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

# FORM 10-Q

(Mark One)

|X| Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: 12/31/03

or

|_| Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______ to _______.

Commission file number: 0-22818

# THE HAIN CELESTIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 22-3240619 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

58 South Service Road, Melville, New York 11747

(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes X No ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

35,370,479 shares of Common Stock $.01 par value, as of February 4, 2004.

THE HAIN CELESTIAL GROUP, INC.

## INDEX

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS
THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share and share amounts)

| | December 31, 2003 | June 30, 2003 |
|---|---|---|
| ASSETS | (Unaudited) | (Note) |
| Current assets: | | |
| Cash and cash equivalents | $ 23,771 | $ 10,984 |
| Accounts receivable, less allowance for doubtful accounts of $1,641 and $1,748 | 74,876 | 61,215 |
| Inventories | 74,157 | 66,444 |
| Recoverable income taxes, net | 978 | 223 |
| Deferred income taxes | 3,171 | 3,171 |
| Other current assets | 8,779 | 7,671 |
| Total current assets | 185,732 | 149,708 |
| Property, plant and equipment, net of accumulated depreciation and amortization of $38,705 and $31,555 | 68,710 | 68,665 |
| Goodwill | 304,616 | 296,508 |
| Trademarks and other intangible assets, net of accumulated amortization of $7,875 and $7,377 | 55,819 | 55,975 |
| Other assets | 9,152 | 10,692 |
| Total assets | $ 624,029 | $ 581,548 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 59,653 | $ 55,710 |
| Current portion of long-term debt | 6,856 | 8,807 |
| Income taxes payable | 9,779 | 1,867 |
| Total current liabilities | 76,288 | 66,384 |
| Long-term debt, less current portion | 58,927 | 59,455 |
| Deferred income taxes | 14,912 | 14,912 |
| Total liabilities | 150,127 | 140,751 |
| 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 35,992,995 and 34,810,722 shares | 360 | 348 |
| Additional paid-in capital | 374,676 | 364,877 |
| Retained earnings | 96,003 | 79,089 |
| Foreign currency translation adjustment | 11,298 | 4,639 |
| | 482,337 | 448,953 |
| Less: 622,516 and 606,619 shares of treasury stock, at cost | (8,435) | (8,156) |
| Total stockholders' equity | 473,902 | 440,797 |
| Total liabilities and stockholders' equity | $ 624,029 | $ 581,548 |

Note: The balance sheet at June 30, 2003 has been derived from the audited financial statements at that date.

See notes to consolidated financial statements.

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | (Unaudited) | | (Unaudited) | |
| Net sales | $ 142,792 | $ 123,006 | $ 269,845 | $ 219,426 |
| Cost of sales | 95,693 | 82,235 | 185,584 | 150,857 |
| Gross profit | 47,099 | 40,771 | 84,261 | 68,569 |
| Selling, general and administrative expenses | 30,047 | 26,975 | 55,866 | 47,070 |
| Restructuring and other non-recurring charges | - | 440 | - | 440 |
| Operating income | 17,052 | 13,356 | 28,395 | 21,059 |
| Interest expense and other expenses, net | 350 | 206 | 1,141 | 376 |
| Income before income taxes | 16,702 | 13,150 | 27,254 | 20,683 |
| Provision for income taxes | 6,330 | 4,964 | 10,340 | 7,808 |
| Net income | $ 10,372 | $ 8,186 | 16,914 | $ 12,875 |
| Net income per share: | | | | |
| Basic | $ 0.30 | $ 0.24 | $ 0.49 | $ 0.38 |
| Diluted | $ 0.29 | $ 0.24 | $ 0.47 | $ 0.37 |
| Weighted average common shares outstanding: | | | | |
| Basic | 34,913 | 33,776 | 34,567 | 33,739 |
| Diluted | 36,135 | 34,467 | 35,745 | 34,425 |

See notes to consolidated financial statements.

