

HAIN CELESTIAL GROUP INC

Form 10-Q

November 10, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

*(Mark One)*

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2008

**Transition Report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**  
for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

*Commission File No. 0-22818*

**THE HAIN CELESTIAL GROUP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

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

**11747**  
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of November 4, 2008 there were 40,447,814 shares outstanding of the registrant's Common Stock, par value \$.01 per share.

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

|  | September 30,<br>2008<br>(Unaudited) | June 30,<br>2008<br>(Note) |
|--|--------------------------------------|----------------------------|
| <b>ASSETS</b>  |                                      |                            |
| Current assets:  |                                      |                            |
| Cash and cash equivalents  | \$ 43,506                            | \$ 58,513                  |
| Accounts receivable, less allowance for doubtful accounts of \$2,164 and \$2,068                       | 127,378                              | 118,867                    |
| Inventories  | 215,590                              | 175,667                    |
| Deferred income taxes  | 12,482                               | 12,512                     |
| Other current assets   | 23,614                               | 27,482                     |
| Total current assets   | 422,570                              | 393,041                    |
| Property, plant and equipment, net   | 155,823                              | 159,089                    |
| Goodwill   | 539,183                              | 550,238                    |
| Trademarks and other intangible assets, net  | 140,950                              | 136,861                    |
| Other assets   | 19,252                               | 20,155                     |
| Total assets   | \$ 1,277,778                         | \$ 1,259,384               |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                                      |                            |
| Current liabilities:   |                                      |                            |
| Accounts payable and accrued expenses  | \$ 148,261                           | \$ 145,186                 |
| Income taxes payable   | 1,868                                | 907                        |
| Current portion of long-term debt  | 246                                  | 222                        |
| Total current liabilities  | 150,375                              | 146,315                    |
| Long-term debt, less current portion   | 321,177                              | 308,220                    |
| Deferred income taxes and other liabilities  | 27,753                               | 31,536                     |
| Total liabilities  | 499,305                              | 486,071                    |
| Commitments and contingencies  |                                      |                            |
| Minority interest  | 33,256                               | 30,502                     |
| Stockholders equity:   |                                      |                            |
| Preferred stock - \$.01 par value, authorized 5,000,000 shares, no shares issued                       |                                      |                            |
| Common stock - \$.01 par value, authorized 100,000,000 shares, issued 41,388,903 and 41,106,078 shares | 414                                  | 411                        |
| Additional paid-in capital   | 495,639                              | 488,650                    |
| Retained earnings  | 244,030                              | 237,008                    |
| Foreign currency translation adjustment  | 20,620                               | 32,215                     |

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|   |                |                |
|---|----------------|----------------|
|   | 760,703        | 758,284        |
| Less: 946,089 and 945,590 shares of treasury stock, at cost | (15,486)       | (15,473)       |
| <b>Total stockholders' equity</b>                           | <b>745,217</b> | <b>742,811</b> |
| Total liabilities and stockholders' equity                  | \$ 1,277,778   | \$ 1,259,384   |

Note: The balance sheet at June 30, 2008 has been derived from the audited financial statements at that date.

See notes to condensed consolidated financial statements.

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share and share amounts)

|  | <b>Three Months Ended<br/>September 30,<br/>2008      2007<br/>(Unaudited)</b> |                  |
|--|--|------------------|
| Net sales                                    | \$ 289,317   | \$ 237,245       |
| Cost of sales                                | 217,951  | 168,394          |
| <b>Gross profit</b>                          | <b>71,366</b>  | <b>68,851</b>    |
| Selling, general and administrative expenses | 56,470   | 50,546           |
| <b>Operating income</b>                      | <b>14,896</b>  | <b>18,305</b>    |
| Interest and other expenses, net             | 3,569  | 959              |
| <b>Income before income taxes</b>            | <b>11,327</b>  | <b>17,346</b>    |
| Provision for income taxes                   | 4,305  | 6,526            |
| <b>Net income</b>                            | <b>\$ 7,022</b>  | <b>\$ 10,820</b> |
| Net income per share:                        |  |                  |
| Basic  | \$ 0.17  | \$ 0.27          |
| Diluted                                      | \$ 0.17  | \$ 0.26          |
| Weighted average common shares outstanding:  |  |                  |
| Basic  | 40,225   | 40,026           |
| Diluted                                      | 41,499   | 41,825           |

See notes to condensed consolidated financial statements.

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008

(In thousands, except per share and share amounts)

|  | Common Stock |                    | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Treasury Stock |             | Foreign<br>Currency<br>Translation<br>Adjustment | Total      | Comprehensive<br>Income<br>(Loss) |
|--|--------------|--------------------|----------------------------------|----------------------|----------------|-------------|--|------------|-----------------------------------|
|  | Shares       | Amount<br>at \$.01 |                                  |                      | Shares         | Amount      |  |            |                                   |
| Balance at July 1, 2008  | 41,106,078   | \$ 411             | \$ 488,650                       | \$ 237,008           | 945,590        | \$ (15,473) | \$ 32,215  | \$ 742,811 |                                   |
| Issuance of common stock   | 282,825      | 3                  | 4,771                            |                      |                |             |  | 4,774      |                                   |
| Tax benefit from exercise of<br>stock options  |              |                    | 801                              |                      |                |             |  | 801        |                                   |
| Shares withheld for payment of<br>employee payroll taxes due on<br>shares issued under stock-based<br>compensation plans |              |                    |                                  |                      | 499            | (13)        |  | (13)       |                                   |
| Non-cash compensation charge   |              |                    | 1,417                            |                      |                |             |  | 1,417      |                                   |
| Comprehensive income (loss):   |              |                    |                                  |                      |                |             |  |            |                                   |
| Net income   |              |                    |                                  | 7,022                |                |             |  | 7,022      | \$ 7,022                          |
| Translation adjustments  |              |                    |                                  |                      |                |             | (11,595)   | (11,595)   | (11,595)                          |
| Total comprehensive loss   |              |                    |                                  |                      |                |             |  |            | \$ (4,573)                        |
| Balance at September 30, 2008  | 41,388,903   | \$ 414             | \$ 495,639                       | \$ 244,030           | 946,089        | \$ (15,486) | \$ 20,620  | \$ 745,217 |                                   |

See notes to condensed consolidated financial statements.

