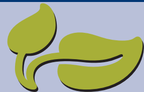
BUILDING TOMORROW'S BRANDS

2001 ANNUAL REPORT



A YEAR OF GROWTH

The Hain Celestial Group is committed to excellence in the marketing of brands that meet growing consumer demand for better-for-you foods, beverages and snacks. Consumers today seek products that are better for their health, better tasting, better quality, and better suited to their lifestyles. As one of the largest natural and specialty food companies in the United States, The Hain Celestial Group continues to anticipate and satisfy that demand, by fulfilling our mission to be on the cutting edge of new product development, and by providing a variety of great-tasting foods for daily meal and snack occasions.

The Company now markets 26 brands with over 1500 different products, many under well-known brand names. Our brands dominate the fast growing natural, organic, medical, and specialty food categories in supermarkets, natural food stores and mass market retailers.

Our goal is to build upon the success of our brands to satisfy demand for more healthful foods here and around the globe. We are committed to:

Taste Consumers demand great-tasting foods and snacks. Natural organic foods should provide the same level of satisfaction that other foods do — and taste even better. We are committed to educating consumers that our products deliver the great taste they expect every time.

Uniqueness We continue to invest in our research and development efforts to bring exciting and timely new products to market. We utilize the latest developments in food and nutrition technology, ensuring that we will maintain our category leadership through innovation.

Value We also bring new consumers to the market by offering products that deliver value. Natural foods are often more expensive than artificial alternatives, and we consistently deliver value to encourage loyalty and repeat purchase.

Organic and GEI-Free Products In addition to natural products, consumer preference for organic products has grown dramatically, as they learn about why organic foods are different. We continue to bring new organic products to market, as well as foods and snacks free of genetically engineered ingredients (GEIs).

ABOUT THE COMPANY

The Hain Celestial Group, Inc. is a natural, specialty and snack food company. The Company is a leader in many of the top natural food categories, with such well-known natural food brands as Celestial Seasonings® teas, Hain Pure Foods®, Westbrae Natural®, Westsoy®, Arrowhead Mills®, Health Valley®, Breadshop's®, Casbah®, Garden of Eatin'®, Terra Chips®, Yves Veggie Cuisine®, DeBoles®, Earth's Best®, and Nile Spice®. The Company's principal specialty product lines include Hollywood® cooking oils, Estee® sugar-free products, Weight Watchers® dry and refrigerated products, Kineret® kosher foods, Boston Better Snacks®, and Alba Foods®.

FINANCIAL HIGHLIGHTS

The following information has been summarized from the Company's financial statements and should be read in conjunction with such financial statements and related notes thereto (in thousands, except per share amounts):

	Year Ended June 30				
	2001	**2000**	**1999**	**1998**	**1997**
OPERATING RESULTS:					
Net sales	$412,880	$403,543	$315,820	$206,450	$144,392
Income (loss) before extraordinary item and cumulative change in accounting principle	23,589	(11,403)	13,517	11,390	6,733
Extraordinary item		(1,940)		(1,342)	
Cumulative change in accounting principle		(3,754)			
Net income (loss)	**$ 23,589**	**$ (17,097)**	**$ 13,517**	**$ 10,048**	**$ 6,733**
BASIC EARNINGS PER COMMON SHARE:					
Income (loss) before extraordinary item and cumulative change in accounting principle	$ .71	$ (.41)	$ .56	$ .55	$ .36
Extraordinary item		(.07)		(.06)	
Cumulative change in accounting principle		(.13)			
Net income (loss)	**$ .71**	**$ (.61)**	**$ .56**	**$ .49**	**$ .36**
DILUTED EARNINGS PER COMMON SHARE (A):					
Income (loss) before extraordinary item and cumulative change in accounting principle	$ .68	$ (.41)	$ .51	$ .50	$ .35
Extraordinary item		(.07)		(.06)	
Cumulative change in accounting principle		(.13)			
Net income (loss)	**$ .68**	**$ (.61)**	**$ .51**	**$ .44**	**$ .35**
FINANCIAL POSITION:					
Working Capital	$ 92,312	$ 89,750	$ 37,983	$ 37,669	$ 15,070
Total Assets	461,693	416,017	362,669	170,938	107,266
Long-term Debt	10,718	5,622	141,138	27,311	16,829
Stockholders' Equity	396,653	351,724	164,489	104,567	68,110

(A) As a result of the net loss for the year ended June 30, 2000, diluted earnings per share is the same as basic earnings per share as the effects of dilutive stock options and warrants are not calculated as the results would be antidilutive.

Each of us at The Hain Celestial Group has long recognized that natural and organic foods appeal to a broad range of people. Our company has responded with an array of brands that make a real difference to millions of consumers, providing them with the nutritional value they seek, the security of natural and organic purity, and the enjoyment of our great tasting "better-for-you" foods. More people purchased natural and organic products in the past year than ever before, and market data tells us this strong growth is likely to continue unabated by recent events. At Hain Celestial, we are ready to meet this growing demand.

Now more than ever before, people are conscious of what they eat and the effects of food on their health. They actively search for ways to improve the quality of their lives through healthy food. As our product categories grow at rates faster than mainstream products, our retailers and other customers are responding by providing more shelf space and merchandising support. Products that are truly innovative and healthy, and provide value, are winning the battle at the store shelf, and the market share growth of our major brands tells us we are leading the field. As we head into our new year stronger than ever, we will continue to learn from our challenges and build on our successes.

Achievements and Opportunities

No doubt we were challenged during the past year. We were not satisfied with the level of profitability and top line growth we achieved with our Fiscal 2001 financial results, but we know we can and will do better. In Fiscal 2001, we set our company on a course for the future as we successfully met the challenges we faced, challenges which included finalizing acquisitions and solving complex integration issues, initiating warehouse consolidations, building new facilities and strengthening our management team.

We began the 2001 fiscal year only 31 days after our merger with Celestial Seasonings – the largest acquisition in our history. To preserve its heritage and foundation, we brought back Celestial Seasonings' founder Mo Siegel and added a top tier management team to assist with the challenges of the tea business and our integration efforts. We reduced our trade inventories when we eliminated the loading practices of the past. At the same time, we reengineered the product and pricing mix to be more competitive in a slower-growth category. Meeting these challenges, and others we faced, Celestial is back on track, gaining share and driving category growth in every major channel.

We also began an ambitious program to consolidate our warehousing and distribution to develop a more efficient supply chain network. During the year we opened our new 400,000 square foot West Coast distribution center, which has improved our service and efficiency for our customers. We also upgraded our systems capabilities with a new software system to support both logistics and MRP. We will continue this consolidation program into our new year.

Fiscal 2001 also saw the streamlining of our co-packer relationships. We invested in facilities capable of producing the inventory we need to meet our customers' needs. Our own new Terra Chips production facility in Moonachie, New Jersey, which went on line in the Fall of 2001 after one full year of planning and construction, will dramatically increase our domestic capacity.

We completed two international acquisitions during 2001, giving us broader geographic distribution and additional manufacturing capabilities.

- Fruit Chips, B.V., based in the Netherlands, joined our family in January. As our first acquisition in Europe, we changed its name to Terra Chips, B.V. and immediately used its available capacity to temporarily support domestic demand for snacks while our Moonachie facility was under construction. We also acquired its patented frying technology that will enhance our future snack business. From our base in the Netherlands, we have established a joint venture in Spain to provide additional production capacity for our snacks products, and have used its existing infrastructure to launch Terra Chips in Europe.
- Yves Veggie Cuisine, based in Vancouver, B.C., was acquired in June and gives us a strong base for growing our Canadian operations. Yves is extremely successful in Canada, and its refrigerated meat and cheese analog products have been met with great enthusiasm in the U.S. With global health concerns about meat products continuing to stimulate consumer interest in these products, we look for strong contributions from Yves. The long-term importance of this high-growth natural food category cannot be overstated. Yves' growing penetration into perishables will provide us with leverage for future initiatives. The strength of Yves' brand name and existing infrastructure in Canada will drive new distribution for our core portfolio brands and support the introduction of new product categories under the Yves name.

This has clearly been a challenging and highly productive year of building the framework required to support our near- and long-term growth objectives. We maintained our focus on our core activities, and

realized solid brand growth for many of our high profile brands in what has remained a highly competitive environment. Our sales and marketing group worked together to modify the character of our promotional spending to increase focus on our end consumers. We can be proud of our achievements as an integrated team of professionals newly developed from different corporate cultures, countries, and disciplines.

Brand Development

Our brands continue to be the backbone of our company, and we have seen strong growth within our core businesses. Soy beverages continue to be the largest natural food grocery category, and Westsoy has increased its #1 leadership position in aseptic products by growing 9.5% in the last 12 months in the grocery channel alone. This has been at the expense of both long-standing competitors and new entrants, as several major consumer package goods companies failed at their efforts to penetrate this category. Building on our core products, Westsoy expanded to new beverage varieties including soy-based shakes and smoothies, and new refrigerated Westsoy is gaining in both distribution and sales velocity. We now also have the distribution network in place to aggressively support and merchandise the refrigerated section of natural food stores and supermarkets.

Celestial Seasonings has grown in both revenue and market share, after overcoming many serious obstacles. Similarly, our Health Valley brand had an extremely successful year, as our new Café Creations bars and cookies penetrated consumer consciousness and consumer pantries. Sales of these products alone have grown nearly 26% this year. Supported by its first television campaign and national FSIs as part of an integrated promotion campaign, consumers have rediscovered and embraced Health Valley.

Terra Chips continues to be a superstar in the snack category, growing 38% in the grocery channel this year. Long plagued by capacity issues, Terra is flourishing and we are confident of finally being able to keep pace with demand this year. New products including the first real Belgian Frites were launched to great acclaim this year, and our distribution has vastly increased at major retail and food service accounts across the U.S.

Last, our Earth's Best Organic Baby Food brand has grown up as we introduced Earth's Best Kidz including a great new line of cereals, as well as cookie products featuring the popular children's character Arthur™, under a licensing agreement. Our database marketing efforts are clearly effective and we are working to distinguish ourselves with our non-genetically engineered ingredients positioning.

These are just a few of the many creative and tactical programs we are using to increase brand sales and profitability.

Strong Financial Results

Our operating results and financial position continue to be strong. Sales reached a record $413 million in Fiscal 2001, a 6.1% increase on a comparative basis over Fiscal 2000. We achieved this increase despite the challenge of eliminating prior loading practices at Celestial. Our pre-tax income reached a record $40.7 million, almost doubling our previous high. Our EBITDA similarly reached a record $51.1 million. And our balance sheet is stronger than ever with working capital of $92 million, stockholders' equity of $397 million, and virtually no debt. We look forward to building on our strength in Fiscal 2002 with stronger operating results.

Outlook for 2002

This past year was one of evolution and change, and of ensuring that we have the infrastructure in place to achieve our goal of improved financial performance. It was also a rewarding year, as our team saw many of the long-term projects and initiatives I've just described reach their desired conclusions.

To build value for shareholders, our growth strategy will continue to be based on the pillars of our company: brands, people, acquisitions, and financial performance. We have already achieved over $10 million in cost savings since the acquisition of Celestial Seasonings, and will continue to seek opportunities for greater operating efficiency. We continue to meet the needs of our consumers through product innovation, and by increasing our distribution to complement consumer cross-over shopping habits within the retail trade. We will also penetrate new channels of distribution, including convenience stores, where we have never been in distribution before.

Our people constitute the most important asset of our company, and we have enhanced our management team. I welcome Ira Lamel as our new Executive Vice President and Chief Financial Officer, who joined us on October 1, 2001 after a long tenure at Ernst & Young. Gary Jacobs has moved into an operational role, and is now Executive Vice President responsible for procurement, logistics, and technical services. Ellen Deutsch has been appointed to help us move toward a more customer-centric business model as Senior Vice President for Strategic Planning and Customer Satisfaction. Kevin Mosley has been appointed Vice President of Sales, and has increased team sales performance significantly. As Senior Vice President of Operations, Jim Leighton has been working diligently to improve our company manufacturing facilities. Ben Brecher is now applying his operational expertise to our non-domestic businesses as Senior Vice President of International Operations. Maureen Paradine has been appointed Vice President of Human Resources, and has done an outstanding job in populating our company with highly competent, passionate employees. Sincere thanks to the Celestial Seasonings team for the great job of rebuilding our tea business.

As we look to the future, we cannot help but be affected by world events, and we feel fortunate to be able to work together to provide products that improve people's health and lifestyles. I would like to thank our shareholders for their patience as we spent this year building a company that is poised for greater growth than ever before. Our employees and business partners in all areas greatly contribute to our success, and we appreciate their support. Last, I would like to thank our Board of Directors for its excellent counsel, and incredible accessibility. Together, we will meet and exceed the expectations of all who are part of us. We hope that the coming year is one of peace.