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
SIX MONTHS ENDED DECEMBER 31, 2003 (In thousands, except per share and share data)

| | Common Stock Shares | Common Stock Amount at $.01 | Additional Paid-in Capital | Retained Earnings | Treasury Stock Shares | Treasury Stock Amount |
|---|---|---|---|---|---|---|
| Balance at June 30, 2003 | 34,810,722 | $348 | $ 364,877 | $ 79,089 | 606,619 | $(8,156) |
| Exercise of stock options and warrants | 1,182,273 | 12 | 9,776 | | | |
| Purchase of treasury shares | | | | | 15,897 | (279) |
| Non-cash compensation charge | | | 23 | | | |
| Comprehensive income: | | | | | | |
| Net income for the period | | | | 16,914 | | |
| Translation adjustments | | | | | | |
| Total comprehensive income | | | | | | |
| Balance at December 31, 2003 | 35,992,995 | $ 360 | $374,676 | $ 96,003 | 622,516 | $(8,435) |

| | Foreign Currency Translation Adjustment | Total | Comprehensive Income |
|---|---|---|---|
| Balance at June 30, 2003 | $ 4,639 | $440,797 | |
| Exercise of stock options and warrants | | 9,788 | |
| Purchase of treasury shares | | (279) | |
| Non-cash compensation charge | | 23 | |
| Comprehensive income: | | | |
| Net income for the period | | 16,914 | $ 16,914 |
| Translation adjustments | 6,659 | 6,659 | 6,659 |
| Total comprehensive income | | | $ 23,573 |
| Balance at December 31, 2003 | $ 11,298 | $473,902 | |

See notes to consolidated financial statements.

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

| | Six Months Ended December 31, 2003 | Six Months Ended December 31, 2002 |
|---|---|---|
| | (Unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 16,914 | $ 12,875 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,331 | 4,163 |
| Provision for doubtful accounts | (115) | (138) |
| Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of amounts applicable to acquired businesses: | | |
| Accounts receivable | (12,641) | (7,740) |
| Inventories | (7,126) | 3,100 |
| Other current assets | (1,364) | (1,536) |
| Other assets | 1,868 | (1,950) |
| Accounts payable and accrued expenses | 1,837 | (4,191) |
| Accrued restructuring and non-recurring charges | - | (1,046) |
| Income taxes, net | 7,912 | 8,695 |
| Net cash provided by operating activities | 12,616 | 12,232 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (2,293) | (4,262) |
| Acquisitions of businesses, net of cash acquired | - | (44,659) |
| Net cash used in investing activities | (2,293) | (48,921) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Repayments) proceeds from bank revolving credit facility, net | (1,650) | 44,300 |
| Payments on economic development revenue bonds | (258) | (250) |
| Purchase of treasury stock | (279) | (2,579) |
| Proceeds from exercise of warrants and options, net of related expenses | 9,788 | 4 |
| (Repayments) proceeds of other long-term debt, net | (2,352) | 589 |
| Net cash provided by financing activities | 5,249 | 42,064 |
| Effect of exchange rate changes on cash | (2,758) | (240) |
| Net increase in cash and cash equivalents | 12,787 | 5,135 |
| Cash and cash equivalents at beginning of period | 10,984 | 7,538 |
| Cash and cash equivalents at end of period | $ 23,771 | $ 12,673 |

See notes to consolidated financial statements.

## 1. GENERAL

The Hain Celestial Group, Inc. (herein referred to as "we","us" and "our") is a natural, organic, specialty and snack food company. We are a leader in many of the top natural food categories, with such well-known natural food brands as Celestial Seasonings(R) teas, Hain Pure Foods(R), Westbrae(R), Westsoy(R), Rice Dream(R), Soy Dream(R), Imagine(R), Little Bear Organic Foods(R), Bearitos(R), Arrowhead Mills(R), Health Valley(R), Breadshop(R), Casbah(R), Garden of Eatin'(R), Walnut Acres Certified Organic(R), Terra Chips(R), Harry's Premium Snacks(R), Boston's(R), Yves Veggie Cuisine(R), DeBoles(R), Earth's Best(R), Nile Spice(R), Lima(R), Biomarche(R) and Grains Noirs(R). Our principal speciality product lines include Hollywood(R) cooking oils, Estee(R) sugar-free products, Kineret(R) kosher foods, Boston Better Snacks(R), and Alba Foods(R).

