.5%, to \$47.2 million for the three months ended December 31, 2009 compared to \$50.0 million in the December 31, 2008 quarter. Selling, general and administrative expenses have decreased primarily as a result of the savings from the cost reduction initiatives we implemented last year, decreased professional fees related to the completed review of our past stock option practices and the deconsolidation of HPP. Selling, general and administrative expenses in fiscal 2009 also included a \$1.4 million charge to settle a personal injury litigation matter. Selling, general and administrative expenses as a percentage of net sales increased to 19.5% in the second quarter of fiscal 2010 as compared to 16.0% in the second quarter of last year as a result of the decrease in net sales and the deconsolidation of HPP. HPP's lower selling, general and administrative expense ratio impacted the fiscal 2009 three month period by 310 basis points.

We incurred approximately \$1.2 million of additional restructuring expenses in this year's second quarter related to the consolidation of our Daily Bread production activities into our Luton, United Kingdom facility. In the second quarter of fiscal 2009, we incurred approximately \$0.9 million of severance costs related to actions taken in several of our United States locations.

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Operating income was \$21.6 million for the three months ended December 31, 2009 compared to \$19.5 million in the December 31, 2008 quarter. The increase in operating income resulted primarily from the decrease in our selling, general and administrative expenses. Operating income as a percentage of net sales was 8.9% in the December 31, 2009 quarter compared with 6.3% in the December 31, 2008 quarter.

Interest and other expenses, net were \$3.5 million for the three months ended December 31, 2009 compared to \$5.2 million for the three months ended December 31, 2008. Interest expense totaled \$2.5 million in this year's second quarter, which was primarily related to interest on the \$150 million of 5.98% senior notes outstanding and interest related to borrowings under our revolving credit facility. Interest expense in last year's second quarter was approximately \$4.3 million. The decrease in interest expense resulted from a combination of lower borrowings under our revolving credit facility and lower interest rates. Included in other expenses for the three months ended December 31, 2009 is a \$1.2 million non-cash impairment charge for an other-than-temporary decline in the fair value of our investment in the shares of Yeo Hiap Seng Limited, a Singapore-based natural food and beverage company listed on the Singapore stock exchange.

Our equity in the net loss from our investment in HPP was \$0.1 million. In the prior year, HPP's results were consolidated into the Company's results.

Income before income taxes for the three months ended December 31, 2009 amounted to \$17.9 million compared to \$14.3 million in the comparable period of the prior year.

Our effective income tax rate was 37.3% of pre-tax income for the three months ended December 31, 2009 compared to 38.5% for the three months ended December 31, 2008. In the second quarter of fiscal 2010 the Company determined that it is more likely than not that a portion of its deferred tax assets related to its U. S. foreign tax credits would be utilized, resulting in the release of approximately \$0.9 million of valuation allowances. The effective tax rate for the second quarter of fiscal 2010 was lower than the comparable period of the prior year as a result of changes in geographic income distribution and the deconsolidation of HPP. The effective rate differs from statutory rates due to the effect of state and local income taxes, tax rates in foreign jurisdictions and certain nondeductible expenses. Our effective tax rate may change from quarter to quarter based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes and tax audit settlements.

Net income attributable to The Hain Celestial Group, Inc. for the three months ended December 31, 2009 was \$11.2 million compared to \$8.1 million in the December 31, 2008 quarter. The increase of \$3.1 million in earnings was attributable to the factors noted above.

Six months ended December 31, 2009

Net sales for the six months ended December 31, 2009 were \$472.5 million compared to \$599.0 million for the six months ended December 31, 2008, a decrease of \$126.5 million, which includes the impact of deconsolidating \$99.8 million of HPP sales reported in the prior year six month period. Sales in North America, excluding the impact of deconsolidating HPP, decreased \$14.5 million, or 3.5%, from the year ago six month period. The decrease in sales resulted from a number of factors, including increased promotional spending, which is targeted at increasing consumption, distributor and retailer destocking, the Celestial Seasonings SKU rationalization implemented in the fourth quarter of fiscal 2009 and decreased sales of our personal care products into the chain drug channel. These decreases were partially offset by sales increases in other channels, the initial sales of the Martha Stewart Clean brand, and the commencement of sales to our new Hong Kong joint venture which we expect will expand the distribution of our global brands in Asia. Additionally, our sales in Canada increased approximately 4.3% in local currency and 9.3% in U.S dollars. Sales in Europe decreased \$12.2 million, or 15.0%, as a result of the phasing out of production of fresh sandwiches for Marks and Spencer in the United Kingdom. That reduction was partially offset by increased sales of our Linda McCartney frozen meat-free brand in the United Kingdom and increased sales of our Lima brand, as well as our global brands such as non-dairy beverages and Celestial Seasonings, by our continent-based operations.

Gross profit for the six months ended December 31, 2009 was \$131.7 million, a decrease of \$7.5 million from last year's comparable period. Gross profit as a percentage of net sales was 27.9% for the six months ended December 31, 2009 compared to 23.2% of net sales for the six months ended December 31, 2008. The increase in gross profit percentage was primarily attributable to lower input costs and productivity improvements in the United States and the deconsolidation of HPP, which impacted the prior year's gross profit percentage by approximately 333 basis points.

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Selling, general and administrative expenses decreased by \$13.5 million, or 13.1%, to \$89.8 million for the six months ended December 31, 2009 compared to \$103.3 million for the six months ended December 31, 2008. Selling, general and administrative expenses have decreased primarily as a result of the savings from the cost reduction initiatives we implemented last year, decreased professional fees related to the completed review of our past stock option practices and the deconsolidation of HPP. Selling, general and administrative expenses in fiscal 2009 also included a \$1.4 million charge to settle a personal injury litigation matter. Selling, general and administrative expenses as a percentage of net sales increased to 19.0% in the first six months of fiscal 2010 as compared to 17.2% in the first six months of last year as a result of the decrease in net sales and the deconsolidation of HPP. HPP's lower selling, general and administrative expense ratio impacted the fiscal 2009 six month period by 250 basis points.

We incurred approximately \$2.9 million of restructuring expenses in this year's first six months related to the consolidation of our Daily Bread production activities into our Luton, United Kingdom facility. In the first six months of fiscal 2009, we incurred approximately \$1.5 million of severance costs related to actions taken in several of our United States locations.

Operating income was \$39.0 million for the six months ended December 31, 2009 compared to \$34.4 million in the year ago period. The increase in operating income resulted primarily from the decrease in our selling, general and administrative expenses. Operating income as a percentage of net sales was 8.3% in the six months ended December 31, 2009 compared with 5.7% for the six months ended December 31, 2008.

Interest and other expenses, net were \$6.6 million for the six months ended December 31, 2009 compared to \$9.2 million for the six months ended December 31, 2008. Interest expense totaled \$5.2 million in this year's first six months, which was primarily related to interest on the \$150 million of 5.98% senior notes outstanding and interest related to borrowings under our revolving credit facility. Interest expense in last year's first six months was approximately \$8.0 million. The decrease in interest expense resulted from a combination of lower borrowings under our revolving credit facility and lower interest rates. Included in other expenses for the six months ended December 31, 2009 is a \$1.2 million non-cash impairment charge for an other-than-temporary decline in the fair value of our investment in the shares of Yeo Hiap Seng Limited, a Singapore-based natural food and beverage company listed on the Singapore stock exchange.