Irwin D. Simon
Chairman, President and Chief Executive Officer

“In fiscal 2001, Health Valley had significant sales growth across all of its key categories.”

Health Valley offers the broadest selection of products in our corporate brand portfolio.

It continues to be the number one brand in natural soups and snack bars, and remains a strong contender in the cereal and cookie categories. In fiscal 2001, Health Valley had significant sales growth across all of its key categories.

This year marked Health Valley's first foray into consumer advertising with the launch of our Cable Television Advertising Campaign. Health Valley ads aired in key markets on such popular cable networks as A&E, Lifetime, CNN, E!, HGTV, and The Food Network. To drive consumer sales in the new fiscal year, Health Valley will continue consumer advertising support, combined with an aggressive marketing program featuring in-store coupons, a national free-standing coupon newspaper insert, and a targeted direct mail program to over 1.5 million current Health Valley families.

The success of Café Creations™ Bars and Cookies is evident in our double-digit growth in natural food channels. To build on this success, we will roll out these new products in grocery channels over the next year. This year, Health Valley will launch a line of organic broths, its first new canned soup in over three years. These great-tasting soups are lower in fat and sodium, and will solidify our leadership position in the natural soup category.

We are confident that Health Valley is poised for strong growth and solid market leadership in fiscal 2002.

Celestial Seasonings, the # 1 specialty tea in North America, refocused on the fundamentals.

This year, we leveraged market leadership in the core herb and green tea segments* to launch several new products, increasing our market share and generating tremendous consumer response. Our green tea portfolio expanded with the launch of Chamomile Green Tea and Lemon Zinger™ Green Tea. These introductions bring an added flavor dimension to the green tea segment that is rapidly trending toward more flavor-driven offerings.

New flavors remain a key driver in the herb segment, which represents 38%* of the specialty tea category. To attract these taste-conscious consumers, Celestial Seasonings launched Black Cherry Berry, Cranberry Apple Zinger™, and Tangerine Orange Zinger™. Both new zinger offerings also contain Vitamin C.

Our holiday teas continue to generate double-digit growth year after year. For the 2001 holiday season, Celestial Seasonings is serving up another soon-to-be-classic, Gingerbread Spice™ Holiday Herb Tea.

In fiscal 2002, Celestial Seasonings looks forward to strengthening market leadership domestically, while expanding the business both internationally and into new channels.

* Per IRI US dollar share for food, drug, and mass channels combined as of July 8, 2001.

"Specialty tea

continues to trend

toward flavor-driven

offerings."

"With the synergy of our new manufacturing capability in the U.S. and Europe, our innovative new products and continuing global expansion, Terra will accelerate its leadership position in this fast-growing category. "

The Terra craze continues as the brand soars again with double-digit growth.

Insatiable demand continues as Terra Chips enters its fourth year as the number one brand in natural and specialty snacks. Terra Original Vegetable Chips remains the top selling snack product in both natural and grocery stores. To meet booming consumer demand, on October 1st, 2001 we opened a new state-of-the-art manufacturing facility in Moonachie, New Jersey which greatly increases our capacity.

In April, Terra launched TERRA FRITES™, one of the most successful launches in the history of the brand. A classic version of the popular Belgian potato snack, Terra Frites have far exceeded sales expectations to date.

Terra Frites fuse the authentic Belgian flavors of frites with the savory taste that people have come to expect from Terra Chips. Terra Frites are available in four delicious varieties including Aioli, Seasoned Salt, Americaine, and Malt Vinegar.

In keeping with our commitment to market Terra internationally by capitalizing on the strength of the acquisition of Fruit Chips, this August Terra launched six initial products in Europe. Terra Royal Reds, Frites, and Gourmet Golds rolled out in the UK, Holland, Italy, Belgium and Denmark.

With the synergy of our new manufacturing capability in the U.S. and Europe, our innovative new products and continuing global expansion, Terra will accelerate its leadership position in this fast-growing category.

"Earth's Best outsells the leading brand on a sales per point of distribution basis and will capitalize on this success in fiscal 2002 by building grocery distribution."

Earth's Best achieved double-digit growth in fiscal 2001 and remains the # 1 baby food in natural food channels.

Earth's Best, the first natural and organic baby food with no genetically engineered ingredients, is once again establishing itself as the industry leader by becoming the first kosher organic baby food. Beginning October 2000, production of all cereals, teething biscuits, and all vegetarian jarred fruits and vegetables have been kosher certified, making Earth's Best organic baby food available to an even larger population.

Earth's Best remains the #1 baby food in natural food channels with continued double digit-growth. In grocery food channels, Earth's Best outsells the leading brand, on a sales per point of distribution basis and will capitalize on this success in fiscal 2002 by building grocery distribution.

Earth's Best continues to build consumer awareness through targeted consumer advertising and direct mail programs. Our Earth's Best website is one of our most popular sites providing valuable information to new moms.

This year, we extended the trusted Earth's Best brand name beyond baby food to kids with the launch of Earth's Best Kidz Cereals and Arthur™ Cookies, the most recognized children's character among both parents and children alike. During fiscal 2002, Earth's Best will launch additional new products under the Earth's Best Kidz line.

Westsoy, the best-selling brand of aseptic soy beverages in the U.S., continues to outpace the category with double-digit growth.

Response to our new products and aggressive marketing programs this year has been strong and sustained, increasing our market share. In addition to our wide variety of flavored soy beverages, Westsoy is positioned as the only brand to offer a variety of product choices comparable to milk, such as Non Fat, Low Fat, Lite, and Enriched Plus. This breadth of choice delivers a compelling point of difference over competitors. In fiscal 2002, Westsoy will phase in a new package design across the aseptic line. The redesign highlights this competitive difference on the shelf, while offering greater branding, and increased appetite appeal.

The brand has achieved soaring success with our roll-out of refrigerated soymilk. Many top supermarket chains across the country have authorized our products in their dairy cases.

New product innovations continue to help drive Westsoy's success. Our new Smart Plus™ is the first soymilk on the market to offer a heart-healthy 11 grams of soy protein per serving. This year, Westsoy will launch Smart Lite™, the first lite soy milk to make the FDA-approved soy protein health claim.

Westsoy continues to draw new users into the category with great-tasting new offerings such as Soy Shakes and Smoothies. Launched in June, Shakes and Smoothies have exceeded consumer and trade expectations.

In fiscal 2002, Westsoy plans to capture new market share, build consumer awareness and loyalty, and bring new users into the category with proven marketing support programs and product innovation.

"Breadth of choice delivers a compelling point of difference over competitors."

Yves Veggie Cuisine continues to lead the North American Fresh Meat Alternative Category with exceptional growth in both U.S. and Canadian markets in fiscal 2001.

Yves led category growth with the introduction of new "Great Tasting" products. The recent roll-out of Veggie Meatballs, Good Slice Soy Cheese, and soon-to-be-launched Chicken Nuggets will further enhance growth and profitability.

Our acquisition of Yves will produce strong sales and marketing synergies. Using Yves' strong brand name and distribution network in Canada, we will roll out over 70 new products into the Canadian market in fiscal 2002. In the U.S. market, we will capitalize on Yves refrigerated distribution in produce aisles with many exciting unique new products.

To continue the rapid growth of the Yves brand in the U.S., an extremely aggressive consumer marketing campaign will launch in the next 12 months. Yves will capitalize on our corporate marketing agreements to leverage great rates for consumer marketing programs such as regional FSIs, in-store couponing programs and print advertising.

In Canada, Yves will also launch an exciting media campaign in a number of major markets, driving trial and brand profile.

“Using Yves‘ strong brand name and distribution network in Canada, Hain Celestial will roll out dozens of new products into the Canadian market in fiscal 2002.”

HAIN PURE FOODS Our namesake brand, offers a wide variety of great-tasting, all-natural products including crackers, cookies, oils and condiments, as well as functional snacks for adults including calcium-fortified rice cakes, and carrot chips.

ARROWHEAD MILLS Celebrating its 40th anniversary this year, Arrowhead is returning to its organic roots and receiving a complete packaging update. New products, including breakthrough Perfect Harvest organic cereal, with soy isoflavones, plus Omega 3 and Omega 6 fatty acids, will position this brand for dramatic growth.

BREADSHOP'S Breadshop adds to our strength in ready-to-eat cereals with both kids' and adult products. This year we introduced unique granola varieties in addition to our current best-sellers in this category.

CASBAH A complete line of versatile and great-tasting vegetarian prepared mixes and side dishes.

FARM FOODS Pizsoy™, a leading soy cheese pizza, is the most popular Farm Foods product. Farm Foods is now expanding into frozen organic food products that meet consumer demand for better tasting, natural meals.

NILE SPICE The innovator in all-natural soup cups.

WESTBRAE NATURAL A vegetarian inspiration since 1970, providing products for nutritious meals centered around vegetables, whole grains, soups and beans. As an integral part of the Vegetarian Diet Pyramid, Westbrae Natural products help make the transition toward a vegetarian lifestyle.

DEBOLES A unique pasta brand known especially for its Jerusalem artichoke flour products, DeBoles also markets semolina, whole wheat, and rice flour pastas. In addition, DeBoles offers certified organic pastas.

GARDEN OF EATIN' The #1 organic tortilla brand in the U.S., Garden of Eatin' is known for its best-selling Blue Corn chips. We are now introducing organic potato chips that are GEI-free in four new varieties.

BEARITOS A natural brand of chilis, sauce mixes, and snacks, including our first snacks to carry the "No-GEI" (genetically engineered ingredients) seal.

LITTLE BEAR Organic snack products that appeal to kids of all ages.

HARRY'S A premium snack brand of natural and organic snacks including pretzels, potato chips, and tortilla chips.

BOSTON'S A pioneer in kettle-popped popcorn, Boston's has expanded its East Coast base to natural foods stores throughout the country.

WEIGHT WATCHERS* The Hain Celestial Group markets the dry and refrigerated products of the best-known brand in weight-loss and portion-control foods.

ALBA Well-known for its quality non-fat dry milk, shake, and hot cocoa products, ALBA meets consumer demand for nutritious dairy beverages.

ESTEE The #1 brand in the medically-directed/diet category for over 50 years, Estee markets sugar-free and fructose-sweetened foods for people with diabetes, and others on sugar-restricted diets.

FEATHERWEIGHT This brand markets sodium-restricted products developed for the millions of consumers who need to reduce their salt intake.

HOLLYWOOD The U.S. leader in safflower oil, Hollywood is known for its high quality canola and peanut oils, as well as carrot juice.

KINERET Our kosher food brand features both holiday and everyday foods and snacks in frozen and shelf-stable varieties. A line extension featuring Chef Jeff Nathan will roll out in fiscal 2002, supported by an ad campaign.

*Weight Watchers is a registered trademark of WW Foods, LLC

"Hain Celestial brands are primed to meet growing demands for quality natural foods."

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
The Hain Celestial Group, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of The Hain Celestial Group, Inc. and Subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Celestial Seasonings, Inc. prior to its restatement for the 2000 pooling of interests described in Note 2, which statements reflect total revenues of $109,851,000 for the year ended September 30, 1999. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to data included for Celestial Seasonings, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hain Celestial Group, Inc. and Subsidiaries at June 30, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 6 to the financial statements, in fiscal 2000 the Company changed its method of accounting for start-up costs.

Ernst & Young LLP

Melville, New York
August 31, 2001

REPORT OF MANAGEMENT

Responsibility For Financial Statements And Internal Controls

Management is responsible for the information presented in this annual report. The financial statements have been prepared in accordance with generally accepted accounting principles. Certain estimated amounts are included in the financial statements, and these amounts are based on currently available information and management's judgment of current conditions and circumstances. Management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the financial statements.

Ernst & Young LLP has rendered an opinion on the consolidated balance sheet as of June 30, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2001 based on audits conducted in accordance with generally accepted auditing standards.

The Company maintains a system of internal control which is designed to provide assurance at appropriate cost as to the reliability of the financial records and the protection of assets. The system is characterized by organizational arrangements that provide for delegation of authority and divisions of responsibility, the selection of competent financial managers, and by defined financial policies and procedures. In addition, the Board of Directors, through an audit committee composed of Directors who are not officers or employees of the Company, provides oversight to the adequacy of the system of internal control. The Company believes that its system of internal control provides reasonable assurance for the preparation of its annual financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

On May 30, 2000, Hain completed a merger (the "Merger") with Celestial by issuing 10.3 million shares of Hain common stock in exchange for all of the outstanding common stock of Celestial. The Merger was accounted for as a pooling of interests and, accordingly, all prior period financial statements of Hain were restated to include the results of operations, financial position and cash flows of Celestial.

The Company made the following acquisitions during the three years ended June 30, 2001:

On July 1, 1998, the Company acquired the following businesses and brands from The Shansby Group and other investors: Arrowhead Mills, DeBoles Nutritional Foods, Terra Chips, and Garden of Eatin'.