We operate in one business segment: the sale of natural, organic and other food and beverage products. In our 2003 fiscal year, approximately 42% of our revenues were derived from products that were manufactured within our own facilities with 58% produced by various co-packers.

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

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

## 2. BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and six months ended December 31, 2003 are not necessarily indicative of the results that may be expected for the year ending June 30, 2004. Please refer to the footnotes to our consolidated financial statements as of June 30, 2003 and for the year then ended included in our Annual Report on Form 10-K for information not included in these condensed footnotes.

## 3. EARNINGS PER SHARE

We report basic and diluted earnings per share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" ("SFAS No. 128"). Basic earnings per share excludes the dilutive effects of options and warrants. 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:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Numerator: | | | | |
| Net income | $ 10,372 | $ 8,186 | $ 16,914 | $ 12,875 |
| Denominator (in thousands): | | | | |
| Denominator for basic earnings per share - weighted average shares outstanding during the period | 34,913 | 33,776 | 34,567 | 33,739 |
| Effect of dilutive securities: | | | | |
| Stock options | 1,072 | 535 | 1,018 | 529 |
| Warrants | 150 | 156 | 160 | 157 |
| | 1,222 | 691 | 1,178 | 686 |
| Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions | 36,135 | 34,467 | 35,745 | 34,425 |
| Basic net income per share | $ 0.30 | $ 0.24 | $ 0.49 | $ 0.38 |
| Diluted net income per share | $ 0.29 | $ 0.24 | $ 0.47 | $ 0.37 |

4. INVENTORIES

Inventories consisted of the following:

| | December 31, 2003 | June 30, 2003 |
|---|---|---|
| Finished goods | $47,019 | $43,022 |
| Raw materials, work-in-progress and packaging | 27,138 | 23,422 |
| | $74,157 | $66,444 |

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

| | December 31, 2003 | June 30, 2003 |
|---|---|---|
| Land | $ 7,053 | $ 6,913 |
| Building and improvements | 26,355 | 24,448 |
| Machinery and equipment | 66,259 | 61,949 |
| Furniture and fixtures | 2,425 | 2,383 |
| Leasehold improvements | 1,548 | 1,457 |
| Construction in progress | 3,775 | 3,070 |
| | 107,415 | 100,220 |
| Less: Accumulated depreciation and amortization | 38,705 | 31,555 |
| | $ 68,710 | $ 68,665 |

6. ACQUISITIONS

On June 17, 2003, we acquired 100% of the stock of privately-held Acirca, Inc. ("Acirca"), the owner of the Walnut Acres Certified Organic(R) brand of organic fruit juices, soups, pasta sauces and salsas. Since June 2000, the financial and investment group Acirca has expanded Walnut Acres, its premier certified organic food and beverage brand, by integrating a series of organic brands including Mountain Sun(R), ShariAnn's(R), Millina's Finest(R), and Frutti di Bosco(R) into its Walnut Acres flagship. The acquisition of these product lines allows us to add natural and organic juices and sauces to our product offerings, and enhance our offerings of soups and salsas. The purchase price consisted of approximately $9 million in cash, 134,797 shares of our common stock valued at $2.2 million, plus the assumption of certain liabilities. At December 31, 2003, goodwill from this transaction was estimated to be $15.2 million.

On December 2, 2002, we acquired substantially all of the assets and assumed certain liabilities of privately-held Imagine Foods, Inc. ("Imagine") in the United States and the United Kingdom. Imagine is a non-dairy beverage company specializing in aseptic and refrigerated rice and soy milks, organic aseptic soups and broths, and organic frozen desserts in the U.S., Canada, and Europe. The acquisition of these product lines is expected to enhance our existing market positions in non-dairy beverages and soups while adding frozen dessert products to our offerings to customers. The purchase price consisted of approximately $44.2 million in cash, 532,765 shares of our common stock valued at $7 million, plus the assumption of certain liabilities. At December 31, 2003, goodwill from this transaction was valued at $37.3 million, trademarks and other non-amortizable intangibles were $15.7 million, and patents and other amortizable intangibles were valued at $1.2 million.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed of Acirca and Imagine at the dates of the acquisitions:

| | |
|---|---|
| Current assets | $17,714 |
| Property and equipment | 2,409 |
| Total assets | 20,123 |
| Liabilities assumed | 14,937 |
| Net assets acquired | $ 5,186 |

The balance sheet at December 31, 2003, includes the assets acquired and liabilities assumed valued at fair market value at the date of purchase. We have completed all of the procedures required to finalize the purchase price allocation for Imagine, while such procedures required for Acirca are in the early stages and are expected to be completed during 2004.