Our equity in the net loss from our investment in HPP was \$1.1 million. In the prior year, HPP's results were consolidated into the Company's results.

Income before income taxes for the six months ended December 31, 2009 amounted to \$31.3 million compared to \$25.2 million in the comparable period of the prior year.

Our effective income tax rate was 37.2% of pre-tax income for the six months ended December 31, 2009 compared to 38.3% for the six months ended December 31, 2008. In the second quarter of fiscal 2010 the Company determined that it is more likely than not that a portion of its deferred tax assets related to its U. S. foreign tax credits would be utilized, resulting in the release of approximately \$0.9 million of valuation allowances. The effective tax rate for the first half of fiscal 2010 was lower than the comparable period of the prior year as a result of changes in geographic income distribution and the deconsolidation of HPP. The effective rate differs from statutory rates due to the effect of state and local income taxes, tax rates in foreign jurisdictions and certain nondeductible expenses. Our effective tax rate may change from quarter to quarter based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes and tax audit settlements.

Net income attributable to The Hain Celestial Group, Inc. for the six months ended December 31, 2009 was \$19.3 million compared to \$15.2 million for the six months ended December 31, 2008. The increase of \$4.1 million in earnings was attributable to the factors noted above.

Liquidity and Capital Resources

We finance our operations and growth primarily with the cash flows we generate from our operations and from both long-term fixed-rate borrowings and borrowings available to us under our Credit Facility.

Our cash balance was \$26.8 million at December 31, 2009, a decrease of \$14.6 million from the end of fiscal 2009. Net cash provided by operating activities was \$10.8 million for the six months ended December 31, 2009 compared to net cash used by operating activities of \$16.9 million for the six months ended December 31, 2008. The increase in cash provided by operations in the first six months of fiscal 2010 resulted primarily from an improvement in the changes in operating assets

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and liabilities of approximately \$24.2 million as compared to the prior year period. The change in operating assets and liabilities primarily resulted from improved inventory management. Our inventories increased approximately \$6.7 million in the first six months of the current fiscal year but were \$47.4 million, including \$33.6 million as a result of the HPP deconsolidation, lower than a year ago. The current fiscal year's activity includes a seasonal increase of ingredients to support sales of our products, such as tea and soup, which increase in the cooler months. Our working capital increased to \$219.9 million at December 31, 2009 compared with \$212.6 million at June 30, 2009.

In the six months ended December 31, 2009, we used \$3.2 million of cash in investing activities. This consisted of \$4.9 million of capital expenditures, which was partially offset by \$2.0 million of repayments of advances received from HPP. We used \$6.0 million of cash in investing activities in the six months ended December 31, 2008, primarily for capital expenditures.

Net cash of \$22.6 million was used in financing activities for the six months ended December 31, 2009 compared to \$16.7 million provided by financing activities for the six months ended December 31, 2008. The change was due principally to a decrease in the proceeds from exercises of stock options to \$0.8 million in the six months ended December 31, 2009 from \$5.3 million in the six months ended December 31, 2008 and \$23.3 million of borrowings repaid under our Credit Facility for the six months ended December 31, 2009 compared to \$11.5 million of drawings made during the six months ended December 31, 2008.

We maintain our cash and cash equivalents primarily in money market funds or their equivalent. As of December 31, 2009, all of our investments mature in less than three months. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

We have outstanding \$150 million in aggregate principal amount of 10-year senior notes due May 2, 2016, issued in a private placement. The notes bear interest at 5.98%, payable semi-annually on November 2nd and May 2nd. We also have a credit agreement which provides us with a \$250 million revolving credit facility (the "Credit Facility") expiring in May 2011. The Credit Facility provides for an uncommitted \$100 million accordion feature, under which the facility may be increased to \$350 million. The Credit Facility and the notes are guaranteed by substantially all of our current and future direct and indirect domestic subsidiaries. Loans under the Credit Facility bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus an applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of December 31, 2009, there were \$85.0 million of borrowings outstanding under the Credit Facility. We are required by the terms of the Credit Facility and the notes to comply with customary affirmative and negative covenants for facilities and notes of this nature.

We believe that our cash on hand of \$26.8 million at December 31, 2009, projected cash flows from operations and availability under our credit facility are sufficient to fund our currently anticipated working capital needs, capital spending and other expected cash requirements for at least the next twelve months.

Off Balance Sheet Arrangements

At December 31, 2009, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K that have had or are likely to have a material current or future effect on our financial statements.

Critical Accounting Policies and Estimates

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 applied. The accounting policies that have been identified as critical to our business operations and understanding the results of our operations pertain to revenue recognition and sales incentives, valuation of accounts and chargebacks receivable, inventories, property, plant and equipment, accounting for acquisitions, stock based compensation, segments and goodwill and intangible assets. The application of each of these critical accounting policies and estimates was discussed in Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2009. During the first quarter of fiscal 2010 we adopted the revised FASB pronouncement for business combinations which will affect our accounting for acquisitions policy. See Note 2 to the Condensed Consolidated Financial Statements included in Item 1. There have been no other significant changes in the application of our critical accounting policies or estimates during fiscal 2010.

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Seasonality

Our tea brand primarily manufactures and markets 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. In addition, some of our other products (e.g., baking and cereal products and soups) also show stronger sales in the cooler months while our snack food and certain of our prepared food product lines are stronger in the warmer months. In years where there are warm winter seasons, our sales of cooler weather products, which typically increase in our second and third fiscal quarters, may be negatively impacted.

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, inclement weather 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.

Inflation

Inflation may cause increased ingredient, fuel, labor and benefits. For more information regarding ingredient costs, see Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk - Ingredient Inputs Price Risk, of the Company's Annual Report on Form 10-K for the year ended June 30, 2009. To the extent permitted by competition, we seek to recover increased costs through a combination of price increases, new product innovation and by implementing process efficiencies and cost reductions.

Note Regarding Forward Looking Information

Certain statements contained in this Quarterly Report constitute "forward-looking statements" within the meaning of Rule 3b-6 of the Securities Exchange Act of 1934. 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:

- our ability to achieve our guidance for sales and earnings per share in fiscal year 2010 given the recessionary environment in the U.S. and other markets that we sell products as well as economic and business conditions generally and their effect on our customers and consumers' product preferences, and our business, financial condition and results of operations;
- changes in estimates or judgments related to our impairment analysis of goodwill and other intangible assets;
- our ability to implement our business and acquisition strategy, including our strategy for improving results in Europe;
- the ability of our joint venture investments, including HPP, to successfully execute their business plans;
- our ability to realize sustainable growth generally and from investments in core brands, offering new products and our focus on cost containment, productivity, cash flow and margin enhancement in particular;
- our ability to effectively integrate our acquisitions;
- competition;
- the success and cost of introducing new products as well as our ability to increase prices on existing products;
- availability and retention of key personnel;
- our reliance on third party distributors, manufacturers and suppliers;
- our ability to maintain existing contracts and secure and integrate new customers;
- our ability to respond to changes and trends in customer and consumer demand, preferences and consumption;

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- international sales and operations;
- changes in fuel and commodity costs;
- the continuing adverse effects on our results of operations from the impacts of foreign exchange;
- the resolution of the civil litigation regarding our stock option practices;
- changes in, or the failure to comply with, government regulations; and
- other risks detailed from time-to-time in the Company's reports filed with the SEC, including the annual report on Form 10-K, for the fiscal year ended June 30, 2009 and the quarterly report on Form 10-Q for the quarter ended September 30, 2009.