On May 18, 1999, the Company acquired NNG. NNG is a manufacturer and marketer of premium natural and organic food products primarily under its Health Valley, Breadshop's and Sahara brands.

On January 18, 2001, the Company acquired Fruit Chips B.V., a Netherlands based company, who manufactures, distributes and markets low fat fruit, vegetable and potato chips.

On June 8, 2001, the Company acquired Yves Veggie Cuisine, Inc. and its subsidiaries ("Yves"). Yves is a manufacturer and marketer of premium soy protein meat alternative food products.

All of the foregoing acquisitions, excluding Celestial, ("the acquisitions" or "acquired businesses") have been accounted for as purchases. Consequently, the operations of the acquired businesses are included in the results of operations from their respective dates of acquisition. Each of the acquired businesses markets and sells natural food products unless otherwise noted.

RESULTS OF OPERATIONS

Fiscal 2001 Compared to Fiscal 2000

Net sales for fiscal 2001 were $412.9 million, an increase of 2.3% over net sales of $403.5 million in the year ended June 30, 2000. On a year-to-year basis, our net sales were affected by a slowing U.S. economy, changes in the selling price per unit billing arrangements on certain products and, redirection of management focus on certain product lines (supplements, certain private label categories and other non-core food product categories). On a pro forma comparable basis, net sales increased by $23.9 million or 6.1% with the growth primarily coming from our Westsoy, Health Valley, Terra Chips and Garden of Eatin' brands.

Gross profit for 2001 increased by $2.1 million to $178.2 million (43.2% of net sales) as compared to $176.1 million (43.6% of net sales). The increase in gross profit dollars was a direct result of increased sales levels in 2001. The decline in gross profit percentage was predominantly due to: inventory write-offs of approximately $1.9 million associated with the Company's decision to write-off certain nonperforming inventory SKU's as a result of its decision to move and consolidate warehouses and upgrade the Company's management information system within its distribution infrastructure; approximately $.5 million associated with the Company's consolidation and move of one of its distribution facilities into its new Ontario, California distribution facility that opened in September 2000; approximately $1.2 million of higher fuel costs associated with freight cost and approximately a $1.5 million decrease associated with the aforementioned change in the billing arrangements offset by $4 million of additional writeoffs and reserves in the 2000 period associated with the supplement line.

Selling, general and administrative expenses decreased by approximately $15.7 million to $132.4 million (32.1% of net sales) in 2001 as compared to $148.1 million (36.7% of net sales) in 2000. The dollar decrease is a combination of approximately $8 million of synergies realized resulting from the Celestial merger; approximately $4 million in lower trade and marketing costs (offset by the costs associated with realizing additional shelf space on the Terra brand); a $1.2 million nonrecurring charge incurred in the September 1999 period by Celestial and $2.5 million of lower other selling, general and administrative expense components. In the next fiscal year, the Company expects to invest in consumer spending and to enhance brand equity while closely monitoring its trade spending. These consumer spending categories include, but are not limited to, consumer advertising using radio and print, coupons, direct mailing programs, and other forms of promotions. There is no guarantee that these promotional investments in consumer spending will be successful, and as the Company attempts to monitor its trade spending and increase consumer awareness, there may be a period of higher costs.

Merger related charges amounted to $1 million for the year ended June 30, 2001 as compared to $15.6 million during 2000. Merger related charges incurred in 2001 relate to certain employee costs associated with the Celestial Merger from May 2000.

During fiscal 2000, the Company recorded $4.9 million and $3.5 million of restructuring charges and an impairment of long-lived assets charge, respectively. There were no such charges during the year ended June 30, 2001.

Amortization of goodwill and other intangible assets was both approximately $6.4 million during the year ended June 30, 2001 and 2000.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001 with early adoption permitted for companies with fiscal years beginning after March 15, 2001, provided the first quarter financial statements have not been issued (the Company's first fiscal 2002 quarter of September 30, 2001). Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to an annual impairment test in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an approximate increase in net income within a range between $1.8 million to $3 million (between $.05 to $.09 per share) per year. This initial estimate is subject to completion of certain purchase price valuation allocations from prior years acquisitions. During 2002, the Company will perform the first of the required impairment tests on goodwill and indefinite lived intangible assets as of July 1, 2001 and it is expected that such impairment test will not have an effect on the earnings and financial position of the Company.

Operating income increased to $38.4 million during June 2001 compared to a operating loss of $2.4 million in 2000. The increase of $40.8 million is due to increased gross profits, lower selling, general and administrative expenses and merger charges as well as no restructuring or impairment of asset charges that occurred in 2000.

Other income increased from $1.6 million in 2000 to $2.8 million in 2001. The income in 2001 was primarily interest earned on higher cash balances as compared to 2000. The 2000 other income was a result of gains from sale of assets and marketable securities.

Interest and financing costs decreased from $6.7 million in 2000 to $.5 million in 2001. The Company had minimal debt levels throughout 2001 (average debt to equity was below 2% for the year), as compared to 2000 whereby the average debt level for our then term loan facility was $57.7 million with an average interest rate of 8.22%

Income before income taxes, extraordinary item and cumulative change in accounting principle increased $48.2 million to $40.7 million in 2001 as compared to a pretax loss of $7.5 million in 2000. The increase is a result of the aforementioned increase in operating income, higher interest and other income and lower interest and finance costs.

During fiscal 2000, the Company recorded a $3.9 million (52%) tax provision on a pre-tax loss of $7.5 million as compared to a tax provision of $17.1 million (42%) on a pre-tax income of $40.7 million during 2001. The fiscal 2000 tax expense, even though there was a pre-tax loss, was primarily a result of the add back of nondeductible merger and asset write-down charges. The tax rate of 42% in fiscal 2001 is higher than the statutory federal and state rates in effect primarily due to nondeductible goodwill amortization.

Fiscal 2000 Compared to Fiscal 1999:

Net sales for fiscal 2000 were $403.5 million, an increase of 28% over net sales of $315.8 million. 81% of the increase was derived from net sales of acquired businesses or net sales resulting from licensing agreements entered into during the fourth quarter of fiscal 1999. The remainder of the increase was derived from internal growth, primarily from the non-dairy beverages of Westsoy, and Terra Chips.

Gross profit for 2000 increased by $29.4 million to $176.1 million (43.6% of net sales) as compared to $146.7 million (46.4% of net sales). The increase in gross profit dollars was a direct result of increased sales levels in 2000. The decline in gross profit percentage was due to a combination of changes in sales mix, additional write-offs and reserves associated with the previously announced decision to cease production of the 30-count supplement product line, as well as certain reserves related to expected returns of the 60-count supplement product line, the write-off of certain inventories, including raw materials and packaging, related to the Company's decision to discontinue certain items, inefficiencies within certain co-packers, additional freight costs incurred due to fuel surcharges assessed to the Company that were not passed onto customers and higher warehouse costs primarily a result of the transition to our new west coast consolidated warehouse.

Selling, general and administrative expenses increased by approximately $36.3 million to $148.1 million in 2000 as compared to $111.8 million in 1999. Such expenses, as a percentage of net sales, amounted to 36.7% in 2000 compared with 35.4% in 1999. The increase of 1.3% is due to: 2% of higher trade promotional expenses over expected amounts offset by approximately a 1% improvement in other selling, general and administrative component costs resulting from the realization of reduced administrative expenses from integration of certain operations of the acquired businesses within the Company's infrastructure.

During the fourth quarter of fiscal 2000, the Company recorded charges of $15.6, $3.7 and $3.5 million, before taxes, related to: merger related charges associated with the Merger; costs for restructuring certain non-core businesses and the consolidation of warehouse and information systems within the Company's distribution and operating network; and impaired long-lived assets, principally goodwill and other long term assets associated with its supplement product line, respectively. Included in both the fiscal 2000 and 1999 periods within restructuring and other nonrecurring charges is a September 1999, $1.2 million settlement agreement relating to a shareholder lawsuit (see Note 2 to the Consolidated Financial Statements).

The components of the $3.7 million restructuring charge are approximately $2.0 million of write-downs of fixed and other assets, $1.2 million for lease exit and related incremental costs, $.2 million for severance and related benefits associated with the consolidation and closure of certain warehouses and streamlining certain business costs.

Amortization of goodwill and other intangible assets increased from $4.8 million in 1999 to $6.3 million in fiscal 2000. The increase of $1.5 million is attributable to goodwill and other intangibles (principally trademarks) in connection with the acquisitions during fiscal 1999 and 2000.

Operating income decreased from $28.9 million in 1999 to a loss of $2.4 million in 2000. The decrease was due to the aforementioned decline in gross profit and increase in selling, general and administrative dollars along with the $22.8 million of merger, restructuring and impairment of long-lived asset charges, recorded during the fourth quarter of fiscal 2000, as well as increased amortization of goodwill and other intangible assets.

The Company's other income in fiscal 2000 (there was no other income in the comparable period) primarily resulted from gains on proceeds received from sale of assets ($.9 million) along with investment gains of $.7 million on marketable securities bought and sold during the second quarter of fiscal 2000.

Interest and finance costs increased from $6.4 million in 1999 to $6.7 million in fiscal 2000. The increase of $.3 million was due to the debt incurred in connection with the fiscal 1999 acquisitions offset by the September 1999 and June 2000 $75 million and $44 million, respectively, repayments on this debt, as more fully described in Note 10 to the Consolidated Financial Statements. The infusion of equity has enabled the Company to achieve a debt to equity ratio of 2% at June 30, 2000.

Income before income taxes, extraordinary item and cumulative change in accounting principle decreased from $22.4 million in 1999 to a loss of $7.5 million in 2000. This $30 million decrease is a result of the aforementioned decline in operating income offset by higher other income.

During fiscal 2000, the Company recorded a $3.9 million (52%) tax provision on a pre-tax loss of $7.5 million as compared to a tax provision of $8.9 million (40%) on a pre-tax income of $22.4 million during 1999. The fiscal 2000 tax expense, even though there was a pre-tax loss, was primarily a result of the add back of nondeductible merger and asset write-down charges along with higher nondeductible goodwill amortization brought on by the 1999 acquisitions.

Extraordinary Charge

During the fourth quarter of fiscal 2000, the Company recorded a $1.9 million (net of tax benefit of $1.2 million) extraordinary charge related to the early extinguishment of the Company's existing credit facility and the write-off of the related debt financing costs.

Change in Accounting Principle

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting Costs of Start-up Activities" ("SOP 98-5"). SOP 98-5 became effective beginning on July 1, 1999, and required the start-up costs capitalized prior to such date to be written-off as a cumulative effect of an accounting change as of July 1, 1999. Any future start-up costs are to be expensed as incurred. Start up activities are broadly defined as those one time activities related to introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or commencing some new operation. In accordance with SOP 98-5, the Company recorded a

one-time non-cash charge in the first quarter of fiscal 2000 reflecting the cumulative effect of a change in accounting principle, in the amount of $3.8 million, net of tax benefit, representing such start-up costs capitalized as of the beginning of fiscal year 2000.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company had working capital and a current ratio of $92.3 million and 2.99 to 1, respectively, at June 30, 2001 as compared to $89.8 million and 2.69 to 1, respectively, at June 30, 2000. During the years ended June 30, 2001 and 2000, the Company's days sales outstanding and inventory turnover rate have remained consistent at approximately 35 days and 5.0 times, respectively. During the year ended June 30, 2001, the Company's cash and cash equivalents decreased by $11.7 million from 2000. The decrease was a result of cash provided by operations of $23 million (primarily a result of higher net income) and financing activities of $16.2 million (primarily proceeds from exercise of warrants and stock options) offset by cash flow used in investing activities of $51 million (acquisition of businesses and purchases of property, plant and equipment).

In March 2001, the Company entered into a new $240 million Senior Revolving Credit Facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a four year, $145 million revolving credit facility (initially this revolving facility is priced at LIBOR plus 1.00%) and a $95 million 364-day facility (the 364-day facility is also initially priced at LIBOR plus 1.00%). The Senior Credit Facility is unsecured, but guaranteed by all current and future direct and indirect domestic subsidiaries of the Company. This Senior Credit Facility also includes customary affirmative and negative covenants for transactions of this nature. The Company's outstanding revolving credit loans under these facilities bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus 0.50% per annum) or, at the Company's option, the reserve adjusted LIBOR rate plus the applicable margin (as defined in the Senior Credit Facility). As of June 30, 2001, approximately $4.4 million was borrowed under the revolving facility at 5.94%.

The Company believes its cash on hand of $26.6 million at June 30, 2001, as well as cash flows from operations are sufficient to fund its working capital needs, anticipated capital expenditures, scheduled debt payments of $2.9 million, other operating expenses, as well as provide liquidity to pay down the remaining merger related and restructuring accruals (aggregating $1.3 million) existing at June 30, 2001. The Company is currently investing its cash on hand in highly liquid short-term investments yielding approximately 4% interest.