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

|   | <b>Three Months Ended<br/>September 30,<br/>2008      2007<br/>(Unaudited)</b> |           |
|---|--|-----------|
| <b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  |  |           |
| Net income  | \$ 7,022   | \$ 10,820 |
| Adjustments to reconcile net income to net cash provided by operating activities:   |  |           |
| Depreciation and amortization   | 5,386  | 4,469     |
| Deferred income taxes   | (330)  |           |
| Non-cash compensation   | 1,417  | 420       |
| Gain on sale of businesses  |  | (2,003)   |
| Tax benefit from stock options  | 801  |           |
| Excess tax benefit from share-based compensation  |  | (12)      |
| Other non-cash items, net   | (569)  | 236       |
| Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of amounts applicable to acquired/disposed businesses: |  |           |
| Accounts receivable   | (11,820)   | (12,957)  |
| Inventories   | (41,301)   | (7,866)   |
| Other current assets  | 3,686  | (102)     |
| Other assets  | (398)  | (1,161)   |
| Accounts payable and accrued expenses   | 4,702  | 5,473     |
| Income taxes  | 2,244  | 5,743     |
| Net cash provided by (used in) operating activities   | (29,160)   | 3,060     |
| <b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>  |  |           |
| Purchases of property and equipment   | (3,434)  | (4,977)   |
| Proceeds from disposals of property and equipment   | 640  | 312       |
| Acquisitions of business, net of cash acquired  | (536)  | (11,575)  |
| Proceeds from sales of businesses   |  | 2,358     |
| Loan to affiliate   |  | 2,025     |
| Net cash used in investing activities   | (3,330)  | (11,857)  |
| <b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>  |  |           |
| Proceeds from exercises of stock options, net of related expenses   | 4,774  | 243       |
| Drawings (repayments) under bank revolving credit facility  | 13,000   | (1,000)   |
| Repayments of other long-term debt, net   | (18)   | (547)     |
| Shares withheld for payment of employee payroll taxes   | (13)   |           |
| Excess tax benefits from share-based compensation   |  | 12        |
| Net cash provided by (used in) financing activities   | 17,743   | (1,292)   |
| Effect of exchange rate changes on cash   | (260)  | 1,033     |
| Net decrease in cash and cash equivalents   | (15,007)   | (9,056)   |
| Cash and cash equivalents at beginning of period  | 58,513   | 60,518    |



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Cash and cash equivalents at end of period

\$ 43,506    \$ 51,462

See notes to condensed consolidated financial statements.

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*THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES*

*NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)*

**1. GENERAL**

The Hain Celestial Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the Company, and herein referred to as we, us, and our) manufacture, market, distribute and sell natural and organic food products and natural personal care products under brand names which are sold as better-for-you products. We are a leader in many of the top natural food categories, with such well-known food brands as Celestial Seasonings®, Hain Pure Foods®, Westbrae Natural®, WestSoy®, Rice Dream®, Soy Dream®, Imagine®, Walnut Acres Organic®, Ethnic Gourmet®, Rosetto®, Little Bear Organic Foods®, Bearitos®, Arrowhead Mills®, MaraNatha®, SunSpire®, Health Valley®, Breadshop's®, Casbah®, Spectrum Naturals®, Spectrum Essentials®, Hollywood®, Garden of Eatin'®, Terra®, Harry's Premium Snacks®, Boston's The Best You've Ever Tasted®, Lima®, Grains Noirs®, Natumi®, Yves Veggie Cuisine®, DeBoles®, Earth's Best®, Nile Spice®, Linda McCartney® (under license), Daily Bread®, Realeat®, Granose® and TofuTown®. Our natural personal care products are marketed under the Avalon Organics®, Alba Botanica®, JASON®, Zia®, Orjene®, Shaman Earthly Organics®, Heather's®, Queen Helene®, Batherapy®, Shower Therapy®, Foottherapy®, Tushies® and TenderCare® brands. The Company's principal specialty product lines include Estee® sugar-free products and Alba® non-fat dry milk and flavored shakes. Our natural and organic antibiotic-free chicken is marketed under the FreeBird brand and our antibiotic-free turkey is marketed under the Plainville Farms® brand.

We operate in one business segment: the manufacturing, distribution and marketing of natural and organic food and personal care products. In our 2008 fiscal year, approximately 47% of our revenues were derived from products that were manufactured within our own facilities with 53% produced by various co-packers.

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

**2. BASIS OF PRESENTATION**

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States. The condensed consolidated financial statements reflect all normal recurring adjustments which, in management's opinion, are necessary for a fair presentation for interim periods. Operating results for the three months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending June 30, 2009. Please refer to the footnotes to our consolidated financial statements as of June 30, 2008 and for the year then ended included in our Annual Report on Form 10-K, as amended, for information not included in these condensed footnotes.

**3. EARNINGS PER SHARE**

We report basic and diluted earnings per share in accordance with SFAS No. 128, Earnings Per Share (SFAS No. 128). Basic earnings per share excludes the dilutive effects of options and restricted stock. Diluted earnings per share includes only the dilutive effects of common stock equivalents such as stock options.

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

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-Continued

|   | Three Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|
|   | 2008                                | 2007      |
| Numerator:  |                                     |           |
| Net income  | \$ 7,022                            | \$ 10,820 |
| Denominator for basic earnings per share - weighted average shares outstanding during the period      | 40,225                              | 40,026    |
| Effect of dilutive stock options and restricted stock   | 1,274                               | 1,799     |
| Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions | 41,499                              | 41,825    |
| Basic net income per share  | \$ 0.17                             | \$ 0.27   |
| Diluted net income per share  | \$ 0.17                             | \$ 0.26   |

Anti-dilutive stock options, restricted stock and restricted stock units totaling 1,949,000 in fiscal 2009 and 143,500 in fiscal 2008 were excluded from our earnings per share calculations.