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 significant changes in market risk for the six months ended December 31, 2009 from those addressed in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009. See the information set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2009.

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 as of the end of the period covered by this report. Based upon this review, these officers concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

There was no change in our internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

<u>Period</u>	(a) <u>Total number of shares purchased</u>	(b) <u>Average price paid per share</u>	(c) <u>Total number of shares purchased as part of publicly announced plans</u>	(d) <u>Maximum number of shares that may yet be purchased under the plans⁽²⁾</u>
October 2009	98 ⁽¹⁾	\$ 19.44	—	900,300
November 2009	—	—	—	900,300
December 2009	—	—	—	900,300
Total	<u>98</u>	<u>\$ 19.44</u>	—	<u>900,300</u>

- (1) Shares surrendered for payment of employee payroll taxes due on shares issued under stockholder approved stock based compensation plans.
- (2) The Company's plan to repurchase up to one million shares of its common stock was first announced publicly on a conference call on August 29, 2002. At March 31, 2005, there remained authorization to repurchase 545,361 shares of our common stock. Effective April 18, 2005, the Board of Directors voted to refresh the authorization of shares to be repurchased to a total of one million, of which 99,700 were subsequently repurchased.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Stockholders was held on November 19, 2009. The Company submitted the following matters to a vote of security holders:

- To elect all of the director nominees to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified;
- To approve the adoption of an Executive Incentive Plan intended to comply with Section 162(m) of the Internal Revenue Code;
- To vote, on an advisory basis, for the compensation awarded to the named executive officers for the fiscal year ended June 30, 2009 as set forth in the summary compensation table of the 2009 proxy statement;
- To approve an amendment of the Amended and Restated 2002 Long-term Incentive and Stock Award Plan; and
- To ratify the appointment of Ernst & Young LLP as our registered independent accountants for the fiscal year ending June 30, 2010.

The stockholders elected the persons named below, the Company's nominees, as directors of the Company, casting votes as shown below:

<u>ELECTION OF DIRECTORS</u>	<u>FOR</u>	<u>WITHHELD</u>
Irwin D. Simon	32,657,981	2,138,653
Barry J. Alperin	32,944,384	1,852,250
Richard C. Berke	30,935,484	3,861,150
Beth L. Bronner	30,259,472	4,537,162
Jack Futterman	32,179,442	2,617,192
Daniel R. Glickman	33,377,071	1,419,563
Marina Hahn	32,932,033	1,864,601
Roger Meltzer	31,238,756	3,557,878
Lewis D. Schiliro	32,113,474	2,683,160
Lawrence S. Zilavy	32,511,919	2,284,715

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The stockholders approved the adoption of an Executive Incentive Plan intended to comply with Section 162(m) of the Internal Revenue Code, casting 27,428,930 votes in favor, 2,591,013 votes against, 58,369 abstaining and 4,718,322 not voted.

The stockholders approved, on an advisory basis, the compensation awarded to the named executive officers for the fiscal year ended June 30, 2009 as set forth in the summary compensation table of the 2009 proxy statement, casting 28,573,420 votes in favor, 6,088,985 votes against and 134,229 abstaining.

The stockholders approved the amendment of the Amended and Restated 2002 Long-term Incentive and Stock Award Plan, casting 22,772,010 votes in favor, 7,238,539 votes against, 67,763 abstaining and 4,718,322 not voted.

The stockholders ratified the appointment of Ernst & Young LLP, casting 33,780,470 votes in favor, 926,680 votes against, and 89,484 abstaining.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1	Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on November 25, 2009).
10.2	2010-2014 Executive Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on November 25, 2009).
10.3	Form of Change in Control Agreement. (a)
10.4	Form of Stock Option Agreement under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan. (a)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. (a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. (a)
32.1	Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (a)
32.2	Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (a)

(a) - Filed herewith

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 9, 2010

/s/ IRWIN D. SIMON

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

Date: February 9, 2010

/s/ IRA J. LAMEL

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

CHANGE IN CONTROL AGREEMENT

THIS CHANGE IN CONTROL AGREEMENT dated as of [] (this “**Agreement**”), is made by and between The Hain Celestial Group, Inc., a Delaware corporation having its principal offices at 58 South Service Road, Melville, NY 11747 (the “**Company**”), and [] (the “**Executive**”).

WHEREAS, the Company considers it essential to the best interest of its shareholders to foster the continued employment of key executive management personnel; and

WHEREAS, the Board of Directors of the Company (the “**Board**”) recognizes that, as is the case with many publicly-held corporations, the possibility of a Change in Control (as defined below) of the Company exists from time to time and that such possibility, and the uncertainty, instability and questions which it may raise for and among key executive management personnel, may result in the premature departure or significant distraction of such management personnel to the material detriment of the Company and its stockholders; and

WHEREAS, the Board has determined that appropriate steps should be taken to reinforce, focus and encourage the continued attention and dedication of key members of the executive management of the Company and its subsidiaries, including (without limitation) the Executive, to their assigned duties without distraction in the face of potentially disturbing or unsettling circumstances arising from the possibility of a Change in Control of the Company

NOW THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Company and the Executive hereby agree as follows:

1. **Definitions.** For purposes of this Agreement, the following terms have the meanings set forth below:

1.1 “**Annual Base Salary**” shall mean the Executive’s rate of regular base annual compensation prior to any reduction under a salary reduction agreement pursuant to section 401(k) or section 125 of the Internal Revenue Code of 1986, as amended from time to time (the “**Code**”), and shall not include (without limitation) cost of living allowances, fees, retainers, reimbursements, bonuses, incentive awards, prizes or similar payments.

1.2 “**Cause**” for termination by the Company or any subsidiary of the Executive’s employment, after any Change in Control, shall mean (i) the willful and continued failure by the Executive to substantially perform the Executive’s duties with the Company, or a subsidiary of the Company, as such duties may reasonably be defined from time to time by the Board (or a duly designated and authorized committee thereof), or to abide by the reasonable written policies of the Company or of the Executive’s primary employer (other than any such failure resulting from the Executive’s incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination by the Executive for Good Reason pursuant to Section 4.1) after a written demand for substantial performance is delivered

to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties or has not abided by any reasonable written policies, or (ii) the continued and willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise. For purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive in bad faith and without reasonable belief that the Executive's act, or failure to act, was in the best interests of the Company or its subsidiaries.