SUPPLEMENTARY QUARTERLY FINANCIAL DATA

Unaudited quarterly financial data (in thousands, except per share amounts) for fiscal 2001 and 2000 is summarized as follows:

	Three Months Ended			
	Sept. 30, 2000	Dec. 31, 2000	March 31, 2001	June 30, 2001
Net sales	$93,653	$116,025	$103,909	$99,293
Gross profit	40,408	53,728	42,780	41,321
Merger costs	1,032			
Operating income	10,517	17,028	6,561	4,273
Income before income taxes	11,043	17,699	7,313	4,616
Net income	6,405	10,266	4,241	2,677
Basic earnings per common share	$ .20	$ .31	$ .13	$ .08
Diluted earnings per common share	$ .19	$ .30	$ .12	$ .08

In August 2001, the Company announced that while fourth quarter fiscal 2001 net sales grew 13% over the corresponding period, higher marketing and advertising expenditures, primarily related to the Westsoy brand, higher trade promotion costs (placement cost) associated with the Terra brand and higher production costs associated with the Terra Chip manufacturing process adversely impacted earnings growth in the fourth quarter.

	Three Months Ended			
	Sept. 30, 1999	Dec. 31, 1999	March 31, 2000	June 30, 2000
Net sales	$87,940	$116,675	$111,916	$87,012
Gross profit	33,331	56,203	54,614	31,978
Merger costs				15,633
Restructuring and other non-recurring charges	1,200			3,733
Impairment of long-lived assets				3,468
Income (loss) before income taxes, extraordinary item and cumulative change in accounting principle	(2,300)	14,639	14,541	(34,383)
Extraordinary item				(1,940)
Cumulative change in accounting principle	(3,754)			
Net income (loss)	(4,966)	8,501	8,637	(29,269)
Basic earnings (loss) per common share before extraordinary item and cumulative change in accounting principle	$ (.05)	$ .30	$ .30	$ (.93)
Diluted earnings (loss) per common share before extraordinary item and cumulative change in accounting principle	$ (.05)	$ .28	$ .28	$ (.93)

During the three month period ended June 30, 2000, in addition to the merger costs, restructuring and other non-recurring charges and impairment of long-lived assets, the Company recorded an additional $2.5 million of costs associated with Celestial's previously announced decision to cease production of its 30-count supplement product line at September 30, 1999, as well as certain reserves related to expected returns of the Company's 60-count supplement sales. These decisions were primarily related to a management change along with prevailing market conditions affecting the supplement industry.

Shortly after the Merger was consummated on May 30, 2000, the Company initiated a program to reduce the amount of tea inventory in the hands of distributors by changing Celestial's trade practices. During the fourth quarter of fiscal 2000, this program reduced Celestial's revenue by an estimated 450,000 cases, or approximately $9.6 million, resulting in lower operating profit by approximately $4.8 million. In addition, during the period after announcement of the Merger, an environment of significant uncertainty regarding integration of the companies existed within the Company's sales organization, as well as within the Company's customer base. The Company believes that this uncertainty further impacted revenue from non-core brands thereby reducing operating profit by approximately $2.3 million. The Company was also impacted by lower revenues from Earth's Best products as a result of the lack of availability of certain ingredients. The Company anticipated resolving this issue by early June 2000, however, the problems were not fully resolved until shortly after fiscal 2000 year-end.

In addition, during the fourth quarter of fiscal 2000, the Company incurred approximately $8.3 million of trade promotional expenses over expected amounts. These costs were primarily due to: (1) a concerted effort to gain additional distribution, (2) increased deductions by customers in the face of our announced merger (3) a higher level of actual spending over amounts estimated and accrued by Celestial at March 31, 2000, and (4) the implementation of a new trade promotion tracking system at Celestial which has accelerated the availability of information and allowed the Company to better match these costs with related revenues. Gross profit margin was negatively impacted by approximately $3.1 million primarily due to: (1) a change in sales mix, (2) the write-off of certain inventories, including raw materials and packaging, related to the Company's decision to discontinue certain items, (3) inefficiencies within certain co-packers, (4) additional freight costs incurred due to fuel surcharges assessed to the Company, that were not passed onto customers and (5) higher warehouse costs primarily due to increased inventory levels in anticipation of a new distribution agreement for the Company's medically directed products together with the transition to the Company's new West Coast consolidated warehouse.

The supplementary quarterly financial data for the year ended June 30, 2000, includes the results of operations of Hain and Celestial for each quarter presented. The quarter ended September 30, 1999, however, includes the results of operations of Celestial two times as a result of the need to change Celestial's year end to be the same as that of Hain. Consequently, the quarter ended September 30, 1999 includes the following duplicated information for Celestial: net sales of $19.9 million after reduction for 30-count supplement returns of $5.1 million; gross profit of $5.3 million after cost of sales charges of $4.0 million for the 30-count supplement product line; the $1.2 million charge related to the shareholder lawsuit settlement, and net loss of $3.9 million.

SEASONALITY

Our tea business consists primarily of manufacturing and marketing hot tea products and as a result its quarterly results of operations reflect seasonal trends resulting from increased demand for its hot tea products in the cooler months of the year. 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. In some future periods, our operating results may fall below the expectations of securities analysts and investors, which could harm our business.

INFLATION

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

Consolidated Balance Sheets
(In thousands, except per share and share amounts)

	June 30	
	2001	**2000**
ASSETS		
Current assets:		
Cash	**$ 26,643**	$ 38,308
Accounts receivable, less allowance for doubtful accounts of $815 and $929	**46,404**	36,120
Inventories	**49,593**	48,139
Recoverable income taxes	**8,232**	7,982
Deferred income taxes	**3,740**	8,724
Other current assets	**4,168**	3,611
Total current assets	**138,780**	142,884
Property, plant and equipment, net of accumulated depreciation and amortization of $25,551 and $19,471	**55,780**	39,340
Goodwill, net of accumulated amortization of $18,252 and $13,109	**219,826**	188,212
Trademarks and other intangible assets, net of accumulated amortization of $6,794 and $5,594	**38,230**	40,265
Other assets	**9,077**	5,316
Total assets	**$461,693**	$416,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	**$ 42,456**	$ 43,039
Accrued merger related charges	**1,131**	9,414
Current portion of long-term debt	**2,881**	681
Total current liabilities	**46,468**	53,134
Long-term debt, less current portion	**10,718**	5,622
Deferred income taxes	**7,854**	5,537
Total liabilities	**65,040**	64,293
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock – $.01 par value, authorized 5,000,000 shares, no shares issued		
Common stock – $.01 par value, authorized 100,000,000 shares, issued 33,771,124 and 32,147,261 shares	**338**	321
Additional paid-in capital	**348,942**	326,641
Retained earnings	**48,626**	25,037
Foreign currency translation adjustment	**(978)**	
	396,928	351,999
Less: 100,000 shares of treasury stock, at cost	**(275)**	(275)
Total stockholders' equity	**396,653**	351,724
Total liabilities and stockholders' equity	**$461,693**	$416,017

See notes to consolidated financial statements.

Consolidated Statements of Operations
(In thousands, except per share amounts)

	Year Ended June 30		
	2001	**2000**	**1999**
Net Sales	**$412,880**	$403,543	$315,820
Cost of sales	**234,643**	227,417	169,141
Gross profit	**178,237**	176,126	146,679
Selling, general and administrative expenses	**132,385**	148,133	111,802
Merger costs	**1,032**	15,633	
Restructuring and other non-recurring charges		4,933	1,200
Impairment of long-lived assets		3,468	
Amortization of goodwill and other intangible assets	**6,441**	6,346	4,787
Operating income (loss)	**38,379**	(2,387)	28,890
Other income	**2,808**	1,585	
Interest and financing costs	**(516)**	(6,701)	(6,442)
Income (loss) before income taxes, extraordinary item and cumulative change in accounting principle	**40,671**	(7,503)	22,448
Provision for income taxes	**17,082**	3,900	8,931
Income (loss) before extraordinary item and cumulative change in accounting principle	**23,589**	(11,403)	13,517
Extraordinary item – costs in connection with early extinguishment of debt, net of income tax benefit of $1,182		(1,940)	
Cumulative change in accounting principle, net of income tax benefit of $2,547		(3,754)	
Net income (loss)	**$ 23,589**	$ (17,097)	$ 13,517
Basic earnings per common share:			
Income (loss) before extraordinary item and cumulative change in accounting principle	**$ .71**	$ (.41)	$ .56
Extraordinary item		(.07)	
Cumulative change in accounting principle		(.13)	
Net income (loss) per share-basic	**$ .71**	$ (.61)	$ .56
Diluted earnings per common share:			
Income (loss) before extraordinary item and cumulative change in accounting principle	**$ .68**	$ (.41)	$ .51
Extraordinary item		(.07)	
Cumulative change in accounting principle		(.13)	
Net income (loss) per share-diluted	**$ .68**	$ (.61)	$ .51
Weighted average common shares outstanding:			
Basic	**33,014**	27,952	24,144
Diluted	**34,544**	27,952	26,636

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended June 30		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	**$ 23,589**	$ (17,097)	$ 13,517
Adjustment for change in year-end of Celestial		3,933	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Non-cash merger related charge		175	
Non-cash restructuring charge		1,994	
Non-cash impairment of long-lived assets		3,468	
Extraordinary item		1,940	
Cumulative change in accounting principle		3,754	
Depreciation and amortization of property and equipment	**6,287**	4,986	2,530
Amortization of goodwill and other intangible assets	**6,441**	6,053	4,787
Amortization of deferred financing costs	**107**	718	589
Provision for doubtful accounts	**393**	432	313
Deferred income taxes	**7,301**	4,373	80
Gain on disposal of assets		(922)	63
Other	**46**	46	46
Increase (decrease) in cash attributable to changes in assets and liabilities, net of amounts applicable to acquired businesses:			
Accounts receivable	**(6,514)**	4,211	(5,033)
Inventories	**848**	(8,607)	8,441
Other current assets	**604**	2,090	(2,979)
Other assets	**(746)**	(2,771)	(7,014)
Accounts payable and accrued expenses	**(19,119)**	3,882	(1,164)
Recoverable taxes, net of income tax payable	**3,604**	(2,094)	2,332
Net cash provided by operating activities	**22,841**	10,564	16,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of businesses, net of cash acquired	**(37,184)**	(4,673)	(95,270)
Purchases of property and equipment and other intangible assets	**(13,474)**	(4,298)	(7,601)
Proceeds from sale of assets		1,583	148
Net cash used in investing activities	**(50,658)**	(7,388)	(102,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (Repayments) from bank revolving credit facility, net	**4,400**	(5,080)	(6,270)
Proceeds from term loan facilities			190,000
Repayment of term loan facilities		(130,000)	(78,600)
Payments on economic development revenue bonds	**(366)**	(317)	(300)
Costs in connection with bank financing	**(1,369)**	(26)	(2,542)
Proceeds from private equity offering, net of expenses		160,332	
Proceeds from exercise of warrants and options, net of related expenses	**13,685**	9,354	4,490
Collections of receivables from equipment sales			116
Payment of debt of acquired company			(20,678)
Payment of other long-term debt and other liabilities	**(217)**	(278)	(1,882)
Net cash provided by financing activities	**16,133**	33,985	84,334
Net (decrease) increase in cash and cash equivalents	**(11,684)**	37,161	(1,881)
Effect of exchange rate changes on cash	**19**		
Cash and cash equivalents at beginning of year	**38,308**	1,147	3,028
Cash and cash equivalents at end of year	**$ 26,643**	$ 38,308	$ 1,147

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(In thousands, except per share and share amounts)

Years Ended June 30, 1999, 2000 and 2001

	Common Stock		Additional		Treasury Stock		Foreign Currency		Compre-hensive
	Shares	Amount at $.01	Paid-in Capital	Retained Earnings	Shares	Amount	Translation Adjustment	Total	Income (Loss)
Balance at June 30, 1998	22,161,780	$222	$ 79,936	$ 24,684	100,000	$(275)		$104,567	
Issuance of shares in connection with the acquisitions of businesses	1,716,111	17	39,733					39,750	
Exercise of common stock warrants, net of related expenses	340,930	3	1,986					1,989	
Exercise of stock options	471,658	5	2,638		6,400	(142)		2,501	
Retirement of treasury shares	(6,400)		(142)		(6,400)	142			
Non-cash compensation charge			46					46	
Tax benefit from stock options			2,119					2,119	
Net income				13,517				13,517	$13,517
Balance at June 30, 1999	24,684,079	247	126,316	38,201	100,000	(275)		164,489	
Issuance of shares to Heinz, net of related expenses	6,090,351	61	177,642					177,703	
Conversion of promissory notes	442,538	4	9,973					9,977	
Exercise of common stock warrants, net of related expenses	345,853	3	1,922					1,925	
Exercise of stock options	584,440	6	7,423					7,429	
Non-cash compensation charge			46					46	
Tax benefit from stock options			3,319					3,319	
Adjustment for change in year-end of Celestial				3,933				3,933	
Net loss				(17,097)				(17,097)	(17,097)
Balance at June 30, 2000	**32,147,261**	**321**	**326,641**	**25,037**	**100,000**	**(275)**		**351,724**	
Exercise of common stock warrants, net of related expenses	**166,419**	**2**	**657**					**659**	
Exercise of stock options	**1,265,465**	**13**	**12,857**					**12,870**	
Issuance of common stock	**191,979**	**2**	**5,714**					**5,716**	
Non-cash compensation charge			**46**					**46**	
Tax benefit from stock options			**3,027**					**3,027**	
Net income				**23,589**				**23,589**	
Comprehensive income:									
Net income									**23,589**
Translation adjustments							**$(978)**	**(978)**	**(978)**
Total comprehensive income									**$ 22,611**
Balance at June 30, 2001	**33,771,124**	**$338**	**$348,942**	**$ 48,626**	**100,000**	**$(275)**	**$(978)**	**$396,653**	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. BUSINESS

The Hain Celestial Group, Inc. is a natural, specialty and snack food company. The Company is a leader in many of the top natural food categories, with such well-known natural food brands as Celestial Seasonings® teas, Hain Pure Foods®, Westbrae®, Westsoy®, Arrowhead Mills®, Health Valley®, Breadshop's®, Casbah®, Garden of Eatin'®, Terra Chips®, Yves Veggie Cuisine®, DeBoles®, Earth's Best®, and Nile Spice®. The Company's principal specialty product lines include Hollywood® cooking oils, Estee® sugar-free products, Weight Watchers® dry and refrigerated products, Kineret® kosher foods, Boston Better Snacks®, and Alba Foods®.