Our results of operations for the three and six months ended December 31, 2003 include the results of the above described acquisitions for the complete period. The following table presents information about sales and net income had the operations of the acquired businesses been combined with our business as of the first day of each of the periods shown. 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, integration of systems and personnel, discontinuation of products (including discontinuation resulting from the integration of acquired and existing brands with similar products), 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 below.

| | Three Months Ended December 31, 2002 | Six Months Ended December 31, 2002 |
|---|---|---|
| Net sales | $ 144,010 | $ 267,140 |
| Net income | $ 5,882 | $ 9,109 |
| Income per share: | | |
| Basic | $ 0.17 | $ 0.27 |
| Diluted | $ 0.17 | $ 0.26 |
| Weighted average shares: | | |
| Basic | $ 34,131 | $ 34,318 |
| Diluted | $ 34,957 | $ 35,004 |

In management's opinion, the unaudited pro forma results of operations are not indicative of the actual results that would have occurred had the Acirca and Imagine acquisitions been consummated at the beginning of the periods presented or of future operations of the combined companies under our management.

On May 14, 2003, our subsidiary in Belgium acquired Grains Noirs, N.V., a Belgian producer and marketer of fresh prepared organic appetizers, salads, sandwiches and other full-plated dishes. The purchase price paid was approximately $2.2 million in cash. The net assets acquired, as well as the sales and results of operations of Grains Noirs, are not material and, therefore, have not been included in the detailed information about our acquisitions.

## 7. CREDIT FACILITY

We have a $240 million credit facility with a group of banks (the "Credit Facility") which provides us with a $145 million revolving credit facility (the "Revolving Credit Facility") through March 29, 2005 and a $95 million 364-day facility (the "364-Day Facility") through March 25, 2004. The Credit Facility is unsecured but is guaranteed by all of our current and future direct and indirect domestic subsidiaries. We are required to comply with customary affirmative and negative covenants for facilities of this nature. Revolving credit loans under this facility bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of December 31, 2003, $52.2 million was borrowed under the Revolving Credit Facility with interest at 2.5%. At December 31, 2003, there were no borrowings under the 364-Day Facility.

## 8. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plans using the intrinsic value method under APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related Interpretations. Under APB 25, when the exercise price of our employee stock options at least equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

If compensation cost for the Company's stock-based compensation plans had been determined based on the fair value at the grant dates consistent with the method prescribed by SFAS No. 123, "Accounting For Stock-Based Compensation", net earnings and earnings per share for the three months and six months ended December 31, 2003 and 2002 would have been the pro forma amounts that follow:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Net income, as reported | $10,372 | $ 8,186 | $16,914 | $ 12,875 |
| Non-cash compensation charge, net of related tax effects | 7 | 7 | 14 | 14 |
| Stock-based employee compensation expense determined under fair value method, net of related tax effects | (716) | (2,374) | (1,937) | (4,815) |
| Pro forma net income | $ 9,663 | $ 5,819 | $ 14,991 | $ 8,074 |
| Basic net income per share: | | | | |
| As reported | $ 0.30 | $ 0.24 | $ 0.49 | $ 0.38 |
| Pro forma | $ 0.28 | $ 0.17 | $ 0.43 | $ 0.24 |
| Diluted net income per share: | | | | |
| As reported | $ 0.29 | $ 0.24 | $ 0.47 | $ 0.37 |
| Pro forma | $ 0.27 | $ 0.17 | $ 0.42 | $ 0.23 |