1.3 "**Change in Control**" shall mean and be deemed to have occurred if:

(i) the acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) of 50% or more of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1.3(i), the following acquisitions shall not constitute a Change of Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board (as defined below), (B) any acquisition by the Company of Voting Stock of the Company or (C) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination (as defined below) that complies with clauses (A), (B) and (C) of Section 1.3(iii) below; or

(ii) during any period of one (1) year beginning on or after the date hereof, individuals who, as of the date hereof, constitute the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a member of the Board (a "**Director**") subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger or consolidation, a sale or other disposition of all or substantially all of the assets of the Company, or other transaction (each, a "**Business Combination**"), unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the

same proportions relative to each other as their ownership, immediately prior to such Business Combination, (B) no Person (other than the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) the stockholders of the Company approve (a) the sale or disposition by the Company (other than to a subsidiary of the Company) of all or substantially all of the assets of the Company, or (b) a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, with respect to a termination of the Executive's employment with the Company that occurs prior to a Change in Control pursuant to Section 3.1(b), (c) or (d), Change in Control shall mean and be deemed to have occurred if:

(i) the acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act of 50% or more of the combined voting power of the then outstanding Voting Stock of the Company; provided, however, that for purposes of this Section 1.3(i), the following acquisitions shall not constitute a Change of Control: (A) any issuance of Voting Stock of the Company directly from the Company that is approved by the Incumbent Board, (B) any acquisition by the Company of Voting Stock of the Company or (C) any acquisition of Voting Stock of the Company by any Person pursuant to a Business Combination that complies with clauses (A), (B) and (C) of Section 1.3(iii) below; or

(ii) during any period of one (1) year beginning on or after the date hereof, the Incumbent Board ceases for any reason to constitute at least a majority of the Board; provided, however, that any Director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the Directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be deemed to have been a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a Business Combination, unless, in each case, immediately following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of Voting Stock of the Company immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding shares of Voting Stock of the

entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to such Business Combination, (B) no Person (other than the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Combination and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination.

Notwithstanding anything herein to the contrary, an event shall not be considered to be a Change in Control for purposes of Sections 3.1(b), (c) and (d) unless such event is also a "change in the ownership of the corporation," a "change in the effective control of a corporation" or a "change in the ownership of a substantial portion of a corporation's assets" of the Company within the meaning of Section 409A of the Code.

1.4 "**Company**" shall mean The Hain Celestial Group, Inc. and any successor to its business and/or assets which assumes (either expressly, by operation of law or otherwise) and/or agrees to perform this Agreement by operation of law or otherwise (except in determining, under Section 1.3 hereof, whether or not any Change in Control of the Company has occurred in connection with such succession).

1.5 "**Disability**" shall mean and be deemed the reason for the termination by the Executive of the Executive's employment, if, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from the full-time performance of the Executive's duties for a period of three (3) consecutive months.

1.6 "**Good Reason**" for termination by the Executive of the Executive's employment in connection with or as a result of any Change in Control shall mean the occurrence (without the Executive's prior express written consent) of any one of the following acts, or failures to act, unless, in the case of any act or failure to act described in clauses (i), (iv) or (v) below, such act or failure to act is corrected by the Company or any subsidiary prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(i) the assignment to the Executive of any duties or responsibilities inconsistent with the Executive's most significant position(s) (including without limitation status, offices, titles and reporting responsibilities/rights) as an executive officer of the Company and/or a subsidiary held during the one hundred eighty (180) day period immediately preceding any related Potential Change in Control, or a substantial adverse alteration of the Executive's position or title(s) with the Company or any subsidiary or in the nature of such status, offices, titles and reporting responsibilities/rights;

(ii) a reduction in the Executive's Annual Base Salary as in effect on the date of this Agreement or as the same may be increased at any time thereafter and from time to time;

(iii) the relocation of the Company's principal executive offices to a location more than thirty (30) miles from its location on the date of this Agreement (or, if different, more than thirty (30) miles from where such offices are located immediately prior to any Potential Change of Control) or the Company's requiring the Executive to be based anywhere other than the location where the Executive is performing his duties immediately prior to any Potential Change in Control, except for required travel on the Company's business to an extent substantially consistent with the Executive's business travel obligations as of the date of the Potential Change in Control;

(iv) any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(v) a material reduction in the aggregate in the Executive's participation in the Company's or a subsidiary's employee benefit plans as in effect on the date immediately prior to any Potential Change in Control; and/or

(vi) any purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 4.1.

1.7 "**Person**" shall have the meaning ascribed thereto in Section 3(a)(9) of the Exchange Act, as modified, applied and used in Sections 13(d) and 14(d) thereof; provided, however, a Person shall not include (i) the Company or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries (in its capacity as such), (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation or other entity owned, directly or indirectly, by the stockholders of the Company in substantially the same character and proportions as their ownership of stock of the Company.

1.8 "**Potential Change in Control**" shall mean and be deemed to have occurred if:

(i) the Company enters into an agreement the consummation of which would result in the occurrence of a Change in Control;

(ii) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred; and/or

(iii) any Person becomes, after the date hereof, the Beneficial Owner, directly or indirectly, of securities of the Company representing twenty five percent (25%) or more of the combined voting power of the Company's then outstanding securities, or any Person increases such Person's beneficial ownership of such securities by five (5) percentage points or more over the percentage so owned by such Person on the date hereof.

1.9 “**Voting Power**” means securities entitled to vote generally in the election of directors.

1.10 “**Window Period**” shall mean the thirteen (13) month period following a Change in Control.

2. **Term of this Agreement.** This Agreement shall commence on the date hereof and shall continue in effect as long as the Executive is employed by the Company, provided, however, that if (i) a Change in Control shall have occurred during the Executive’s employment with the Company, this Agreement shall continue in effect until the termination of the applicable Window Period, or (ii) if a Potential Change in Control shall have occurred during the Executive’s employment with the Company, this Agreement shall continue in effect until one (1) year after the Executive’s termination of employment with the Company (the “**Term**”).