**4. COMPREHENSIVE INCOME**

Comprehensive income (loss) consists of net income and foreign currency translation adjustments, and is included in the Condensed Consolidated Statement of Stockholders' Equity. For the three month periods ended September 30, 2008 and 2007, comprehensive (loss) income was \$(4,573) and \$18,799, respectively.

**5. INVENTORIES**

Inventories consisted of the following:

|   | September 30,<br>2008 | June 30,<br>2008 |
|---|-----------------------|------------------|
| Finished goods                                | \$ 128,379            | \$ 105,684       |
| Raw materials, work-in-progress and packaging | 87,211                | 69,983           |
|   | \$ 215,590            | \$ 175,667       |

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-Continued

**6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following:

|   | September 30,<br>2008 | June 30,<br>2008 |
|---|-----------------------|------------------|
| Land  | \$ 12,381             | \$ 12,356        |
| Buildings and improvements                      | 57,951                | 58,332           |
| Machinery and equipment                         | 144,058               | 148,099          |
| Furniture and fixtures                          | 7,378                 | 7,430            |
| Leasehold improvements                          | 3,470                 | 3,420            |
| Construction in progress                        | 10,760                | 9,195            |
|   | 235,998               | 238,832          |
| Less: Accumulated depreciation and amortization | 80,175                | 79,743           |
|   | \$ 155,823            | \$ 159,089       |

**7. GOODWILL AND OTHER INTANGIBLE ASSETS**

Changes in the carrying amount of goodwill for the three months ended September 30, 2008 were as follows:

|  |            |
|--|------------|
| Balance as of July 1, 2008             | \$ 550,238 |
| Reallocations to intangible assets     | (6,048)    |
| Translation and other adjustments, net | (5,007)    |
| Balance as of September 30, 2008       | \$ 539,183 |

Included in translation and other adjustments during the three months ended September 30, 2008 are the impacts of changes in foreign currency exchange rates on goodwill and adjustments to our estimates of fair value of net assets acquired. We are continuing to evaluate the initial purchase price allocations of certain acquisitions made during fiscal 2008 and will adjust the allocations as additional information relative to the fair values of the assets and liabilities of the acquired businesses becomes known. Accordingly, management has used its best estimate in the initial purchase price allocation for these acquisitions as of the date of these financial statements.

At September 30, 2008, included in trademarks and other intangible assets on the balance sheet is approximately \$13.4 million of intangible assets deemed to have a finite life, which are being amortized over their estimated useful lives. The following table reflects the components of trademarks and other intangible assets:

| September 30, 2008       |                             | June 30, 2008            |                             |
|--------------------------|-----------------------------|--------------------------|-----------------------------|
| Gross Carrying<br>Amount | Accumulated<br>Amortization | Gross Carrying<br>Amount | Accumulated<br>Amortization |

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### Amortized intangible assets:

|                   |           |          |           |          |
|-------------------|-----------|----------|-----------|----------|
| Other intangibles | \$ 20,155 | \$ 6,729 | \$ 22,609 | \$ 6,192 |
|-------------------|-----------|----------|-----------|----------|

### Non-amortized intangible assets:

|            |            |          |            |          |
|------------|------------|----------|------------|----------|
| Trademarks | \$ 134,215 | \$ 6,691 | \$ 127,165 | \$ 6,721 |
|------------|------------|----------|------------|----------|

Amortization of finite-lived intangible assets amounted to \$0.7 million in the three months ended September 30, 2008. The expected aggregate amortization expense in each of the next five fiscal years is \$2.3 million in 2009, \$2.0 million in 2010, \$1.8 million in 2011, \$1.3 million in 2012 and \$0.8 million in 2013.

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*THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES*

*NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-Continued*

**8. ACQUISITIONS AND DISPOSALS**

We account for acquisitions using the purchase method of accounting, and accordingly, the results of operations for each acquisition have been included in our consolidated results from their respective acquisition dates. In fiscal 2008, our acquisitions included the following:

On April 2, 2008, we acquired Daily Bread, Ltd., a London-based producer of branded fresh prepared foods for the foodservice channel in the United Kingdom, for approximately \$37.4 million in cash, including transaction costs. The acquisition of Daily Bread broadens our existing prepared foods operations with a branded fresh platform which we expect will strengthen our ability to expand our fresh operations across the United Kingdom and Europe. The purchase price excludes contingency payments we may be obligated to pay. The contingency payments are based on the achievement by the acquired business of certain financial targets over an approximate two-year period following the date of acquisition. Such payments, which could total £5.0 million (approximately \$9.1 million at the September 30, 2008 exchange rate), will be charged to goodwill if and when paid. No such contingency payments have been made since the acquisition. During the quarter ended September 30, 2008, the Company finalized the purchase price allocation and assigned \$8.9 million to identifiable intangible assets, of which \$0.8 million have been assigned finite lives and are being amortized. The excess of the purchase price over the estimated fair value of the net assets acquired was \$22.9 million and was recorded as goodwill, which is not deductible for tax purposes.

On March 10, 2008, Hain Pure Protein Corporation ( Hain Pure Protein ), a 50.1% owned subsidiary, acquired certain assets including the turkey production facility and distribution center of Pilgrim s Pride Corporation in New Oxford, Pennsylvania for a total consideration of \$19.1 million in cash, including transaction costs. This acquisition provides additional scale with the capacity to meet increasing volume demands and expands our ability to offer branded, premium poultry products. The balance sheet at September 30, 2008 includes the assets acquired and liabilities assumed valued on a preliminary basis at fair market value at the date of purchase. Based on the estimated fair values at the acquisition date, our preliminary purchase price allocation includes goodwill of \$2.1 million, which is deductible for tax purposes. Any change in the fair value of the net assets acquired will change the amount of the purchase price allocable to goodwill.