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

Overview

We manufacture, market, distribute and sell natural, organic, specialty and snack food products under brand names which are sold as "better-for-you" products. We are a leader in many of the top natural food categories, with such well-known natural food brands as Celestial Seasonings(R) teas, Hain Pure Foods(R), Westbrae(R), Westsoy(R), Arrowhead Mills(R), Health Valley(R), Breadshop's(R), Casbah(R), Garden of Eatin'(R), Rice Dream(R), Soy Dream(R), Imagine(R), Walnut Acres Certified Organic(R), Little Bear Organic Foods(R), Bearitos(R), Terra Chips(R), Harry's Premium Snacks(R), Boston's(R), Gaston's(R), Yves Veggie Cuisine(R), DeBoles(R), Earth's Best(R), Nile Spice(R), Lima(R), Biomarche(R) and Grains Noirs(R). Our principal specialty product lines include Hollywood(R) cooking oils, Estee(R) sugar-free products, Kineret(R) kosher foods, Boston Better Snacks(R), and Alba Foods(R). Our website can be found at www.hain-celestial.com.

Our products are sold primarily to specialty and natural food distributors, supermarkets, natural food stores, and other retail classes of trade including mass-market stores, drug stores, food service channels and club stores.

Our brand names are well recognized in the various market categories they serve. We have acquired numerous brands and we will seek future growth through internal expansion as well as the acquisition of additional complementary brands.

Our overall mission is to be a leading marketer and seller of natural, organic, beverage, snack and specialty food products by integrating all of our brands under one management team and employing a uniform marketing, sales and distribution program. Our business strategy is to capitalize on the brand equity and the distribution previously achieved by each of our acquired product lines and to enhance revenues by strategic introductions of new product lines that complement existing products.

Results of Operations

Three months ended December 31, 2003

Net sales for the three months ended December 31, 2003 were $142.8 million, an increase of $19.8 million or 16.1% over net sales of $123.0 million in the December 31, 2002 quarter. Our Canadian business grew 14.9%, our European business grew 68.2% and our U.S. business grew 13.5%. These increases came principally from volume increases, including increased volume from brands owned for more than one year as well as the volume added to each geographic area by the addition of the Imagine Foods, Walnut Acres and Grains Noirs brands to our portfolio. Net sales were negatively impacted by the continuing strike of grocery workers in Southern California as well as the transition to a new supplier by a major natural foods retailer, while net sales benefited from the movement of foreign currencies against the U.S. dollar.

Gross profit for the three months ended December 31, 2003 was 33.0% of net sales as compared to 33.1% of net sales in the December 31, 2002 quarter. The 0.1% decrease in gross profit percentage was principally due to higher consumer spending and promotional allowances offset by lower delivery and warehousing expenses. We spent more in promotional allowances than our usual rate because we introduced the Carb Fit line of low carbohydrate products and we expanded our refrigerated non-dairy beverages during the second quarter this year. In addition, we spent approximately $1 million more in consumer coupons in this year's second quarter as compared to the prior year's second quarter. These promotional allowances and consumer spending are charged against sales under current accounting rules and, therefore, have the effect of reducing gross profit as a percentage of sales.

Selling, general and administrative expenses increased by $3.1 million to $30.0 million for the three months ended December 31, 2003 as compared to $27.0 million in the December 31, 2002 quarter. Such expenses as a percentage of net sales amounted to 21.0% for the three months ended December 31, 2003 compared with 21.9% in the December 31, 2002 quarter. As a percentage of sales, selling, general, and administrative expenses decreased while the overall dollars increased. The increase in dollars was a result of increased advertising and marketing expenses needed to support our increased sales, while as a percentage of sales our selling costs decreased reflecting synergies from our acquired businesses.

There were no restructuring and other non-recurring charges for the quarter ended December 31, 2003. During the prior year quarter ended December 31, 2002, we recorded approximately $0.4 million of restructuring and other non-recurring charges related to the sale of our Health Valley facility.

Operating income was $17.1 million in the three months ended December 31, 2003 compared to $13.4 million in the December 31, 2002 quarter. Operating income as a percentage of net sales was 11.9% in the December 31, 2003 quarter, compared with 10.9% in the December 31, 2002 quarter. The dollar increase resulted principally from higher sales and gross profits, while the percentage increase resulted principally from lower selling, general and administrative expenses as a percentage of sales.