3. **Severance Payments.**

3.1 **Severance.** The Company shall pay the Executive the payments and benefits described in Sections 3.1.1 through 3.1.4 (the “**Severance Payments**”) (a) upon the termination of the Executive’s employment with the Company during the Window Period (including, but not limited to, the Executive’s termination of employment for Good Reason, death or Disability), unless such termination is (i) by the Company for Cause, or (ii) by the Executive without Good Reason; (b) if the Executive reasonably demonstrates that the Executive’s employment was terminated prior to a Change in Control without Cause (i) at the request of a Person who has entered into an agreement with the Company the consummation of which will constitute a Change in Control (or who has taken other steps reasonably calculated to effect a Change in Control) or (ii) otherwise in connection with, as a result of or in anticipation of a Change in Control and such Change in Control actually occurs within one (1) year after the Date of Termination; (c) if the Executive terminates his employment for Good Reason prior to a Change in Control and the Executive reasonably demonstrates that the circumstance(s) or event(s) which constitute such Good Reason occurred (i) at the request of such Person or (ii) otherwise in connection with, as a result of or in anticipation of a Change in Control and such Change in Control actually occurs within one (1) year after the Date of Termination; or (d) if the Executive dies or is terminated due to Disability, in each case, after the occurrence of a Potential Change in Control and the related Change in Control actually occurs within one (1) year after the Date of Termination or the date of death, as the case may be. The Executive’s right to terminate the Executive’s employment for Good Reason shall not be affected by the Executive’s incapacity due to physical or mental illness. The Executive’s continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

3.1.1 In lieu of any further salary and bonus payments to the Executive for periods subsequent to the Date of Termination, the Company shall pay to the Executive within thirty (30) days following the Date of Termination (with respect to Section 3.1(a)) or the

Change in Control (with respect to Sections 3.1(b), (c) and (d)): (i) a lump sum severance payment in cash equal to (x) []¹ times the Annual Base Salary applicable as of the Change in Control, and (y) [] times the average of the annual bonus amounts paid or payable to the Executive in the three fiscal years immediately preceding the fiscal year in which the Change in Control occurs, and (ii) all unpaid accrued vacation through the Date of Termination in accordance with the Company's plans and practices in effect immediately prior to the Change in Control, provided that such unpaid vacation has been accrued on the books and records of the Company prior to the Date of Termination.

3.1.2 After the Date of Termination (with respect to Section 3.1(a)) or the Change in Control (with respect to Sections 3.1(b), (c) and (d)), the Company shall continue to provide the Executive and/or the Executive's dependents, as the case may be, with (i) life, disability, accident and health insurance benefits ("**Benefits Coverage**") substantially similar to those which the Executive and/or the Executive's dependents is receiving immediately prior to any related Potential Change in Control or the receipt of the Notice of Termination (without giving effect to any reduction in such benefits subsequent to a Change in Control which reduction constitutes Good Reason), whichever is greater, until the earlier to occur of such time as the Executive is provided with substantially comparable Benefits Coverage with a new employer or [] months; and (ii) outplacement services, the scope and provider of which shall be selected by the Executive with the cost of such services and related expenses borne by the Company, subject to the submission of reasonable documentation in accordance with the Company's standard practice to substantiate expenses.

3.1.3 Any outstanding options to purchase common stock of the Company held by the Executive prior to the Date of Termination (with respect to Section 3.1(a)) or prior to a Change in Control (with respect to Sections 3.1(b), (c) and (d)) under an existing stock option plan maintained by the Company shall immediately vest and become exercisable in full as of the Date of Termination or the Change in Control, as the case may be.

3.2 *Contingent Cutback.* In the event that the Executive becomes entitled to the Severance Payments, if any payment or benefit paid or payable, or received or to be received, by or on behalf of the Executive in connection with a Change in Control or the termination of the Executive's employment, whether any such payments or benefits are pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any of its subsidiaries, any Person, or otherwise (the "**Total Payments**"), will or would be subject to the excise tax imposed under section 4999 of the Code (the "**Excise Tax**"), then the Total Payments shall be automatically reduced to an amount one dollar (\$1) less than an amount that would subject the Executive to the Excise Tax (the "Reduced Amount"); provided, however, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate Total Payments to be provided to the Executive, determined on a net after-tax basis (taking into account the Excise Tax imposed, any tax imposed by any comparable provision of state law, and any applicable Federal, state and local income taxes). The reduction of the Total

¹ The blanks on this page will be for 1, 2 or 3 years, depending on the employee.

Payments to the Reduced Amount, if applicable, shall be made by reducing the payments and benefits in the following order: first, any cash severance the Executive is entitled to (starting with the last payment due), then other cash amounts that are “parachute payments” within the meaning of section 280G of the Code (starting with the last payment due), then any acceleration of vesting of any equity award shall be deferred starting with the latest vesting tranches, then any continued Benefits Coverage shall be reduced.

3.2.1 For purposes of determining whether any of the Total Payments will be subject of the Excise Tax and the amount of such Excise Tax, (i) the Total Payments shall be treated as “parachute payments” within the meaning of section 280G(b)(2) of the Code, and all “excess parachute payments” within the meaning of section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax, unless in the opinion of tax counsel (delivered to the Executive) selected by the Company and reasonably acceptable to the Executive such Total Payments (in whole or in part) (a) do not constitute parachute payments, including (without limitation) by reason of section 280G(b)(4)(A) of the Code, (b) such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, or (c) are otherwise not subject to the Excise Tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Company’s independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

3.2.2 The Company shall provide the Executive with a detailed written statement setting forth the manner in which the Excise Tax was calculated and the basis for such calculations including, without limitation, any opinions or other advice the Company has received from outside counsel, auditors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

3.4 *Legal Costs.* The Company shall also reimburse the Executive for all reasonable legal fees and expenses incurred in good faith by the Executive as a result of any dispute with any party (including, but not limited to, the Company and/or any affiliate of the Company) regarding the payment of any benefit provided for in this Agreement provided that the Executive is successful as to at least part of the disputed claim by reason of litigation, arbitration or settlement. Any amount payable by the Company pursuant to this Section 3.4 will be paid as follows: (a) if the disputed claim has not been resolved (whether via litigation, arbitration or settlement) by the end of any calendar year subsequent to the time that a claim for payment has been disputed, then the Company shall reimburse the Executive during such calendar year in pursuing such claim, provided that the Executive will be required to repay such amounts promptly to the Company upon the resolutions of such claim unless he or she is successful as to at least part of the disputed claim; and (b) upon resolution of the disputed claim (whether via litigation, arbitration or settlement) the Company shall reimburse the Executive by no later than December 31 of the calendar year following the year in which such resolution occurs for all reasonable attorney fees and expenses incurred by the Executive in pursuing such claim during the calendar year in which such resolution occurs, but only if the Executive has been successful as to at least part of the disputed claim. Notwithstanding the foregoing, in no event will the

Executive be reimbursed for any fees or expenses under clauses (a) and (b) of the immediately prior sentence later than thirty (30) days after the disputed claim has been resolved. The reimbursement right set forth in this Section 3.4 shall be limited to fees and expenses incurred during the Executive's employment with the Company and during the ten-year period immediately after. Any amount paid by the company under this Section 3.4 will not be affected by the amount of any payment made by the Company pursuant to this Section 3.4 in any other year, and under no circumstances will the Executive be permitted to liquidate or exchange the benefit afforded him or her in this Section 3.4 for cash or any other benefit.

3.5 *Employment Agreement.* The payment to the Executive of the Severance Payments provided for in Section 3.1 shall be in lieu of any severance payable to the Executive under the terms of any other employment agreement in effect on the Date of Termination. Except as provided in the preceding sentence, this Agreement is not intended to and shall not modify or supersede any such employment agreement or other contract or arrangement between the Executive and the Company in effect from time to time.