On March 6, 2008, we acquired nSpired Natural Foods, Inc., with its MaraNatha and SunSpire brands, for approximately \$37.6 million in cash, including transaction costs. MaraNatha is a leading brand of natural and organic nut butters and SunSpire is a leader in natural and organic chocolate products. The addition of MaraNatha is expected to strengthen our position in the growing nut butter category and SunSpire provides us entry into the natural candy category. Subsequent to the acquisition, the Company approved employee termination and exit costs relating to the acquired business in the amount of \$1.5 million, which were recorded as costs of the acquisition. During fiscal 2008 we utilized \$0.2 million and during the first quarter of fiscal 2009, we utilized \$0.7 million of this reserve. The balance sheet at September 30, 2008 includes the assets acquired and liabilities assumed valued on a preliminary basis at fair market value at the date of purchase. Based on the estimated fair values at the acquisition date, our preliminary purchase price allocation includes goodwill of \$23.4 million, which is not deductible for tax purposes. Any change in the fair value of the net assets acquired will change the amount of the purchase price allocable to goodwill.

On December 7, 2007, we acquired TenderCare International, Inc., a marketer and distributor of chlorine-free and gel-free natural diapers and baby wipes under the TenderCare and Tushies brand names, for approximately \$3.9 million in cash. The acquisition is expected to strengthen our position in the natural and organic sector with the expansion into diapers and wipes. The purchase price was allocated to the tangible and intangible assets acquired, including \$4.8 million of goodwill, which is not deductible for tax purposes.

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

On August 29, 2007, Hain Pure Protein acquired the assets and business of Plainville Turkey Farm, Inc., a leading supplier of natural and antibiotic-free whole turkeys and deli turkey products to the natural and grocery channels in the Northeast and Mid-Atlantic regions. The purchase price was approximately \$26.3 million in cash, including transaction costs, plus contingent future earn-out payments based on the earnings before interest, taxes, depreciation and amortization of Plainville for the first five fiscal years after acquisition, with a maximum potential payment of \$3 million. The Plainville acquisition expands our specialty poultry business with a well-recognized industry leader. During the quarter ended June 30, 2008, the Company finalized the purchase price allocation and assigned \$7.1 million to identifiable intangible assets, of which \$1.3 million have been assigned finite lives and are being amortized. The excess of the purchase price over the estimated fair value of the net assets acquired was \$1.0 million and was recorded as goodwill, which is deductible for tax purposes.

The following table presents unaudited pro forma information about net sales and net income had the operations of the acquisitions described above been combined with our business on the first day of the period shown. The following pro forma combined results of operations have been provided for illustrative purposes, only, and do not purport to be indicative of the actual results that would have been achieved by the Company for the period presented or that will be achieved by the Company in the future.

|                          | <b>Three months ended<br/>September 30, 2007</b> |
|--------------------------|--|
| Net sales                | \$ 261,951                                       |
| Net income               | \$ 10,361  |
| Earnings per share:      |  |
| Basic                    | \$ 0.26  |
| Diluted                  | \$ 0.25  |
| Weighted average shares: |  |
| Basic                    | 40,026   |
| Diluted                  | 41,825   |

This information has not been adjusted to reflect any changes in the operations of these businesses subsequent to their acquisition by us. Changes in operations of these acquired businesses include, but are not limited to, discontinuation of products (including discontinuation resulting from the integration of acquired and existing brands with similar products, and discontinuation of sales of private label products), integration of systems and personnel, changes in trade practices, application of our credit policies, changes in manufacturing processes or locations, and changes in marketing and advertising programs. Had any of these changes been implemented by the former management of the businesses acquired prior to acquisition by us, the sales and net income information might have been materially different than the actual results achieved and from the pro forma information provided.

In August 2007, we completed the sale of our interest in a joint venture in Belgium that manufactured and sold rice cakes and was accounted for using the equity method. We recognized a pre-tax gain of approximately \$2.0 million in connection with the sale in the first quarter of fiscal 2008, which is included in Interest and other expenses, net in the accompanying condensed consolidated statement of income.

In September 2007, we sold our minority interest in Halo, Purely for Pets, Inc. for approximately \$1.7 million. This investment was made in June 2006 and accounted for using the equity method. The Company recognized pretax income of \$0.3 million on the sale, which is included in Interest and other expenses, net in the accompanying condensed consolidated statement of income.





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*THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES*

*NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-Continued*

**9. SENIOR NOTES AND CREDIT FACILITY**

We have \$150 million in aggregate principal amount of senior notes outstanding due May 2, 2016, which were issued in a private placement. The notes bear interest at 5.98%, payable semi-annually on November 2<sup>nd</sup> and May 2<sup>nd</sup>. We also have a credit agreement which provides us with a \$250 million revolving credit facility (the Credit Facility) expiring in May 2011. The Credit Facility provides for an uncommitted \$100 million accordion feature, under which the facility may be increased to \$350 million. The Credit Facility and the notes are guaranteed by substantially all of our current and future direct and indirect domestic subsidiaries. Loans under the Credit Facility bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus an applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of September 30, 2008, there were \$168.5 million of borrowings outstanding under the Credit Facility. We are required by the terms of the Credit Facility and the notes to comply with customary affirmative and negative covenants for facilities and notes of this nature.

**10. INCOME TAXES**

During the three months ended September 30, 2008, the Company's unrecognized tax benefits decreased by \$0.2 million to \$2.1 million, primarily as a result of settlement with the Internal Revenue Service for their examination of our tax return for our fiscal year 2004. Of the remaining amount, \$0.3 million would impact the effective tax rate, if recognized. Given the uncertainty regarding when tax authorities will complete their examinations and the possible outcomes of their examinations, a current estimate of the range of reasonably possible significant increases or decreases of income tax that may occur within the next twelve months cannot be made.