Interest and other expenses amounted to $0.4 million for the three months ended December 31, 2003 compared to $0.2 million for the three months ended December 31, 2002. We incurred higher interest expense in the 2003 quarter resulting from borrowings for acquisitions which were outstanding for a full quarter this year.

Income before income taxes for the three months ended December 31, 2003 amounted to $16.7 million compared to $13.2 million in the comparable period of the prior year. This increase was attributable to the increase in operating income.

Our effective income tax rate approximated 38% of pre-tax income for both the three months ended December 31, 2003 and 2002. We expect our effective tax rate to approximate this rate during the remainder of fiscal 2004.

Net income for the three months ended December 31, 2003 was $10.4 million compared to $8.2 million in the December 31, 2002 quarter. The increase of $2.2 million in earnings was primarily attributable to the aforementioned increase in income before income taxes.

Six Months Ended December 31, 2003

Net sales for the six months ended December 31, 2003 were $269.8 million, an increase of $50.4 million or 23.0% over net sales of $219.4 million for the six months ended December 31, 2002. Our Canadian business grew 19.2%, our European business grew 63.7% and our U.S. business grew 21.6%. These increases came principally from volume increases, including increased volume from brands owned for more than one year as well as the volume added to each geographic area by the addition of the Imagine Foods, Walnut Acres and Grains Noirs brands to our portfolio. During the second quarter ended December 31, 2003, net sales were negatively impacted by the continuing strike of grocery workers in Southern California as well as the transition to a new supplier by a major natural foods retailer, while net sales benefited from the movement of foreign currencies against the U.S. dollar.

Gross profit for both the six months ended December 31, 2003 and the six months ended December 31, 2002 was 31.2%. Gross profit was flat due to higher consumer spending and promotional allowances in our second quarter offset by lower delivery and warehousing expenses. During the second quarter ended December 31, 2003, we spent more in promotional allowances than our normal rate because we introduced the Carb Fit line of low carbohydrate products and we expanded our refrigerated non-dairy beverages. In addition, we spent approximately $1 million more in consumer coupons in this year's second quarter as compared to the prior year's quarter. These promotional allowances and consumer spending are charged against sales under current accounting rules and, therefore, have the effect of reducing gross profits as a percentage of sales.

Selling, general and administrative expenses increased by $8.8 million to $55.9 as compared to $47.1 million for the six months ended December 31, 2002. Such expenses as a percentage of net sales amounted to 20.7% for the six months ended December 31, 2003 compared with 21.5% for the six months ended December 31, 2002. As a percentage of sales, selling, general and administrative expenses decreased while the dollars increased. The overall increase in dollars is a result of increased advertising and marketing spending needed to support our increased sales, while as a percentage of sales our selling costs decreased reflecting synergies from our acquired businesses.

There were no restructuring and other non-recurring charges for the six months ended December 31, 2003. During the six months ended December 31, 2002, we recorded approximately $0.4 million of additional restructuring and other non-recurring charges related to the sale of our Health Valley facility.

Operating income was $28.4 million in the six months ended December 31, 2003 compared to $21.1 million for the six months ended December 31, 2002. Operating income as a percentage of net sales was 10.5% for the six months ended December 31, 2003, compared with 9.6% for the six months ended December 31, 2002. The dollar increase resulted principally from higher sales and gross profits, while the percentage increases resulted principally from lower selling, general and administrative expenses as a percentage of sales.

Interest and other expenses amounted to $1.1 million for the six months ended December 31, 2003 compared to $0.4 million for the six months ended December 31, 2002. We incurred higher interest expense for the six months ended December 31, 2003 resulting from borrowing for acquisitions which are outstanding for the full six months this year.

Income before income taxes for the six months ended December 31 2003 amounted to $27.3 million compared to $20.7 million for the six months ended December 31, 2002. This increase was attributable to the increase in operating income offset by the increase in interest expenses and other expenses, net.

Our effective income tax rate approximated 38% of pre-tax income for both the six months ended December 31, 2003 and 2002.