4. Termination Procedures and Compensation During Dispute.

4.1 *Notice of Termination.* Any purported termination of the Executive's employment with the Company (other than by reason of death) during the Window Period shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with Section 7 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment with the Company under the provision so indicated. Further, a Notice of Termination for Cause is required to include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (3/4) of the entire membership of the Board in the form and in the manner specified in Section 1.3 of this Agreement. For purposes of this Agreement, any purported termination not effected in accordance with the Section 4.1 shall not be considered effective.

4.2 *Date of Termination.* "Date of Termination," with respect to any purported termination of the Executive's employment during the Window Period, shall mean (i) if the Executive's employment is terminated for Disability, fifteen (15) days after Notice of Termination is given, and (ii) if the Executive's employment is terminated for any other reason, the date specified in the Notice of Termination (which, in the case of a termination by the Company, shall not be less than thirty (30) days and not more than forty-five (45) days (except in the case of a termination for Cause) and, in the case of a termination by the Executive, shall not be less than fifteen (15) days nor more than thirty (30) days, respectively, after the date on which such Notice of Termination is given).

4.3 *Dispute Concerning Termination.* If within fifteen (15) days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this Section 4.3), the party receiving such Notice of Termination notifies the other party in writing that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally resolved in accordance with Section 4.4; provided, however, that the Date of Termination shall be extended by a notice of dispute only if the basis for such notice is reasonable, such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

4.4 Alternative Dispute Resolution Including Arbitration. If a dispute arises out of or related to this Agreement, the Company and the Executive agree that they shall first seek to resolve any dispute by negotiation. If the dispute has not been resolved within thirty (30) days after the date a party hereto provides notice of dispute to the other party in accordance with Section 4.3, either party may initiate mediation of the dispute by sending the other party a written request dispute be mediated. The parties shall mediate the dispute before a neutral, third party mediator (if a mutually agreeable mediator cannot be identified, one shall be appointed by the American Arbitration Association) selected by the mutual agreement of both parties within thirty (30) days after the date of written request for mediation. If the dispute has not been resolved within sixty (60) days after the original notice of a dispute or within thirty (30) days after the date of the request for mediation, whichever is the later, then either party may proceed to binding arbitration before a panel of three independent arbitrators selected from a list made available by the American Arbitration Association. The mediator shall not serve as an arbitrator. The arbitration shall be governed by the current arbitration rules of the American Arbitration Association or its successors. Any mediation or arbitration commenced pursuant to this Section 4.4 shall be conducted in the metropolitan area of New York, New York. Notwithstanding any provisions in such rules to the contrary, the arbitrators shall issue findings of fact and conclusions of law, and an award, within 15 days of the date of the hearing unless the parties otherwise agree.

4.5 Compensation During Dispute. If a purported termination occurs during the Window Period, and such termination is disputed in accordance with Section 4.3 above, the Company shall continue to pay the Executive the full compensation (including without limitation Annual Base Salary and Target Bonus) in effect at the time of any related Potential Change in Control or when the notice giving rise to the dispute was given (whichever is greater) in accordance with normal payroll practices (as if the Executive was still employed on the applicable payment date) and continue the Executive as a participant in all compensation, incentive, pension and welfare benefit and insurance plans in which the Executive was participating at the time of any Potential Change in Control or when the notice giving rise to the dispute was given, whichever is greater, until the dispute is finally resolved in accordance with Sections 4.3 and 4.4 hereof. Amounts paid under this Section 4.5 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement or any other plan, agreement or arrangement.

5. Code Section 409A Compliance.

5.1 Code Section 409A Generally. If the Company determines in good faith that any provision of this Agreement would cause the Executive to incur an additional tax, penalty, or interest under Section 409A of the Code, the Company and the Executive shall use reasonable efforts to reform such provision, if possible, in a mutually agreeable fashion to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code or causing the imposition of such additional tax, penalty,

or interest under Section 409A of the Code. The preceding provisions, however, shall not be construed as a guarantee by the Company of any particular tax effect to Executive under this Agreement. The Company shall not be liable to Executive for any payment made under this Agreement that is determined to result in an additional tax, penalty, or interest under Section 409A of the Code, nor for reporting in good faith any payment made under this Agreement as an amount includible in gross income under Section 409A of the Code.

5.2 *Installment Payments.* For purposes of Section 409A of the Code, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments.

5.3 *Reimbursements.* With respect to any reimbursement of expenses of, or any provision of in-kind benefits to, the Executive, as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

5.4 *Separation from Service.* “Termination of employment,” “resignation,” or words of similar import, as used in this Agreement mean, for purposes of any payments under this Agreement that are payments of deferred compensation subject to Section 409A of the Code, the Executive’s “separation from service” as defined in Section 409A of the Code.

5.5 *Specified Employee.* If a payment obligation under this Agreement arises on account of the Executive’s separation from service while the Executive is a “specified employee” (as defined under Section 409A of the Code and determined in good faith by the Compensation Committee), any payment of “deferred compensation” (as defined under Treasury Regulation Section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation Sections 1.409A-1(b)(3) through (b)(12)) that is scheduled to be paid within six (6) months after such separation from service shall accrue with interest and shall be paid within 15 days after the end of the six-month period beginning on the date of such separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of the Executive’s estate following his death. For purposes of the preceding sentence, interest shall accrue at the prime rate of interest published in the northeast edition of The Wall Street Journal on the date of Executive’s separation from service.

6. *No Mitigation.* The Company agrees that, if the Executive’s employment is terminated during the Window Period, the Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to Section 3 or Section 4.5. Further, the amount of any payment or benefit provided for in Section 3 or Section 4.5 shall not be reduced by any compensation earned by the Executive as a result of employment by another employer, by retirement benefits, or offset against any amount claimed to be owed by the Executive to the Company or any of its subsidiaries, or otherwise.

7. *Successors; Binding Agreement.*

7.1 *Successors.* In addition to any obligations imposed by law upon any successor to the Company, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to terminate the Executive's employment for Good Reason during the Window Period, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

7.2 *Binding Agreement.* This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive shall die while any amount would still be payable to the Executive hereunder (other than amounts which, by their terms, terminate upon the death of the Executive) if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the term of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

8. *Notices.* For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

To the Company:

Irwin D. Simon
The Hain Celestial Group, Inc.
58 South Service Road
Melville, New York 11747
Attention: Chairman of the Board and
Chief Executive Officer

With a copy to:

Roger Meltzer, Esq.
DLA Piper LLP (US)

1251 Avenue of the Americas
New York, New York 10020

To the Executive:

[]
[]
[]

9. **Miscellaneous.** No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement, and this Agreement supersedes any prior agreements between the Company and the Executive relating to the subject matter hereof. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without regard to the principles of conflict of laws thereof. All references to sections of the Exchange Act or the Code shall be deemed also to refer to and include any successor provisions to such sections. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which the Executive has agreed. The rights and obligations of the Company and the Executive under this Agreement shall survive the expiration of the Term.

10. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

11. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

12. **No Limitation.** Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

13. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

THE HAIN CELESTIAL GROUP, INC.