The Company and its subsidiaries operate in one business segment: the sale of natural, organic and other food and beverage products. During fiscal 2001, approximately 51% (as compared to 55% in 2000) of the Company's revenues were derived from products which are manufactured within its own facilities with 49% produced by various co-packers. In fiscal 2001, 2000 and 1999 there were no co-packers who manufactured 10% or more of the Company's products.

2. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of The Hain Celestial Group, Inc. (formerly known as The Hain Food Group, Inc. ("Hain")) and all wholly-owned subsidiaries (the "Company"). In the Notes to Consolidated Financial Statements, all dollar amounts, except per share amounts, are in thousands of dollars unless otherwise indicated.

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

The Merger was accounted for as a pooling-of-interests and, accordingly, all prior period consolidated financial statements of Hain have been restated to include the results of operations, financial position and cash flows of Celestial. Information concerning common stock, employee stock plans and per share data has been restated on an equivalent share basis. The accompanying consolidated financial statements as of and for the year ended June 30, 1999 include Hain's June 30 fiscal year amounts combined with Celestial's September 30 fiscal year amounts. The consolidated financial statements as of and for the year ended June 30, 2000 include the financial position of both Hain and Celestial as of such date and the results of operations and cash flows of Hain and Celestial for the year then ended. Consequently, Celestial's results of operations and cash flows for the three-month period ended September 30, 1999 are included in both fiscal 2000 and 1999, which results in the need to eliminate such duplication by an adjustment to retained earnings. Since Celestial incurred a net loss of $3.9 million for the three month period duplicated, the adjustment to retained earnings adds back such loss. Summary information for Celestial's three-month period ended September 30, 1999 is as follows: net sales – $19.9 million; loss before income taxes – $7.3 million; net loss – $3.9 million; cash provided by operating activities – $1.1 million; cash used in investing activities – $4.1 million; and cash provided by financing activities – $3.4 million.

The reconciliations of operating results of Hain and Celestial for the periods previously reported prior to the combination are as follows:

	Nine months ended March 31, 2000	Year ended June 30, 1999
Net sales:		
Hain	$226,100	$205,900
Celestial	90,400	109,900
Combined	$316,500	$315,800
Income before extraordinary item and cumulative change in accounting principle:		
Hain	$ 22,700	$ 11,000
Celestial	4,200	2,500
Combined	$ 26,900	$ 13,500
Net income:		
Hain	$ 8,700	$ 11,000
Celestial	3,400	2,500
Combined	$ 12,100	$ 13,500

There were no material adjustments required to conform the accounting policies of the two companies. Certain amounts of Celestial have been reclassified to conform to the reporting practices of Hain.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Material intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to prior consolidated financial statements and notes thereto to conform to the current year presentation.

Foreign Currency Translation

Financial statements of foreign subsidiaries are translated into U.S. dollars at current rates, except that revenues, costs and expenses are translated at average current rates during each reporting period. Net exchange gains or losses resulting from the translation of foreign financial statements and the effect of exchange rate changes on intercompany transactions of a long-term investment nature are accumulated and credited or charged directly to a separate component of shareholders' equity and other comprehensive income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

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

Advertising Costs

Media advertising costs, which are included in selling, general and administrative expenses, amounted to $5,510, $1,980 and $7,349 for fiscal 2001, 2000 and 1999, respectively. Such costs are expensed as incurred.

Income Taxes

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse.

Concentration of Credit Risk

Substantially all of the Company's trade accounts receivable are due from food distributors and food retailers located throughout the United States and Canada. The Company performs credit evaluations of its customers and generally does not require collateral. Credit losses are provided for in the consolidated financial statements and consistently have been within management's expectations. During the year ended June 30, 2001, sales to two customers and their affiliates approximated 18% and 17%. These two customers accounted for 17% and 18%, respectively, for the year ended June 30, 2000 and approximately 18% each for the year ended June 30, 1999. At June 30, 2001 and 2000, these two customers and their affiliates accounted for approximately 28% and 32%, respectively, of total accounts receivable outstanding.

Inventories

Inventories consist principally of finished goods, raw materials and packaging materials, and are stated at the lower of cost (first-in, first-out basis) or market. Cost is determined principally on the standard cost method for manufactured goods and on the average cost method for other inventories, each of which approximates actual cost on the first-in, first-out method.

Shipping and Handling Costs

The Company includes costs associated with shipping and handling of its inventory as a component of cost of goods sold in the Consolidated Statements of Operations.

Fair Values of Financial Instruments

At June 30, 2001, the Company had $22.8 million invested in corporate money market securities, including commercial paper, repurchase agreements, variable rate instruments and bank instruments. The Company has classified these securities as cash equivalents as the maturities of these instruments are less than three months. At June 30, 2001, the carrying value of these money market securities approximates their fair values. At June 30, 2000, the Company had no cash equivalents.

The Company believes that the interest rates set forth in the Company's debt instruments approximate its current borrowing rate and, accordingly, the carrying amounts of such debt at June 30, 2001 and 2000 approximate fair value.

Property, Plant and Equipment

Property, plant and equipment are carried at cost and are depreciated or amortized on a straight-line basis over the lesser of the estimated useful lives or lease life, whichever is shorter.

Buildings	31-35 years
Machinery and equipment	5-10 years
Furniture and fixtures	3-7 years
Leasehold improvements	3-10 years

Goodwill, Trademarks and Other Intangible Assets

Goodwill consists of the excess of the cost of acquired businesses over the fair value of the assets and liabilities acquired or assumed, and is being amortized over a period of 40 years from date of acquisition.

Other intangible assets, principally trademarks, are being amortized over their respective applicable lives. The Company amortizes trademarks over 5-40 years.

Accounting for the Impairment of Long-Lived Assets

The Company accounts for impairment of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". SFAS No. 121 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the recorded value of the asset may not be recoverable. The Company performs such a review at each balance sheet date whenever events and circumstances have occurred that indicate possible impairment. The Company considers continued operating losses and significant and long-term changes in prevailing market conditions to be its primary indicators of potential impairment. In accordance with SFAS No. 121, the Company uses an estimate of the future undiscounted net cash flows of the related asset or asset grouping over the remaining life to measure whether the assets are recoverable. During fiscal year 2000, the Company wrote-off approximately $3.5 million of impaired long-lived assets. The write-off included $1.4 million of goodwill and $2.1 million of barter credits related to the Company's supplements products, which have experienced losses. The Company determined that the product line had become impaired and does not expect to recover their recorded values in the foreseeable future.

Deferred Financing Costs

Eligible costs associated with obtaining debt financing are capitalized and amortized over the related lives of the applicable debt instruments, which approximates the effective interest method.

Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings Per Share" ("SFAS No. 128"). Basic earnings per share excludes any dilutive effects of options, warrants and convertible debt. Diluted earnings per share includes only the dilutive effects of common stock equivalents such as stock options and warrants.

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

	2001	2000	1999
Numerator:			
Income (loss) before extraordinary item and cumulative change in accounting principle – numerator for basic and diluted earnings per share	$ 23,589	$ (11,403)	$ 13,517
Extraordinary item		(1,940)	
Cumulative change in accounting principle		(3,754)	
Net income (loss)	$ 23,589	$ (17,097)	$ 13,517
Denominator (in thousands):			
Denominator for basic earnings (loss) per share – weighted average shares outstanding during the period	33,014	27,952	24,144
Effect of dilutive securities (a):			
Stock options	1,304		1,863
Warrants	226		629
	1,530		2,492
Denominator for diluted earnings (loss) per share – adjusted weighted average shares and assumed conversions	34,544	27,952	26,636
Basic earnings (loss) per share:			
Income (loss) before extraordinary item and cumulative change in accounting principle	$ .71	$ (.41)	$ .56
Extraordinary item		(.07)	
Cumulative change in accounting principle		(.13)	
Net income (loss)	$ .71	$ (.61)	$ .56
Diluted earnings (loss) per share:			
Income (loss) before extraordinary item and cumulative change in accounting principle	$ .68	$ (.41)	$ .51
Extraordinary item		(.07)	
Cumulative change in accounting principle		(.13)	
Net income (loss)	$ .68	$ (.61)	$ .51

(a) As of result of the net loss, the dilutive effect of options and warrants (aggregating 2,300 shares) are not shown as the results would be antidilutive.

4. RESTRUCTURING AND OTHER NON-RECURRING CHARGES

During the fourth quarter of fiscal 2000, the Company approved a plan to streamline and restructure certain non-core businesses and consolidate warehouses and information systems within the Company's distribution and operating network which resulted in a pre-tax charge of $3.7 million. In addition, in the first quarter of fiscal 2000, the Company entered into a settlement agreement related to a shareholder lawsuit (see Note 16) resulting in a one-time pre-tax charge of $1.2 million.

The components of the $3.7 million restructuring charge are as follows:

Write-downs of property, plant and equipment and other assets	$ 1,994
Lease exit costs	1,153
Severance and related benefits	248
Other non-core business costs	338
	$ 3,733

At June 30, 2000, the Company had accrued approximately $1.7 million of future costs associated with this restructuring charge. As of June 30, 2001, $.2 million of future cash outlays remain associated with this accrual.

The write down of property, plant and equipment and other assets net of salvage value, primarily related to machinery and equipment and computer equipment within certain of the Company's distribution facilities, corporate information systems relating to an enterprise-wide program to upgrade its business information systems and computer hardware and software and other equipment and assets related to the restructuring of certain non-core business.

Lease exit costs of approximately $1.2 million relate to incremental costs and contractual obligations for items such as leasehold termination payments (net of estimated expected sub rentals) and other facility exit costs expected to be incurred as a direct result of this plan.

In addition, during the first quarter of fiscal 2000, Celestial decided to cease production of its 30-count supplements product line and focus it efforts on its 60-count product line. In conjunction with the discontinuance of the 30-count products, Celestial decided to offer a return program to its customers. Accordingly, Celestial reversed sales ($5.1 million) and recorded additional cost of sales ($4.0 million) for the estimated 30-count products still with customers and an estimated write-down of inventory on hand and expected to be returned.

In the fourth quarter of fiscal 2000, the Company was required to provide additional amounts for sales returns and inventory write-offs (totaling $.9 million) related to the previously announced decision to cease production of the 30-count products. Moreover, the Company provided certain reserves related to expected returns of the Company's 60-count supplement products, totaling $1.6 million, primarily related to the receipt of return notification from certain customers and prevailing market conditions affecting the supplements industry.

5. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting for Certain Sales Incentives

In May 2000, the Emerging Issues Task Force ("EITF") issued Issue 00-14, "Accounting for Certain Sales Incentives". Under the consensus, certain sales incentives must be recognized as a reduction of sales, rather than as an expense (the Company includes such sales incentives within selling, general and administrative expenses). In April 2001, the EITF reached a consensus on Issue 00-25, "Vendor Statement Characterization of Consideration from a Vendor to a Retailer", which expanded upon the types of consideration paid by vendors to retailers which are now considered sales incentives and, accordingly, should be classified as a reduction of sales, rather than as a component of selling, general and administrative expenses. This consensus is effective for fiscal quarters beginning after December 15, 2001 (the Company's March 2002 quarter). Upon application of these consensus', the Company's earnings for current and prior periods will not be changed, but rather a reclassification will take place within the Consolidated Statements of Operations for all periods presented for comparative purposes. The EITF changed the effective date of Issue 00-14 to coincide with the effective date of Issue 00-25.