**11. STOCK BASED COMPENSATION**

We have various stock based compensation programs under which awards, including stock options, restricted stock, and restricted stock units, may be granted to employees, consultants and non-employee directors. These programs and the related accounting are described in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008, as amended.

During the three months ended September 30, 2008 there were no stock options granted and there were 10,000 shares of restricted stock granted with an estimated grant date value of \$0.3 million. The Company recorded stock based compensation expense of \$1.4 million and \$0.4 million in selling, general, and administrative expenses in its condensed consolidated statements of income for the three months ended September 30, 2008 and 2007. At September 30, 2008, there was \$13.5 million of unrecognized stock based compensation expense, net of estimated forfeitures, which will be recognized over a weighted average period of approximately 3 years.

**12. STOCK KEEPING UNIT RATIONALIZATION AND REORGANIZATION**

During the third quarter of fiscal 2008, we implemented a Stock Keeping Unit (SKU) rationalization and a reorganization, principally in our personal care locations, and recorded charges of \$10.8 million. The SKU rationalization resulted from our review of the positioning of the personal care products operations we acquired during the last several years. The review included identification of SKUs which we believe should be eliminated based on their low volume of sales or insufficient margins, development of a plan to optimize the production of product between the Company's own manufacturing facilities and those of outside contract manufacturers and implementation of the optimal organization structure to position the unit for future growth. During the three months ended September 30, 2008, additional costs of \$0.3 million were charged to cost of sales for facility exit costs and \$0.6 million to selling, general and administrative expense for severance. No charges were recorded during the three months ended September 30, 2007. The total amount recorded to date is \$11.7 million.

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THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-Continued

During the three months ended September 30, 2008, we utilized \$1.4 million of the liability for severance and other exit costs. The ending balance of this liability at September 30, 2008 was \$0.7 million.

**13. SEGMENT INFORMATION**

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

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

| Three months ended September 30, | 2008                 | 2007            |
|----------------------------------|----------------------|-----------------|
| Net sales:                       |                      |                 |
| United States                    | \$ 229,637           | \$ 184,457      |
| Canada                           | 15,195               | 11,378          |
| Europe                           | 44,485               | 41,410          |
|                                  | \$ 289,317           | \$ 237,245      |
| Earnings before income taxes:    |                      |                 |
| United States                    | \$ 10,270            | \$ 11,634       |
| Canada                           | 2,090                | 1,225           |
| Europe                           | (1,033)              | 4,487           |
|                                  | \$ 11,327            | \$ 17,346       |
|                                  | <b>September 30,</b> | <b>June 30,</b> |
|                                  | <b>2008</b>          | <b>2008</b>     |
| Long-lived assets:               |                      |                 |
| United States                    | \$ 712,480           | \$ 714,383      |
| Canada                           | 58,475               | 60,512          |
| Europe                           | 84,253               | 91,448          |
|                                  | \$ 855,208           | \$ 866,343      |

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*THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES*

*NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-Continued*

**14. RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ( SFAS No. 157 ). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and accordingly, does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB amended SFAS 157 by FSP FAS 157-2, Effective Date of FASB Statement No. 157. FSP FAS 157-2 deferred the effective date of SFAS 157 for all nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis to fiscal years beginning after November 15, 2008. On July 1, 2008, the Company adopted the provisions of SFAS No. 157 which did not have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ( SFAS No. 159 ). SFAS No. 159 allows companies to choose to measure certain financial instruments and certain other items at fair value. The statement requires that unrealized gains and losses are reported in earnings for items measured using the fair value option and establishes presentation and disclosure requirements. SFAS No. 159 is effective July 1, 2008 for the Company. The Company has adopted SFAS No. 159 in fiscal 2009 and elected not to apply the fair value option to measure any of its financial instruments.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations ( SFAS No. 141(R) ). SFAS No. 141(R) replaces SFAS No. 141, Business Combinations, however, it retains the basic requirements of the former Statement that the acquisition method of accounting (previously referred to as the purchase method) be used for all business combinations. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the business acquired at their acquisition-date fair values and generally requires acquisition-related costs to be expensed as incurred. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in a business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS No. 141(R) must be applied prospectively and are effective for the Company's fiscal year ending June 30, 2010 for all business combinations occurring on or after July 1, 2009. The impact of SFAS No. 141(R) will be dependent on the number, size, terms and nature of acquisitions in periods subsequent to adoption.

In December 2007, the FASB also issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51 ( SFAS No. 160 ). SFAS No. 160 establishes new accounting and reporting standards for a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, and for the deconsolidation of a subsidiary. Among other requirements, SFAS No. 160 establishes accounting and reporting standards that require noncontrolling interests to be reported as a separate component of equity in the consolidated financial statements, changes in a parent's ownership interest while the parent retains its controlling interest be accounted for as equity transactions and that consolidated net income include the amounts attributable to both the parent and the noncontrolling interest, with disclosure of those amounts on the face of the consolidated statement of income. SFAS No. 160 is effective beginning in the Company's fiscal year ending June 30, 2010 and must be applied prospectively, except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. We have not yet assessed the impact that the implementation of SFAS No. 160 may have on our consolidated results of operations or financial condition.

In April 2008, the FASB issued FASB Staff Position ( FSP ) No. 142-3, Determination of the Useful Life of Intangible Assets ( FSP No. 142-3 ). FSP No. 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets. Its intent is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. This FSP is effective for fiscal years beginning after December 15, 2008 (fiscal 2010 for the Company). We have not yet assessed the impact that the implementation of FSP No. 142-3 may have on our consolidated results of operations or financial condition.