By: _____

Name: Irwin D. Simon

Title: President & Chief Executive Officer

[EXECUTIVE]

By: _____

Name: _____

**Stock Option Agreement
Pursuant To
The Hain Celestial Group, Inc. Amended and Restated
2002 Long Term Incentive and Stock Award Plan**

- (A) Optionee: _____ Employee ID _____
- (B) Grant Date: _____
- (C) Shares: _____
- (D) Vesting Schedule: _____

- (E) Expiration Date: _____
- (F) Exercise Price: \$ _____
- (G) Option Type: **Non Qualified Stock Option (NQSO)**

The Hain Celestial Group, Inc. (“**Company**”) has granted you an option to purchase the number of shares of Common Stock of the Company shown in item (C) above (the “**Shares**”) at the Exercise Price per share shown in item (F) above. This option is subject to the terms of the Company’s Amended and Restated 2002 Long Term Incentive and Stock Award Plan (“**Plan**”) and to the terms and conditions set forth in this Stock Option Agreement under the Plan (“**Agreement**”). Unless otherwise defined herein, capitalized terms shall have the meanings assigned to them in the Plan.

The details of your option are as follows:

1. Term:

The term of this option commences on the Grant Date shown in item (B) above and, unless it expires earlier due to your termination of service as provided in Section 4 below, the option will expire at the close of business on the Expiration Date shown in item (E) above.

2. **Exercise Schedule:**

- (a) This option will vest and become exercisable in installments on the schedule indicated in item (D) above.
- (b) However, if one or more of the following events occurs:
- (i) any merger, consolidation, recapitalization, reorganization, acquisition or other business combination involving the Company, other than (A) any transaction in which the Company is the surviving entity and the holders of the outstanding voting securities of the Company immediately prior to the transaction receive or retain securities representing more than 50% of the voting power of all of the securities of the Company outstanding immediately after the transaction (with each holder's voting power relative to other holders remaining substantially unchanged) or (B) any transaction the purpose of which is to change the jurisdiction of organization of the Company and in which outstanding options under the Plan are assumed by the surviving entity or replaced with comparable options, as determined by the Committee, or
 - (ii) any person, group or entity is or becomes the beneficial owner, directly or indirectly, of 50% or more of the voting power of all of the then-outstanding securities of the Company, or
 - (iii) the sale, transfer or other disposition of all or substantially all of the assets of the Company, or the approval by the stockholders of the Company of a plan of complete liquidation,
- then any portion of the option which has not yet vested and become exercisable shall, immediately prior to the record date for distribution with respect to such event, or if there is no such record date, then immediately prior to such event, become immediately vested and exercisable.
- (c) If your service is terminated by the Company without "cause" (as defined in Section 4(c) below), due to your death, or due to your disability (as defined in Section 22(e)(3) of the Code), then any portion of the option which has not yet vested shall become immediately vested and exercisable in full.
- (d) If you elect to terminate your service on or after the earliest date upon which you are eligible for social security retirement benefits (such a termination, "**Retirement**"), then any portion of the option which has not yet vested shall become immediately vested and exercisable in full.

3. Limitation on Incentive Stock Options:

If this option is intended to be treated as an incentive stock option as defined in Section 422 of the Code (see item (G) above), then to the extent that the aggregate fair market value (determined at the time of grant) of shares of the Company with respect to which incentive stock options are exercisable for the first time by you during any calendar year under all plans of the Company or its parent or subsidiary corporations exceeds \$100,000, the options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as nonqualified stock options. It should be understood that there is no assurance that this option will, in fact, be treated as an incentive stock option.

4. Accelerated Termination of Option Term:

- (a) Termination of Service Other Than for Cause. Except as set forth in Section 4(b), if, prior to the Expiration Date of the option, your service is terminated for any reason other than due to termination of your service for “cause” (as defined in Section 4(c) below) you (or after your death, your estate or designated beneficiary) can exercise the portion, if any, of the option that was vested and exercisable at the time of such termination for three months following the termination (or six months in the case of termination due to your death), but in no event beyond the Expiration Date. Any portion of the option that is either not exercisable at the time of termination or which is not exercised by the end of the three month period after termination (or six month period in the case of termination due to your death) will automatically terminate and be forfeited. Unless otherwise determined by the Committee, no further vesting will occur after your termination of service for any reason. Notwithstanding the foregoing, special exercise provisions will apply (in accordance with Section 5(d)) if your death occurs within ninety (90) days before the Expiration Date and your estate or designated beneficiary does not elect to exercise your vested options on or before the first business day immediately preceding the Expiration Date.
- (b) Termination Without Cause. If, prior to the Expiration Date of the option, your service is terminated as a result of your Retirement or by the Company without “cause” (as defined in Section 4(c) below), then any unvested portion of your option shall become vested and exercisable in accordance with Section 2(c) or 2(d), as applicable. In addition, your option shall remain exercisable for the remaining term of the option through the Expiration Date.
- (c) Termination for Cause. If, prior to the Expiration Date of the option, your service is terminated for cause, any unvested portion of the option will immediately terminate and be forfeited; thereafter you will have three months following such termination to exercise the vested portion of your option. Any portion of your vested option which is not exercised by the end of this three month period will automatically terminate and be forfeited. For purposes of this Agreement, your service may be terminated for “cause” if it is determined, in good faith, that there has been continued gross neglect or material failure in the performance of your duties and obligations to the Company or willful and malicious misconduct on your part in connection with the performance of your duties, including, but not limited to, criminal acts, acts of malfeasance, dishonesty, or willful neglect in the performance of your duties or other acts that adversely affect the business of the Company.

- (d) **Death after Termination of Service.** If you die after your service has terminated and at a time when all or a portion of the option remains exercisable, your estate or designated beneficiary can exercise that portion of the option that remains exercisable for six months following your death (but not beyond the Expiration Date). Any portion of the option that is not exercised by the end of the six month period will automatically terminate and be forfeited. Notwithstanding the foregoing, special exercise provisions will apply (in accordance with Section 5(d)) if your death occurs within ninety (90) days before the Expiration Date and your estate or designated beneficiary does not elect to exercise your options on or before the first business day immediately preceding the Expiration Date.
- (e) **Service.** For purposes of this Agreement, you will be treated as continuing to provide “**service**” as long as you are an employee or consultant of the Company or one or more of its Subsidiaries, and you will be treated as a consultant for so long as you are actively rendering consulting services on a periodic basis to the Company or one or more of its Subsidiaries.