Had EITF 00-14 and 00-25 been adopted at the beginning of the fiscal years June 30, 2001 and 2000, the Company's net sales and selling, general and administrative expenses would have each been reduced by $72.5 million and $76.1 million, for the respective periods.

Accounting for Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets", effective for fiscal years beginning after December 15, 2001 with early adoption permitted for companies with fiscal years beginning after March 15, 2001, provided the first quarter financial statements have not been issued (the Company's first fiscal quarter is September 30, 2001 in fiscal 2002). Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment test in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an approximate increase in net income within a range between $1.8 million to $3 million (between $.05 to $.09 per share) per year. This initial estimate is subject to completion of certain purchase price valuation allocations from prior years acquisitions. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of July 1, 2001 and it is expected that such impairment test will not have an effect on the earnings and financial position of the Company.

6. CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE

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

7. ACQUISITIONS

On June 8, 2001, the Company acquired privately-held Yves Veggie Cuisine, Inc. ("Yves") a Vancouver, British Columbia based company. Yves is a leading North American manufacturer, distributor and marketer of soy protein meat alternative products. The aggregate purchase price, including acquisition costs, amounted to approximately $34 million excluding the assumption of debt and capital leases of approximately $3 million. The purchase price was paid by approximately $32.5 million in cash and $1.5 million worth of common stock (61,500 shares). The aggregate purchase price paid over the net assets acquired amounted to approximately $31.5 million. The purchase price allocations have been made on a preliminary basis, subject to adjustment and it is expected to be completed in the second quarter of fiscal 2002.

On January 18, 2001 the Company acquired privately held Fruit Chips B.V., ("Fruit Chips") a Netherlands based company. The Company subsequently renamed Fruit Chips, Terra Chips B.V. Terra Chips B.V. is a manufacturer and distributor of low fat fruit, vegetable and potato chips selling to European markets. The aggregate purchase price paid, including transaction costs was approximately $9.8 million consisting of both cash and stock. The aggregate purchase price paid over the net assets acquired was approximately $6.2 million.

Unaudited pro forma results of operations for the years ended June 30, 2001 and 2000 reflecting the above acquisitions as if they occurred at the beginning of each year would not be materially different than the actual results for those years.

On May 18, 1999, the Company acquired Natural Nutrition Group, Inc. ("NNG"). NNG is a manufacturer and marketer of premium natural and organic food products primarily under its Health Valley, Breadshop's and Sahara brands. The aggregate purchase price, including acquisition costs, amounted to approximately $82 million. The purchase price was paid by approximately $72 million in cash and the issuance of $10 million in convertible promissory notes. To finance the cash portion of the acquisition, the Company entered into a $160 million senior secured loan which provided for a $30 million revolving credit facility and $130 million in term loans. The aggregate purchase price paid in excess of net assets acquired amounted to $62.5 million. From the date of acquisition through June 30, 1999, NNG had net sales of approximately $7.5 million.

On July 1, 1998, the Company acquired the following businesses and brands from The Shansby Group and other investors: Arrowhead Mills (natural foods), DeBoles Nutritional Foods (natural pasta products), Terra Chips (natural vegetable chips) and Garden of Eatin', Inc. (natural snack products). The aggregate purchase price, including acquisition costs, for these businesses amounted to approximately $61.5 million. The purchase price was paid by the issuance of 1,716,111 shares of the Company's common stock with a market value of $39.75 million and approximately $21.7 million in cash. In addition, the Company repaid approximately $20.8 million of outstanding debt of the acquired businesses. The aggregate purchase price paid in excess of net assets acquired amounted to $74.5 million.

The above acquisitions have been accounted for as purchases and, therefore, operating results of the acquired businesses have been included in the accompanying financial statements from the dates of acquisition. Goodwill arising from the acquisitions is being amortized on a straight line basis over 40 years (see Note 5).

8. INVENTORIES

Inventories consist of the following at June 30:

	2001	2000
Finished goods	$29,933	$28,730
Raw materials, work-in-process and packaging	19,660	19,409
	$49,593	$48,139

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	2001	2000
Land	$ 6,673	$ 6,049
Building	13,611	10,579
Machinery & equipment	42,861	33,890
Assets held for sale		197
Furniture and fixtures	2,505	2,580
Leasehold improvements	6,818	5,014
Construction in progress	8,863	502
	81,331	58,811
Less:		
Accumulated depreciation and amortization	25,551	19,471
	$55,780	$39,340

Included within machinery and equipment are assets held under capital leases with net book values at June 30, 2001 and 2000 of $3 million and $.2 million, respectively.

10. LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	2001	2000
Senior revolving credit facilities payable to banks (A)	$ 4,400	
Convertible Promissory Notes (B)	23	$ 23
Capital leases on machinery and equipment and other debt instruments (C)	2,648	847
Economic Development Revenue Bonds due in monthly installments through November 1, 2009, interest payable monthly at variable rates (D)	5,067	5,433
Mortgage loan (E)	1,461	
	13,599	6,303
Current Portion	2,881	681
	$10,718	$ 5,622

(A) Senior Revolving Credit Facilities

On May 18, 1999, in connection with the acquisition of NNG, the Company arranged for a $160 million senior secured loan facility ("Facility"), that provided for a $30 million credit facility and $130 million of term loans. The Facility was used to complete the acquisition of NNG, refinance then existing debt and provide for ongoing working capital needs. Interest rates on the Facility, which were computed using either the bank's base rate, as defined, or LIBOR, at the Company's option, ranged from 8.5% to 9.5% and averaged 8.3% during fiscal 2000.

In June 2000, using the proceeds received from the sale of common stock to Heinz (see Note 12), all amounts then outstanding under the Facility were prepaid and the Facility was terminated. As a result, the Company incurred an extraordinary charge in connection with this early extinguishment of debt of approximately $1.9 million (net of tax benefit of approximately $1.2 million) for the write-off of related unamortized deferred financing costs.

In March 2001, the Company entered into a new $240 million Senior Revolving Credit Facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a four year, $145 million revolving credit facility (initially this revolving facility is priced at LIBOR plus 1.00%) and a $95 million 364-day facility (the 364-day facility is also initially priced at LIBOR plus 1.00%). The Senior Credit Facility is unsecured, but guaranteed by all current and future direct and indirect domestic subsidiaries of the Company. This Senior Credit Facility also includes customary affirmative and negative covenants for transactions of this nature. The Company's outstanding revolving credit loans under these facilities bears interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus 0.50% per annum) or, at the Company's option, the reserve adjusted LIBOR rate plus the applicable margin (as defined in the Senior Credit Facility). As of June 30, 2001, $4.4 million was borrowed under the revolving facility at 5.94%.

On November 2, 1998, Celestial entered into a three-year credit facility which includes a revolving credit loan of up to $15,000,000, and a standby letter of credit commitment in the amount of $6,100,000 (the "Letter of Credit Facility") to support outstanding Economic Development Revenue Bonds issued to finance Celestial's manufacturing facility. Borrowings under the credit facility carried interest at rates ranging from LIBOR plus 0.50% to the Federal Funds Rate plus .75%, subject to increases if the Company failed to achieve certain future operating results. The Letter of Credit Facility included annual financing fees of 0.50%, and loans resulting from a draw under the Letter of Credit Facility carried interest at a rate equal to the interest rate then applicable to the Revolving Loan. The Letter of Credit Facility expires on November 2, 2002. The revolving credit loan was terminated.

(B) Convertible Promissory Notes

In connection with the acquisition of NNG, the Company issued $10 million of convertible promissory notes (the "Notes") bearing interest at 7%, payable quarterly commencing September 30, 1999. The Notes are convertible into shares of the Company's Common Stock. The number of shares of Common Stock to be issued upon conversion of each Note is based upon the conversion price equal to the average of the closing prices of the Company's Common Stock for the ten trading days prior to any conversion of the Note. During the year ended June 30, 2000, holders of approximately $9.98 million in Notes have converted such Notes into 442,538 shares of the Company's common stock.

(C) Capital Leases and Other Debt Instruments

Capital leases on machinery and equipment of $2,177 bear interest ranging from 7.25% to 10% and are due in monthly installments through January 2006.

The aggregate minimum future lease payments for all capital leases at June 30, 2001 are as follows:

2002	$ 626
2003	557
2004	434
2005	255
2006	42
Thereafter	263
	$ 2,177

The other long-term debt primarily relates to an acquisition NNG consummated on January 12, 1999. Prior to the acquisition of NNG by the Company, an $800,000 nonconvertible promissory note bearing interest at prime (6.75% at June 30, 2001), was issued to the seller. This promissory note requires principal installments starting June 30, 1999 through December 31, 2002.

(D) Economic Development Bonds

Borrowings related to Economic Development Revenue Bonds (the "Bonds") bear interest at a variable rate (3.02% at June 30, 2001) and are secured by a letter of credit. The Bonds mature December 1, 2009. The Bonds can be tendered monthly to the Bond trustee at face value plus accrued interest, with payment for tendered Bonds made from drawdowns under the letter of credit.

(E) Mortgage Loan

As part of the Yves acquisition on June 8, 2001, the Company assumed a mortgage loan on the land and building occupied by Yves. The mortgage loan of $1,461 is repayable in blended monthly installments, including principal with interest at 7.65% (floating at Government of Canada 5 year bond rates plus 1.5%) per annum; with a balloon payment of $1.4 million due April 1, 2002. The mortgage is secured by such land and building and a general security agreement over certain machinery and equipment.

Maturities of all debt instruments at June 30, 2001, are as follows:

2002	$ 2,881
2003	1,192
2004	992
2005	5,255
2006	742
Thereafter	2,537
	$ 13,599

Interest paid during the years ended June 30, 2001, 2000 and 1999 amounted to $412, $7,224 and $5,091 respectively.

11. INCOME TAXES

The provision for income taxes for the years ended June 30, 2001, 2000 and 1999 is presented below. The table excludes the tax benefits applicable to the extraordinary charges and the cumulative change in accounting principle in 2000.

	2001	2000	1999
Current:			
Federal	$ 8,145	$ 2,615	$ 7,548
State	1,480	389	1,303
Foreign	156		
	9,781	3,004	8,851
Deferred Federal and State	7,301	896	80
Total	$ 17,082	$ 3,900	$ 8,931

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Components of the Company's deferred tax asset/(liability) as of June 30 are as follows:

	2001	2000
Current deferred tax assets:		
Basis difference on inventory	$ 1,110	$ 1,244
Allowance for doubtful accounts	315	981
Net operating loss carryovers	1,552	2,034
Reserves not currently deductible	763	4,465
Current deferred tax assets	3,740	8,724
Noncurrent deferred tax assets/(liabilities):		
Difference in amortization	(6,759)	(4,560)
Basis difference on property and equipment	(2,407)	(3,342)
Net operating loss carryovers	1,312	2,365
Noncurrent deferred tax assets/(liabilities), net	(7,854)	(5,537)
	$ (4,114)	$ 3,187

Reconciliations of expected income taxes at the U.S. federal statutory rate to the Company's provision for income taxes for the years ended June 30 are as follows:

	2001	%	2000	%	1999	%
Expected U.S. federal income tax at statutory rate	$ 14,235	35.0%	$ (2,626)	35.0%	$ 7,826	35.0%
State income taxes, net of federal benefit	1,949	4.8	569	(7.6)	617	2.7
Goodwill amortization	1,535	3.8	1,576	(21.0)	1,016	4.5
Merger related expenses			4,654	(62.0)		
Contributions			(610)	8.1	(582)	(2.6)
Other	(637)	(1.6)	337	(4.5)	54	.2
Provision for income taxes	$ 17,082	42.0%	$ 3,900	(52.0)%	$ 8,931	39.8%

Income taxes paid during the years ended June 30, 2001, 2000 and 1999 amounted to $6,126, $4,909 and $5,442, respectively.

At June 30, 2001, the Company had net operating loss carryforwards ("NOL's") of approximately $7,402 which were acquired in previous years. These NOL's begin expiring in fiscal 2010. Under U.S. income tax regulations, the utilization of the NOL's is subject to annual limitations as a result of the changes in control of the acquired entities, as well as limitations regarding the use of the NOL's against income other than that earned by the acquired business (referred to as "SRLY" limitations). Despite these restrictions, as a result of new regulations issued by the Internal Revenue Service effective June 25, 1999, which had the effect of relaxing the SRLY limitations, the Company expects to fully utilize all of the acquired NOL's prior to expiration and, therefore, has not provided a valuation allowance on the related tax assets. The impact of the change in the tax regulations has been included in the application of purchase accounting for the business acquired.