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

The Hain Celestial Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the Company, and herein referred to as we, us, and our) manufacture, market, distribute and sell natural, organic, specialty and snack food products and natural personal care products under brand names which are sold as better-for-you products. We are a leader in many of the top natural food and personal care products categories. Our products are sold primarily to specialty and natural food distributors and are marketed to supermarkets, natural food stores, and other retail classes of trade including mass-market retailers, drug store chains, food service channels and club stores. We manufacture internationally and our products are sold in more than 50 countries. Our brand names are well recognized in the various market categories they serve. We have acquired numerous brands since our formation and we will seek future growth through internal expansion as well as the acquisition of complementary brands. We consider the acquisition of natural and organic food and personal care products companies and product lines as an integral part of our business strategy. We believe that by integrating our various brands, we will achieve economies of scale and enhanced market penetration. Our business strategy is to integrate all of our brands under one management team and employ a uniform marketing, sales and distribution program. We capitalize on our brand equity and the distribution achieved through each of our acquisitions with strategic introductions of new products that complement existing lines to enhance revenues and margins.

Our corporate website is [www.hain-celestial.com](http://www.hain-celestial.com). The information on our website is not, and shall not be deemed to be, a part of this report or incorporated into any of our other filings made with the SEC.

**Results of Operations****Three months ended September 30, 2008**

Net sales for the three months ended September 30, 2008 were \$289.3 million, an increase of \$52.1 million, or 22.0%, over net sales of \$237.2 million in the September 30, 2007 quarter. Sales in North America increased \$49.0 million, or 25.0%, from the year ago quarter, reflecting strong performance by our personal care brands, healthy increases in sales of our grocery and snacks brands and the addition of sales from our recent acquisitions. Sales in Europe increased \$3.1 million, or 7.4%, with increased sales at our continent-based operations and the addition of sales from our Daily Bread acquisition partially offset by lower sales in our other United Kingdom-based operations.

Gross profit for the three months ended September 30, 2008 was \$71.4 million, an increase of \$2.5 million from last year's quarter. Gross profit as a percentage of net sales was 24.7% for the three months ended September 30, 2008 compared to 29.0% of net sales for the September 30, 2007 quarter. The decrease in gross profit percentage was attributable to a number of factors, including decreased gross margins in our Hain Pure Protein unit, resulting from higher feed costs and the impact of a below market processing agreement, now completed, with the former owner of the Company's New Oxford facility, which together impacted the gross profit ratio by approximately 300 basis points. We also continued to experience an unfavorable impact related to the integration of the Haldane product lines into our Fakenham frozen foods facility, and we had under-absorbed overhead at that facility as a result of the expiration of a co-pack agreement with the former owner, impacting the gross profit ratio by approximately 85 basis points. Last year's first quarter was impacted by approximately 71 basis points for start-up costs associated with the Haldane integration. During the three months ended September 30, 2008, we also experienced higher input costs generally, including direct costs such as corn, wheat and fuel, and indirect costs, such as those passed through from our suppliers of packaging and other major components of our finished products, not all of which were we able to pass through to our customers.

Selling, general and administrative expenses increased by \$6.0 million, or 11.7%, to \$56.5 million for the three months ended September 30, 2008 as compared to \$50.5 million in the September 30, 2007 quarter. Selling, general and administrative expenses have increased primarily as a result of costs brought on by the businesses we acquired since the first quarter of fiscal 2008 and increased stock based compensation expense. We incurred approximately \$1.8 million of professional fees in the first quarter of this year compared to \$2.3 million in last year's first quarter in connection with the previously disclosed investigation of our stock option practices. We anticipate that we will continue to incur additional costs in future periods for ongoing activity related to this matter. Selling, general and administrative expenses as a percentage of net sales decreased to 19.5% in the first quarter of fiscal 2009 as compared to 21.3% in the first quarter of last year.

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Operating income was \$14.9 million in the three months ended September 30, 2008 compared to \$18.3 million in the September 30, 2007 quarter. The decrease in operating income resulted primarily from the increase in our selling, general and administrative expenses. Operating income as a percentage of net sales was 5.2% in the September 30, 2008 quarter compared with 7.7% in the September 30, 2007 quarter, principally as a result of the decrease in our gross profit ratio.

Interest and other expenses, net were \$3.6 million for the three months ended September 30, 2008 compared to \$1.0 million for the three months ended September 30, 2007. Interest expense totaled \$4.0 million in this year's first quarter, which was primarily related to interest on the \$150 million of 5.98% senior notes outstanding and interest related to borrowings under our revolving credit facility made to fund acquisitions and working capital needs. This was partially offset by \$0.6 million of interest income earned in the current year's quarter. Net interest expense in last year's first quarter was approximately \$2.8 million. We recognized a gain of approximately \$2.0 million in the first quarter of fiscal 2008 on the sale of an equity interest in a joint venture which manufactured rice cakes in Belgium.

Income before income taxes for the three months ended September 30, 2008 amounted to \$11.3 million compared to \$17.3 million in the comparable period of the prior year. This decrease was primarily attributable to the increase in our selling, general and administrative expenses.

Our effective income tax rate was 38.0% of pre-tax income for the three months ended September 30, 2008 compared to 37.6% for the three months ended September 30, 2007. The effective tax rate for the first quarter of fiscal 2009 was higher than the comparable period of the prior year as a result of changes in geographic income distribution. The effective rate differs from statutory rates due to the effect of state and local income taxes, tax rates in foreign jurisdictions and certain nondeductible expenses. Our effective tax rate may change from quarter to quarter based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes and tax audit settlements.

Net income for the three months ended September 30, 2008 was \$7.0 million compared to \$10.8 million in the September 30, 2007 quarter. The decrease of \$3.8 million in earnings was primarily attributable to the increase in selling, general and administrative expenses.