5. Manner of Exercising Option:

- (a) In order to exercise this option with respect to all or any part of the Shares for which this option is at the time exercisable, you (or in the case of exercise after your death, your executor, administrator, heir or beneficiary, as the case may be) must take the following actions:
 - (i) provide the Chief Financial Officer of the Company with written notice on a form approved by the Committee of such exercise, specifying the number of Shares with respect to which the option is being exercised, or (b) provide the Chief Financial Officer of the Company or such third party involved in administering the Plan as the Company may designate from time to time with electronic notice of such exercise, specifying the number of Shares with respect to which the option is being exercised.
 - (ii) pay the Exercise Price for the purchased Shares in one or more of the following alternative forms: (A) full payment in cash or by check payable to the Company’s order; (B) full payment in shares of Common Stock of the Company held for at least six months and valued at fair market value on the exercise date; (C) full payment in combination of shares of Common Stock of the Company held for at least six months and valued at fair market value on the exercise date and cash or check payable to the Company’s order; or (D) to the extent the Committee expressly authorizes payment effected as a “cashless exercise” through a broker-dealer sale and remittance procedure

pursuant to which you (I) will provide irrevocable written instructions to the designated broker-dealer to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds, an amount equal to the aggregate Exercise Price payable for the purchased shares plus all applicable Federal, State and local income and employment taxes required to be withheld by the Company by reason of such purchase and (II) will provide written directives to the Company to deliver the certificates for the purchased shares directly to such broker-dealer, and

- (iii) furnish to the Company appropriate documentation that the person or persons exercising the option, if other than you, have the right to exercise this option.
- (b) In no event may this option be exercised for any fractional share.
- (c) You hereby agree to make appropriate arrangements with the Company or subsidiary thereof by which you are employed or retained for the satisfaction of all Federal, State or local income tax withholding requirements and Federal social security employee tax requirements applicable to the exercise of this option.
- (d) Notwithstanding anything in this Agreement to the contrary, in the event of your death within ninety (90) days before the Expiration Date, if your estate or designated beneficiary does not exercise your vested options, then, provided the exercise price of your vested options is less than the then fair market value of the Common Stock on the first business day immediately preceding the Expiration Date, then your estate or designated beneficiary will be deemed to have exercised the vested options on such date and given permission to the Company to effectuate a "cashless exercise" through a broker-dealer sale procedure pursuant to which a broker selected by the Company will be provided irrevocable written instructions to effect the immediate sale of all of the shares underlying these options and remit to the Company, out of the sale proceeds, an amount equal to the aggregate Exercise Price payable for the purchased shares plus all applicable Federal, State and local income and employment taxes required to be withheld by the Company by reason of such purchase. The remaining sales proceeds will be transferred to your estate or beneficiary, as applicable.

6. Transferability:

- (a) Nontransferability for Incentive Stock Options. If this option is intended to be an incentive stock option (see item (G) above), then the option may not be assigned or otherwise transferred in any manner other than by will or by the laws of descent and distribution (except pursuant to a beneficiary designation), and it may be exercised during your lifetime only by you.
- (b) Limited Transferability for Nonqualified Stock Options. If this option is intended to be a nonqualified stock option (see item (G) above), then this option may be assigned or otherwise transferred by you in the following circumstances: (i) by will or the

laws of descent and distribution; (ii) by valid beneficiary designation taking effect at death made in accordance with procedures established by the Board of Directors of the Company or any committee thereof; or (iii) by gift to members of your immediate family. Any option held by a transferee will continue to be subject to the same terms and conditions that were applicable to the option immediately prior to the transfer, except that the option will be transferable by the transferee only by will or the laws of descent and distribution and may be exercised only by the transferee. For purposes of the above, “**immediate family**” means your children, stepchildren, grandchildren, parents, stepparents, grandparents, spouse, siblings (including half brother and sisters), nieces, nephews, in-laws, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial ownership, a foundation in which you or these persons control the management of assets, and any other entity in which you or these persons own more than 50% of the voting interests. In addition, any transfer of your nonqualified stock option to an immediate family member is subject to the following conditions:

- you must immediately provide notice to the Company of such transfer and provide such information about the transferee as the Company may request (including, but not limited to, name of transferee, address of transferee, and taxpayer identification number);
- the transferee may not make any subsequent transfer (except by will or the laws of descent and distribution);
- any Shares issued to a transferee upon exercise may bear such legends as deemed appropriate by the Company;
- the Company has no obligation to deliver any Shares following an exercise until all applicable withholding taxes are satisfied;
- you agree to deliver a copy of this Agreement, including any amendments thereto, to the transferee.

7. Privilege of Stock Ownership:

You will not have any rights of a shareholder with respect to the Shares until you have exercised the option, paid the Exercise Price and been issued a stock certificate for the purchased shares.

8. Notices:

Any notice required to be given or delivered to the Company under the terms of this Agreement will be in writing and addressed to the Company in care of its Chief Financial Officer at its corporate offices or delivered electronically as describe in Section 8(a) hereto. Any notice required to be given or delivered to you will be in writing and addressed to you at the address indicated below

your signature line herein, or at the e-mail address, if any, provided for you by the Company. All notices will be deemed to be given or delivered upon personal delivery, electronic delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified. In addition, the Company may prescribe or permit other forms of notice (including, but not limited to electronic methods and overnight delivery services) for the provision of any notice that is required to be given or delivered pursuant to this Agreement.

- (a) Description of Electronic Delivery. The Plan documents, which may include but do not necessarily include: the Plan, the Notice, this Agreement, the Plan's prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to you electronically. In addition, you may deliver electronically the Notice to the Chief Financial Officer of the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.
- (b) Consent to Electronic Delivery. You acknowledge that you have read Section 8(a) of this Agreement and consents to the electronic delivery of the Plan documents and the Notice, as described in Section 8(a). You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost to you by contacting the Company by telephone or in writing. You further acknowledge that you will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, you understand that you must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. You may revoke your consent to the electronic delivery of documents described in Section 8(a) or may change the electronic mail address to which such documents are to be delivered (if you have provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, you understand that you are not required to consent to electronic delivery of documents described in Section 8(a).

9. Termination or Amendment.

The Board may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may adversely affect your rights under this Agreement without your consent unless such termination or amendment is necessary to comply with applicable law or government regulation. No amendment or addition to this Agreement shall be effective unless in writing.

10. Incorporation of Plan; Construction:

This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the express terms and provisions of the Plan. The terms of the Plan are incorporated herein by reference. Any dispute regarding the interpretation of this Agreement will be submitted to the Committee for resolution. The decision of the Committee will be final, binding and conclusive.

The Hain Celestial Group, Inc.

By: _____
NAME/TITLE

Dated: _____

I hereby agree to be bound by the terms and conditions of this Agreement and the Plan.

By: _____

Dated: _____

CERTIFICATION

I, Irwin D. Simon, 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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2010

/s/ Irwin D. Simon

Irwin D. Simon
President and Chief Executive Officer

CERTIFICATION

I, Ira J. Lamel, 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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2010

/s/ Ira J. Lamel

Ira J. Lamel
Executive Vice President and
Chief Financial Officer

**CERTIFICATION FURNISHED
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended December 31, 2009 (the "Report") filed by The Hain Celestial Group, Inc. (the "Company") with the Securities and Exchange Commission, I, Irwin D. Simon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2010

/s/ Irwin D. Simon

Irwin D. Simon

President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to The Hain Celestial Group, Inc. and will be retained by The Hain Celestial Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION FURNISHED
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended December 31, 2009 (the "Report") filed by The Hain Celestial Group, Inc. (the "Company") with the Securities and Exchange Commission, I, Ira J. Lamel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2010

/s/ Ira J. Lamel

Ira J. Lamel

Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to The Hain Celestial Group, Inc. and will be retained by The Hain Celestial Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.