12. STOCKHOLDERS' EQUITY

Common Stock

In connection with the acquisition of businesses from The Shansby Group and other investors, a portion of the purchase price was paid by the issuance of 1,716,111 shares of the Company's common stock with a market value of $39.8 million.

In September 1999, the Company entered into a global strategic alliance with Heinz related to the production and distribution of natural products domestically and internationally, and purchased from Heinz the trademarks of its Earth's Best baby food line of products. In connection with the alliance, the Company issued 2,837,343 shares (the "Investment Shares") of its common stock, par value $.01 per share (the "Common Stock") to a wholly owned subsidiary of Heinz (the "Heinz Subsidiary"), for an aggregate purchase price of $82.4 million under a Securities Purchase Agreement dated September 24, 1999 between the Company and the Heinz Subsidiary. The Company used $75 million of the proceeds from this to reduce its borrowings under its credit facility. The remainder of the proceeds were used to pay transaction costs and for general working capital purposes. In consideration for the trademarks, the Company paid a combination of $4.6 million in cash and 670,234 shares of Common Stock, valued at $17.4 million (the "Acquisition Shares" and together with the Investment Shares, the "Shares"). This purchase agreement terminates a license agreement dated April 1, 1999 between the Company and Heinz whereby the Company was granted exclusive sale and distribution rights of Earth's Best baby food products into the United States retail grocery and natural food channel. With the acquisition of these trademarks, the Company is able to sell, market and distribute Earth's Best products both domestically and internationally and have a more efficient means to develop new products. In connection with the issuance of the Shares, the Company and the Heinz Subsidiary have entered into an Investor's Agreement dated September 24, 1999 that sets forth certain restrictions and obligations of the Company and the Heinz Subsidiary and its affiliates relating to the Shares, including restrictions and obligations relating to (1) the appointment by the Company of one member to its Board of Directors nominated by the Heinz Subsidiary and one member jointly nominated by the Heinz Subsidiary and the Company, (2) an 18-month standstill period (which expired in March 2001) during which the Heinz Subsidiary and its affiliates may not purchase or sell shares of Common Stock, subject to certain exceptions, (3) a right of first offer granted to the Company by Heinz and its affiliates to the Company upon the sale of Shares by the Heinz Subsidiary and its affiliates following the standstill period, (4) preemptive rights granted to the Heinz Subsidiary and its affiliates relating to the future issuance by the Company of shares of capital stock and (5) confidentiality.

Included as part of the alliance was a provision that the Heinz Subsidiary would have the preemptive right to purchase additional equity in the Company to maintain its investment level at 19.5% of the outstanding stock of the Company. The Heinz Subsidiary investment level was diluted following the acquisition by the Company of Celestial Seasonings on May 30, 2000. Under the terms of the agreement, on June 20, 2000 the Company issued 2,582,774 shares of its common stock, par value $.01 per share to the Heinz Subsidiary for an aggregate purchase price of approximately $79.7 million. The Company used approximately $44 million to prepay the remainder of its borrowings under its credit facility. The remainder of the funds are being used for working capital.

In addition, the Company and the Heinz Subsidiary have entered into a Registration Rights Agreement dated September 24, 1999 that provides the Heinz Subsidiary and its affiliates customary registration rights relating to the Shares, including two demand registration rights and "piggy-back" registration rights.

On May 30, 2000, the Company's shareholders approved an increase to the number of authorized shares of the Company's common stock from 40 million to 100 million.

As part of the Yves and Fruit Chips acquisitions consummated during fiscal 2001, 185,330 common shares were issued to the sellers, valued at approximately $5.6 million in the aggregate.

Preferred Stock

The Company is authorized to issue "blank check" preferred stock (up to 5 million shares) with such designations, rights and preferences as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered to issue, without stockholder approval, preferred stock with dividends, liquidation, conversion, voting, or other rights which could decrease the amount of earnings and assets available for distribution to holders of the Company's Common Stock. As at June 30, 2001 and 2000, no preferred stock was issued or outstanding.

Warrants

In connection with the Weight Watchers agreement, the Company issued warrants to Heinz on March 31, 1997, to acquire 250,000 shares of the Company's Common Stock at prices ranging from $7.00 to $9.00 per share. The value ascribed to these warrants of approximately $.3 million is being amortized over ten years. In April 1999, Heinz exercised these warrants and the Company issued 250,000 shares of Common Stock resulting in proceeds of $1.9 million. In accordance with the terms of the then existing term loan facility, 50% of the proceeds was used to pay down the term loan with the remainder used for working capital purposes.

Since fiscal 1997, the Company issued a total of 300,000 warrants in connection with services rendered by third party consultants at prices ranging from $4.13 to $10.00 per share. 250,000 of these warrants were exercised during fiscal 2000, resulting in proceeds of $1.6 million. In accordance with the then existing term loan facility, 50% of the proceeds were used to pay down the term loan with the remainder used for working capital purposes. In fiscal 2001, the remaining 50,000 warrants were exercised via a cashless exercise resulting in the issuance of 35,653 shares.

In connection with the acquisition of Westbrae on October 14, 1997 and the related bank refinancing, the Company issued a warrant to its bank to acquire 114,294 shares of the Company's common stock at an exercise price of $11.418. The value ascribed to this warrant of approximately $.4 million is being amortized over six years. In July 1998, the bank exercised these warrants via a cashless exercise resulting in the issuance to the bank of 63,647 common shares. In addition, the Company issued warrants to Argosy Investment Corp. ("Argosy") to acquire 100,000 shares of the Company's common stock at an exercise price of $12.688. The value ascribed to these warrants of approximately $.4 million has been included in the costs of the acquisition of Westbrae. In fiscal 2001, Argosy exercised 26,666 of these warrants, resulting in proceeds of $.3 million, which proceeds were used for working capital purposes.

In fiscal years 2001 and 2000, Argosy exercised warrants previously granted in 1994 to acquire 104,100 and 95,853, respectively, of the Company's common stock at an exercise price of $3.25. The proceeds were utilized for working capital purposes as the Company had already paid down its term and revolver loans. At June 30, 2001, 322,764 of these warrants remain available for exercise.

13. STOCK OPTION PLANS

Hain

In December 1994, the Company adopted the 1994 Long-Term Incentive and Stock Award Plan ("Plan"), which amended and restated the Company's 1993 stock option plan. On December 9, 1997, the stockholders of the Company approved an amendment to increase the number of shares issuable under the 1994 Long Term Incentive and Stock Award Plan by 345,000 to 1,200,000 shares. In December 1998, the Plan was further amended to increase the number of shares issuable by 1,200,000 bringing the total shares issuable under this plan to 2,400,000. In December 1999, the Plan was further amended to increase the number of shares issuable by 1,000,000 bringing the total shares issuable under this plan to 3,400,000. In May 2000, the Plan was further amended to increase the number of shares issuable by 3,000,000 bringing the total shares issuable under this plan to 6,400,000. The Plan provides for the granting of incentive stock options to employees, directors and consultants to purchase shares of the Company's common stock. All of the options granted to date under the Plan have been incentive and non-qualified stock options providing for exercise prices equivalent to the fair market price at date of grant, and expire 10 years after date of grant. Vesting terms are determined at the discretion of the Company. During 1999, options to purchase 1,175,600 shares were granted at prices from $12.125 to $21.50 per share. During 2000, options to purchase 372,550 shares were granted at prices ranging from $21.188 to $33.50 per share. During 2001, options to purchase 1,339,100 shares were granted at prices ranging from $27.125 to $36.6875 per shares. At June 30, 2001, 2,332,325 options were available for grant under this plan.

The Company's Chief Executive Officer ("CEO") was granted 125,000 of the options granted in 1998, that had been conditionally granted to him at $4.8125 per share on the date of grant (June 30, 1997) pending approval of an increase in the number of shares available for grant (approved by shareholders on December 9, 1997). The Company will incur a straight line non-cash compensation charge ($46 annually) over the 10-year vesting period based on the excess ($.5 million) of the market value of the stock options ($8.50 per share) on December 9, 1997 compared to $4.8125 per share market value on the date of grant.

In December 1995, the Company adopted a Directors Stock Option Plan. The Plan provides for the granting of stock options to non-employee directors to purchase up to an aggregate of 300,000 shares of the Company's common stock. In December 1998, the Director Stock Option Plan was amended to increase the number of shares issuable from 300,000 to 500,000. In December 1999, the Director Stock Option Plan was amended to increase the number of shares issuable by 250,000, bringing the total shares issuable under this plan to 750,000. During 1999, options for an aggregate of 95,000 shares were granted at a price of $17.625 per share. During 2000, options for an aggregate of 103,500 shares were granted at prices of $23.25 and $26.063 per share. In December 2000, options for an aggregate of 140,000 shares were granted at prices ranging from $27.75 to $32.125 per shares. The remaining available shares in this Director Plan have been canceled and no future grants are available on this plan effective January 2001.

In May 2000, the Company adopted a new Directors Stock Option Plan. The Plan provides for the granting of stock options to non-employee directors to purchase up to an aggregate of 750,000 shares of the Company's stock. At June 30, 2001, no options were granted under this plan.

The Company also has a 1993 Executive Stock Option Plan pursuant to which it granted its CEO options to acquire 600,000 shares of the Company's common stock. As a result of the Company achieving certain sales thresholds, all of such shares are currently exercisable. The exercise price of options designed to qualify as incentive options is $3.58 per share and the exercise price of non-qualified options is $3.25 per share. During fiscal 2001, options to purchase 65,000 shares were exercised at June 30, 2001. The options expire in 2003.

Celestial

In conjunction with the Merger as previously discussed, all outstanding Celestial options became fully vested as of May 30, 2000. All amounts have been restated to reflect the conversion of the Celestial stock to Hain stock at a ratio of 1.265:1.

During 1991, Celestial adopted an incentive and non-qualified stock option plan that provided for the granting of options to purchase up to 116,663 shares of Celestial's common stock to employees. The options generally vested over a four year period and expired ten years from the grant date. No grants were made under the plan and no further grants are available under this plan.

In 1991, Celestial granted options to an executive officer to purchase 241,944 shares of the Company's common stock in connection with capital contributions made by the officer and certain other agreements. Such options were immediately vested at the grant date, are exercisable at a weighted average price per share of $3.90 and expire in 2031.

During 1993, Celestial adopted an incentive and non-qualified stock option plan that provided for the granting of awards for up to 331,430 shares of Celestial's common stock. Options granted at the time of Celestial's initial public offering in 1993 vested over one year and five year periods. Options granted subsequent to Celestial's initial public offering generally vested over a five-year period. Options expire ten years from the grant date. During 1995, Celestial approved an increase in the number of awards that may be granted to 569,250 shares and in 1998 Celestial approved a further increase of up to 1,581,250 shares which may be granted under the plan. Effective May 30, 2000, no further grants are available under this plan.

In 1993, Celestial granted options to purchase 25,300 shares of Celestial common stock to a director of Celestial. The options vested over a three-year period and expire ten years from the grant date. During fiscal 2001, all of these options were exercised.

In 1995, Celestial adopted a non-qualified stock option plan for non-employee directors. The plan provides for up to 189,750 shares of Celestial's common stock for issuance upon exercise of options granted to non-employee directors and in lieu of meeting fees paid to non-employee directors. The options vest over a one-year period and expire ten years from the grant date. During 1998, Celestial amended this plan to provide each non-employee director an initial grant of an option to purchase 12,650 shares and an annual grant, commencing in 1999, of an option to purchase 5,060 shares. In addition, non-employee directors may elect to receive their annual retainer in shares of common stock rather than cash. Effective May 30, 2000, no further grants are available under this plan.

In 1997, Celestial granted options to an executive officer to purchase 417,450 shares of Celestial's common stock. The options were granted in connection with the officer's employment agreement, initially vested over a five-year period, are exercisable at $8.70 per share and expire ten years from the grant date. During 2001, all of these options were exercised.

Employee Stock Purchase Plan

Under Celestial's Employee Stock Purchase Plan (the "Plan") Celestial is authorized to issue up to 66,286 shares of common stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the Plan, employees can choose each year to have up to 10% of their annual base earnings withheld to purchase Celestial's common stock. The purchase price of the stock is 85 percent of the lower of the market price at the beginning or end of each six month participation period. Approximately 30 percent of eligible employees have participated in the Plan in the last three years. Under the Plan, Celestial has sold approximately 5,300 shares for the year ended June 30, 2001 and 10,000 shares for each of the years ended June 30, 2000 and 1999.