## **Liquidity and Capital Resources**

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

Our cash balance was \$43.5 million at September 30, 2008, a decrease of \$15.0 million from the end of fiscal 2008. Net cash used in operating activities was \$29.2 million for the first three months of fiscal 2009, compared to net cash provided by operating activities of \$3.1 million in the three months ended September 30, 2007. The increased cash used in operations in fiscal 2009 resulted from an increase in cash used for the changes in operating assets and liabilities of approximately \$32.0 million in the current period as compared to the prior year comparable period, primarily resulting from increased inventories and accounts receivable. Inventories increased by approximately \$40 million, which includes a seasonal increase at Hain Pure Protein in advance of orders for the Thanksgiving holiday, a seasonal increase of fresh ingredients to support the increasing demand for our Earth's Best brand and increased inventory to support our Spectrum brand sales growth. Increased accounts receivable of \$8.5 million resulted primarily from the increase in our net sales. Our working capital increased to \$272.2 million at September 30, 2008 compared with \$246.7 million at June 30, 2008.

In the three months ended September 30, 2008, we used \$3.3 million of cash in investing activities. This consisted of \$3.4 million of capital expenditures and \$0.5 million of payments related to prior acquisitions, which was partially offset by \$0.6 million of proceeds from disposals of equipment. We used \$11.9 million of cash in investing activities in the three months ended September 30, 2007. This included \$11.6 million of cash used in the acquisition of the assets and business of Plainville Turkey Farm Inc., and \$5.0 million of capital expenditures. These uses were partially offset by \$2.4 million of proceeds from the sale of a joint venture interest in a rice cake business in Belgium and the repayment of a \$2.0 million loan that we had made to that joint venture.

Net cash of \$17.7 million was provided by financing activities for the three months ended September 30, 2008 compared to

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\$1.3 million used in financing activities for the three months ended September 30, 2007. The increase was due principally to an increase in the proceeds from exercises of stock options to \$4.8 million in the first quarter of fiscal 2009 from \$0.2 million in fiscal 2008 and \$13.0 million of borrowings drawn under our Credit Facility for the three months ended September 30, 2008 compared to \$1.5 million of debt repaid during the September 30, 2007 quarter.

We maintain our cash and cash equivalents primarily in money market funds or their equivalent. As of September 30, 2008, all of our investments mature in less than three months. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

We have \$150 million in aggregate principal amount of senior notes outstanding due May 2, 2016, which were issued in a private placement. The notes bear interest at 5.98%, payable semi-annually on November 2<sup>nd</sup> and May 2<sup>nd</sup>. We also have a credit agreement which provides us with a \$250 million revolving credit facility (the Credit Facility) expiring in May 2011. The Credit Facility provides for an uncommitted \$100 million accordion feature, under which the facility may be increased to \$350 million. The Credit Facility and the notes are guaranteed by substantially all of our current and future direct and indirect domestic subsidiaries. Loans under the Credit Facility bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus an applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of September 30, 2008, there were \$168.5 million of borrowings outstanding under the Credit Facility. We are required by the terms of the Credit Facility and the notes to comply with customary affirmative and negative covenants for facilities and notes of this nature.

We do not expect the recent events in the global credit markets to have a significant impact on our liquidity. As of September 30, 2008 we had approximately \$81 million of drawdown capacity under our Credit Facility. As a precaution to ensure against a decline in worldwide financial institutions liquidity, we temporarily drew \$50 million of that availability in early October and immediately invested the funds as we did not have a need at that date for the additional working capital.

We expect that our cash on hand of \$43.5 million at September 30, 2008, projected cash flows from operations and availability under our credit facility (as well as the drawdown described in the preceding paragraph) to be sufficient to fund our currently anticipated working capital needs, capital spending and other expected cash requirements for at least the next twelve months.

## **Critical Accounting Policies**

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies; however, it is likely that materially different amounts would be reported under different conditions or using assumptions different from those that we have consistently applied. The accounting policies that have been identified as critical to our business operations and understanding the results of our operations pertain to revenue recognition and sales incentives, valuation of accounts and chargebacks receivable, inventories, property, plant and equipment, stock based compensation, goodwill and intangibles and segments. The application of each of these critical accounting policies and estimates was discussed in Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2008, as amended. There have been no significant changes in the application of these critical accounting policies or estimates during fiscal 2009.

## **Seasonality**

Our tea brand primarily manufactures and markets hot tea products and, as a result, its quarterly results of operations reflect seasonal trends resulting from increased demand for its hot tea products in the cooler months of the year. In addition, some of our other products (e.g., baking and cereal products and soups) also show stronger sales in the cooler months while our snack food and certain of our prepared food product lines are stronger in the warmer months. In years where there are warm winter seasons, our sales of cooler weather products, which typically increase in our second and third fiscal quarters, may be negatively impacted. Sales of our turkey products are strongest in the second quarter of our fiscal year, coinciding with seasonal holidays.

Quarterly fluctuations in our sales volume and operating results are due to a number of factors relating to our business,

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including the timing of trade promotions, advertising and consumer promotions and other factors, such as seasonality, inclement weather and unanticipated increases in labor, commodity, energy, insurance or other operating costs. The impact on sales volume and operating results due to the timing and extent of these factors can significantly impact our business. For these reasons, you should not rely on our quarterly operating results as indications of future performance.

### **Inflation**

Inflation has caused increased ingredient, fuel, labor and benefits costs and in some cases has materially increased our operating expenses. When measured against the prior year's comparable quarter, inflation in input costs was approximately \$10 million. We were able to partially offset this impact with productivity improvements and price increases during the current year's quarter. For more information regarding ingredient costs, see Part II, Item 7A., Quantitative and Qualitative Disclosures About Market Risk - Ingredient Inputs Price Risk, of the Company's Annual Report on Form 10-K for the year ended June 30, 2008, as amended.

### **Note Regarding Forward Looking Information**

Certain statements contained in this Quarterly Report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1934 and Sections 21E of the Securities Exchange Act of 1934. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: general economic and business conditions; our ability to implement our business and acquisition strategy; our ability to effectively integrate our acquisitions; competition; availability and retention of key personnel; our reliance on third party distributors, manufacturers and suppliers; changes in customer preferences; international sales and operations; the results of our stock option investigation and the SEC's inquiry; changes in, or the failure to comply with, government regulations; and other risks detailed from time-to-time in the Company's reports filed with the Securities and Exchange Commission, including the report on Form 10-K, for the fiscal year ended June 30, 2008, as amended. As a result of the foregoing and other factors, no assurance can be given as to future results, levels of activity and achievements and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no significant changes in market risk for the quarter ended September 30, 2008 from those addressed in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008. See the information set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008, as amended.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **(a) Evaluation of Disclosure Controls and Procedures.**

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

#### **(b) Changes in Internal Control Over Financial Reporting.**

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





**Table of Contents****Part II - OTHER INFORMATION****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

| Period    | (a)<br>Total number<br>of shares<br>purchased | (b)<br>Average<br>price paid<br>per<br>share | (c)<br>Total number of<br>shares purchased<br>as part of<br>publicly<br>announced plans | (d)<br>Maximum<br>number of shares<br>that may yet be<br>purchased under<br>the plans <sup>(2)</sup> |
|-----------|---|--|---|--|
| July 2008 | 499 <sup>(1)</sup>                            | \$ 25.71                                     |   | 900,300  |
| Total     | 499   | \$ 25.71                                     |   | 900,300  |

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

**ITEM 6. EXHIBITS****Exhibit****Number Description**

The Company's Amended Annual Report on Form 10-K/A related to the fiscal year ended June 30, 2008, inadvertently contained an exhibit list that was not current. The exhibit list below includes the updated exhibit list, including those exhibits required for this Quarterly Report on Form 10-Q and those that should have been included in the exhibit list for the Form 10-K/A.

- 3.1 Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (Commission File No. 333-33830) filed with the Commission on April 24, 2000).
- 3.2 Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the Commission on December 7, 2007).
- 4.1 Specimen of common stock certificate (incorporated by reference to Exhibit 4.1 of Amendment No. 1 to the Registrant's Registration Statement on Form S-4 (Commission File No. 333-33830) filed with the Commission on April 24, 2000).
- 4.2 1993 Executive Stock Option Plan (incorporated by reference to Exhibit 4.2 of Amendment No. 1 to the Registrant's Registration Statement on Form SB-2 (Commission File No. 33-68026) filed with the Commission on October 21, 1993).
- 4.3 Amended and Restated 1994 Long Term Incentive and Stock Award Plan (incorporated by reference to Annex F to the Joint Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (Commission File No. 333-33830) filed with the Commission on April 24, 2000).
- 4.4

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1996 Directors Stock Option Plan (incorporated by reference to Appendix A to the Registrant's Notice of Annual Meeting of Stockholders and Proxy Statement dated November 4, 1996).

4.5

2000 Directors Stock Option Plan (incorporated by reference to Annex G to the Joint Proxy Statement/Prospectus contained in the Registrant's Registration Statement on Form S-4 (Commission File No. 333-33830) filed with the Commission on April 24, 2000).

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| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 4.5.1                 | Amendment No. 1 to 2000 Directors Stock Option Plan (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-8 (Commission File No. 333-111881) filed with the Commission on January 13, 2004).  |
| 4.6                   | Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-8 (Commission File No. 333-140180) filed with the Commission on January 24, 2007).   |
| 4.7                   | Form of Senior Note under Note Purchase Agreement dated as of May 2, 2006 (incorporated by reference to Exhibit 4.7 of the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, filed with the Commission on September 13, 2006).  |
| 10.1                  | Amended and Restated Credit Agreement, dated as of May 2, 2006, by and among the Registrant, Bank of America, N.A., as Administrative Agent, Keybank National Association and Citibank, N.A., as Co-Syndication Agents, First Pioneer Farm Credit, ACA and HSBC Bank USA, N.A., as Co-Documentation Agents, North Fork Bank, as Managing Agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Commission on May 4, 2006). |
| 10.1.1                | Amendment No. 1 to the Amended and Restated Credit Agreement (incorporated by reference to Exhibit to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008, filed with the Commission on May 12, 2008).  |
| 10.2                  | Note Purchase Agreement, dated as of May 2, 2006, by and among the Registrant and the several purchasers named therein (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Commission on May 4, 2006).  |
| 10.3                  | Employment Agreement between the Registrant and Irwin D. Simon, dated July 1, 2003 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003, filed with the Commission on November 14, 2003), as amended as described in the Registrant's Current Report on Form 8-K filed with the Commission on November 3, 2006).   |
| 10.4                  | Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004, filed with the Commission on February 9, 2005).   |
| 10.5                  | Form of Change in Control Agreement (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2004, filed with the Commission on February 9, 2005).   |
| 10.6                  | Description of compensation to non-management directors (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Commission on April 4, 2008).   |
| 10.7                  | Form of Option Agreement under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A filed with the Commission on April 7, 2008).   |
| 10.8                  | Form of Option Agreement with the Company's Chief Executive Officer under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K/A filed with the Commission on April 7, 2008).  |
| 10.9                  | Form of Restricted Stock Agreement under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K/A filed with the Commission on April 7, 2008).   |

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| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 10.10                 | Form of Restricted Stock Agreement with the Company's Chief Executive Officer under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K/A filed with the Commission on April 7, 2008). |
| 10.11                 | Form of Restricted Stock Agreement with Mitchell Ring under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K/A filed with the Commission on April 7, 2008).                         |
| 10.12                 | Form of Notice of Grant of Restricted Stock Award under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K/A filed with the Commission on April 7, 2008).                             |
| 10.13                 | License Agreement, dated as of July 18, 2008 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 19, 2008).   |
| 31.1 <sup>(a)</sup>   | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.  |
| 31.2 <sup>(a)</sup>   | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.  |
| 32.1 <sup>(a)</sup>   | Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| 32.2 <sup>(a)</sup>   | Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |

(a) filed herewith

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**SIGNATURES**

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

THE HAIN CELESTIAL GROUP, INC.

Date: November 10, 2008

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

Date: November 10, 2008

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