Accounting For Stock Issued to Employees

The Company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations, in accounting for stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, when the exercise price of the Company's employee stock options at least equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro-forma information regarding net income(loss) and net income(loss) per share is required by SFAS No. 123, and has been determined as if the Company has accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Sholes option pricing model with the following weighted-average assumptions: risk free interest rates ranging from 4.78% to 6.77%; no dividend yield; volatility factors of the expected market price of the Company's Common Stock of approximately 93% for fiscal 2001, 90% for fiscal 2000 and 57% for fiscal 1999; and a weighted-average expected life of the options of five years at June 30, 2001, 2000 and 1999.

The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. The Company's pro forma information is as follows:

	2001	2000	1999
Pro forma net income (loss)	$ 8,515	$ (23,033)	$ 2,897
Pro forma diluted net income (loss) per share	$ .25	$ (.82)	$ .11

A summary of the transactions pursuant to the Company's stock option plans for the three years ended June 30, 2001 follows:

	2001		2000		1999	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	3,997,106	$12.91	4,076,088	$11.83	3,042,210	$ 7.80
Granted	1,479,100	27.55	632,710	23.05	1,630,493	18.02
Exercised	(1,265,465)	10.16	(572,442)	15.03	(459,592)	5.56
Terminated	(7,883)	20.12	(139,250)	18.63	(137,023)	16.78
Outstanding at end of year	4,202,858	$18.01	3,997,106	$12.91	4,076,088	$11.83
Exercisable at end of year	3,444,219	$16.17	3,553,964	$11.75	2,831,522	$ 9.84
Weighted average fair value of options granted during year		$20.24		$15.23		$ 7.92

The following table summarizes information for stock options outstanding at June 30, 2001:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$2.94 - $4.83	1,031,142	9.4	$ 3.85	1,031,142	$ 3.85
7.00 - 14.67	162,520	4.8	10.30	158,621	10.23
14.67 - 18.34	771,506	7.2	16.97	771,506	16.97
18.34 - 22.01	397,110	7.6	19.82	376,161	19.75
22.01 - 25.68	358,630	7.3	22.83	206,639	22.96
25.68 - 29.35	1,265,150	8.9	26.88	740,000	26.69
29.35 - 33.01	176,800	9.4	31.56	140,150	31.87
33.01 - 36.68	40,000	9.0	35.49	20,000	35.49
	4,202,858	8.3	$18.01	3,444,219	$16.17

Shares of Common Stock reserved for future issuance as of June 30, 2001, are as follows:

Stock options	7,410,183
Warrants	396,098
Employee stock purchase plan	3,244
Convertible promissory notes	4,656
	7,814,181

14. LEASES

The Company's corporate headquarters are located in leased office space in Uniondale, New York, under a lease which expires in October 2003. The Company will be relocating its corporate headquarters in January 2002 to 58 South Service Road, Melville, New York, occupying approximately 35,000 square feet. Its now existing lease will be terminated without penalty. This new lease runs through November 2012 with a current annual rental of approximately $1.3 million. In addition, the Company leases manufacturing and warehouse space under leases which expire through fiscal 2007. These leases provide for additional payments of real estate taxes and other operating expenses over a base period amount.

The aggregate minimum future lease payments for these operating leases at June 30, 2001, are as follows:

2002	$ 4,128
2003	4,089
2004	3,702
2005	2,552
2006	2,734
Thereafter	10,871
	$ 28,076

Rent expense charged to operations for the years ended June 30, 2001, 2000 and 1999, was approximately $3,442, $3,217 and $1,823, respectively.

15. DEFINED CONTRIBUTION PLANS

The Company has a 401(k) Employee Retirement Plan ("Plan") to provide retirement benefits for eligible employees. All full-time employees of the Company and its subsidiaries who have attained the age of 21 are eligible to participate upon completion of 30 days of service. The subsidiaries of NNG and Yves Veggie Cuisine each have their own separate 401 (k)employee retirement plan. Employees within those subsidiaries, who meet their respective eligibility requirements, may participate in those plans. The Company's Celestial Seasonings subsidiary has a contributory thrift plan. Each year, based on the achievement of certain targeted operating results, the Company can contribute to the plan an amount equal to 1% to 2.5% of thriftable wages. In addition, the Company matches a portion (currently 50%) of participant contributions up to the limits provided under the plan. Participants may elect to make voluntary contributions to the Plan in amounts not exceeding federal guidelines. On an annual basis, the Company may, in its sole discretion, make certain matching contributions. For the years ended June 30, 2001, 2000 and 1999, the Company made contributions to the Plans of $614, $464 and $603, respectively.

16. LITIGATION

On May 5, 1995, a purported stockholder of Celestial filed a lawsuit, Schwartz v. Celestial Seasonings, Inc. et al., in the United States District Court for the District of Colorado (Civil Action Number: 95-K-1045), in connection with disclosures by the Company concerning the Company's license agreement with Perrier Group of America, Inc. which was terminated on January 1, 1995. In addition to Celestial, the complaint named as defendants certain of Celestial's then present and former directors and officers, PaineWebber, Inc., Shearson/Lehman Brothers, Inc., and Vestar/Celestial Investment Limited Partnership. The complaint, which was pled as a class action on behalf of persons who acquired Celestial's common stock from July 12, 1993 through May 18, 1994, sought money damages from Celestial and the other defendants for the class in the amount of their loss on their investment in Celestial's common stock, punitive damages, costs and expenses of the action, and such other relief as the court may order.

On November 6, 1995, the federal district court granted a motion by Celestial and the other defendants to dismiss the case. On September 5, 1997, however, the court of appeals reversed the decision of the district court and returned the case to the district court for further proceedings. The case was certified as a class action.

On November 4, 1999, Celestial reached a settlement with the plaintiff, which resulted in a pre-tax charge of $1.2 million during Celestial's fourth quarter of its fiscal year ending 1999. The settlement was subject to completion of a definitive settlement stipulation to be filed in the district court and court approval of the settlement. On April 25, 2000, the settlement was approved by the courts. The settlement has become final. The Company does not expect any additional shareholder lawsuits related to this matter.

In April 1999, an arbitrator ruled in favor of a former financial advisor of Westbrae who claimed fees and expenses due in connection with the sale of Westbrae to the Company in October 1997. The Company paid approximately $1.3 million, including legal fees, as a result of the arbitrator's decision, which amount had been provided for in connection with the 1997 acquisition of Westbrae.

From time to time, the Company is involved in litigation incidental to the conduct of its business. In the opinion of management, the disposition of pending litigation will not have a material adverse effect on the Company's business, results of operations or financial condition.

Directors, Officers And Corporate Data

BOARD OF DIRECTORS

IRWIN D. SIMON▪
Chairman of the Board, President
& Chief Executive Officer

MO SIEGEL▪
Vice Chairman of the Board

BETH L. BRONNER[†]
President – LERA Realty Corp.

JACK FUTTERMAN[*]
Retired Chairman & Chief Executive
Officer – Party City Stores, Inc.

JAMES S. GOLD[*]▪
Managing Director –
Lazard Freres & Co. LLC

MARINA HAHN[†]
Executive Vice President, Strategy and
Entertainment –
J. Walter Thompson

ANDREW R. HEYER[†]▪
Managing Director –
CIBC World Markets Corp.

JOSEPH JIMENEZ▪
President & Chief Executive Officer –
Heinz North America

ROGER MELTZER[†]
Partner – Cahill Gordon & Reindel

GREGG A. OSTRANDER[*]
Chairman of the Board, President &
Chief Executive Officer –
Michael Foods, Inc.

[*]Member of the Audit Committee
[†]Member of the Compensation Committee
▪Member of the Acquisition/Strategy Committee

SENIOR MANAGEMENT

IRWIN D. SIMON
Chairman of the Board, President
& Chief Executive Officer

BENJAMIN BRECHER
Senior Vice President –
International Operations

ELLEN B. DEUTSCH
Senior Vice President – Strategic
Planning & Customer Satisfaction

KURTIS HOOLEY
Managing Director – Hain Celestial
Canada, ULC

GARY M. JACOBS
Executive Vice President

ANDREW H. JACOBSON
President – Natural Products Group

IRA J. LAMEL
Executive Vice President & Chief
Financial Officer

JIM LEIGHTON
Senior Vice President – Operations

KEVIN MOSLEY
Vice President – Sales

MAUREEN PARADINE
Vice President – Human Resources

MAUREEN PUTMAN
Vice President – Marketing

KEY EMPLOYEES

GERRY AMANTEA
Vice President – Technical Services
Yves

CECILIA ATKINSON
Vice President – Marketing,
Celestial Seasonings

CALVIN BEER
Vice President – Distribution
& Logistics

JIM BREEN
Vice President – Sales, Grocery
Celestial Seasonings

RANDY BULOW
Vice President – Mass, Drug
& Specialty Channels

MYRON COOPER
Vice President – Technical Services

GARY J. DAILEY
Vice President – Finance and Chief
Accounting Officer

RUDI FISCHER
Vice President – Sales,
Snack Foods Division

GEOFFREY GOLDBERG
Vice President – Purchasing
& Procurement

SIDNEY HORN
Vice President – Sales, Grocery/Mass
Market Division, Western Region

JAMES LEMSKY
Vice President – Sales, Natural
Foods Division

ADAM LEVIT
Vice President – Marketing, Snacks

STEVEN LIST
Controller, Celestial Seasonings

PETER MULHERIN
Vice President – International Sales

RON RASH
Vice President – Mass
Market/Private Brands

BRUCE RISER
Controller
Health Valley

MARTIN VAN DER DOE
Managing Director – Terra Chips, B.V.

CORPORATE DATA

CORPORATE
HEADQUARTERS
50 Charles Lindbergh Boulevard
Uniondale, New York 11553
516 / 237-6200
516 / 237-6240 (Fax)

As of January 15, 2002 our new address will be:

CORPORATE
HEADQUARTERS
58 South Service Road
Melville, New York 11747
516 / 237-6200
516 / 237-6240 (Fax)

CELESTIAL SEASONINGS
4600 Sleepytime Drive
Boulder, Colorado 80301
303 / 530-5300
303 / 581-1332 (Fax)

HEALTH VALLEY
16100 Foothill Blvd.
Irwindale, California 91706
626 / 334-3241
626 / 969-3687 (Fax)

HAIN CELESTIAL CANADA, ULC
Yves Veggie Cuisine
1638 Derwent Way
Delta, BC V3M6R9
604 / 525-1345
604 / 525-2555 (Fax)

ARROWHEAD MILLS
110 South Lawton
Hereford, Texas 79045
806 / 364-0730
806 / 364-8242 (Fax)

TERRA CHIPS, B.V.
Spoorstraat 16
4431 NK's Gravenpolder
The Netherlands
31 / 113-501990
31 / 113-313235 (Fax)

COMMON STOCK
The Company's Common Stock
is traded on the NASDAQ
National Market. Its ticker
symbol is HAIN.

TRANSFER AGENT & REGISTRAR
Continental Stock Transfer
& Trust Co.
2 Broadway
New York, New York 10004
212 / 509-4000

ANNUAL MEETING OF
SHAREHOLDERS
The 2001 Annual Meeting of
Shareholders is scheduled for
Tuesday, December 11, 2001
at 11:00 a.m.

AUDITORS
Ernst & Young LLP
395 North Service Road
Melville, NY 11747

COUNSEL
Cahill Gordon & Reindel
80 Pine Street
New York, NY 10005

FORM 10-K
Shareholders may obtain without charge a copy of the annual report filed with the Securities and Exchange Commission by writing to the Investor Relations Department of the Company.

WEB SITES
www.hain-celestial.com
www.earthsbest.com
www.terrachips.com
www.westbrae.com
www.celestialseasonings.com
www.yvesveggiecuisine.com
www.westsoy.com

COMMON STOCK

The outstanding shares of Common Stock, par value $.01 per share, of the Company are traded on Nasdaq's National Market System under the ticker symbol HAIN. The following table sets forth the reported high and low closing prices for the Common Stock for each fiscal quarter from July 1, 2000 through September 21, 2001.

	Common Stock			
	Fiscal 2001		Fiscal 2000	
	High	Low	High	Low
First Quarter	$ 37 1/2	$ 26 5/8	$ 28 7/16	$ 21 3/16
Second Quarter	39 11/16	27	26 7/16	22 1/4
Third Quarter	36	27 13/16	37 1/8	21 1/16
Fourth Quarter	27 11/16	22	36 11/16	22 3/4
July 1–September 21, 2001	26	18 1/4		

As of September 21, 2001, there were 398 holders of record of the Company's Common Stock.

earth's best westsoy health valley breadshop
celestial seasonings deboles hain pure foods
weight watchers terra chips westbrae natural
bearitos yves veggie cuisine hollywood estee
nile spice arrowhead mills harry's kineret
boston's little bear casbah garden of eatin'
earth's best westsoy health valley breadshop
celestial seasonings deboles hain pure foods
weight watchers terra chips westbrae natural

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