Net income for the six months ended December 31, 2003 was $16.9 million compared to $12.9 million for the six months ended December 31, 2002. The increase of $4.0 million in earnings was primarily attributable to the aforementioned increase in income before income taxes.

Liquidity and Capital Resources

We finance our operations and growth primarily with the cash flows we generate from our operations and from borrowings under our credit facility.

We have available to us a $240 million credit facility (the "Credit Facility") which provides us with a $145 million revolving credit facility (the "Revolving Credit Facility") through March 29, 2005 and a $95 million 364-Day facility (the "364-Day Facility") through March 25, 2004. The Credit Facility is unsecured but is guaranteed by all of our direct and indirect domestic subsidiaries. We are required to comply with customary affirmative and negative covenants for facilities of this nature. As of December 31, 2003 we had $52.2 million outstanding under the Revolving Credit Facility.

This access to capital provides us with flexible working capital in the ordinary course of business, the opportunity to grow our business through acquisitions and develop our existing infrastructure through capital investment.

Net cash provided by operations was $12.6 and $12.2 million for the six months ended December 31, 2003 and 2002, respectively. Our working capital and current ratio was $109.4 million and 2.4 to 1, respectively, at December 31, 2003 compared with $83.3 million and 2.3 to 1 respectively, at June 30, 2003. The increase in working capital resulted principally from the net income earned during the six months ended December 31, 2003.

Net cash provided by financing activities was $5.2 million and $42.1 million for the six months ended December 31, 2003 and 2002, respectively. In the December 2003 period, we received proceeds from the exercise of stock options and warrants, which were offset by the payment of debt. In the December 2002, period borrowings were offset by acquisitions of shares of our common stock in open market purchases as part of our buy back program.

Obligations for all debt instruments, capital and operating leases and other contractual obligations are as follows:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 - 3 years | 3-5 Years | More than 5 years |
| Debt instruments | $ 63,103 | $ 5,237 | $ 55,159 | $ 2,249 | $ 458 |
| Capital lease obligations | 2,680 | 1,619 | 1,049 | 12 | - |
| Operating leases | 18,344 | 2,988 | 5,641 | 3,623 | 6,092 |
| Total contractual cash obligations | $ 84,127 | $ 9,844 | $ 61,849 | $ 5,884 | $6,550 |

We believe that cash on hand of $23.8 million at December 31, 2003, projected remaining fiscal 2004 cash flows from operations, and availability under our Credit Facility are sufficient to fund our working capital needs, anticipated capital expenditures of approximately $8 million for the remainder of fiscal 2004, and the $9.8 million of debt and lease obligations described in the table above. We currently invest our cash on hand in highly liquid short-term investments yielding approximately 1% interest.

## Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies; however, it is likely that materially different amounts would be reported under different conditions or using assumptions different from those that we have consistently applied. We believe our critical accounting policies are as follows, including our methodology for estimates made and assumptions used:

### Valuation of Accounts and Chargebacks Receivables

We perform ongoing credit evaluations on existing and new customers daily. We apply reserves for delinquent or uncollectible trade receivables based on a specific identification methodology and also apply an additional reserve based on the experience we have with our trade receivables aging categories. Credit losses have been within our expectations over the last few years. While two of our customers represent approximately 25% of our trade receivable balance on an ongoing basis, we believe there is no credit exposure at this time.

Based on cash collection history and other statistical analysis, we estimate the amount of unauthorized deductions that our customers have taken to be repaid and collectible in the near future in the form of a chargeback receivable. While our estimate of this receivable balance could be different had we used different assumptions and judgments, historically our cash collections of this type of receivable have generally been within our expectations. Our chargebacks receivable balance at December 31, 2003 was $5.9 million as compared to $6 million at June 30, 2003.

There can be no assurance that we would have the same experience with our receivables during different economic conditions, or with changes in business conditions, such as consolidation within the food industry and/or a change in the way we market and sell our products.

### Inventory

Our inventory is valued at the lower of cost or market. Cost has been derived principally using standard costs utilizing the first-in, first-out method. We provide write-downs for finished goods expected to become non-saleable due to age and specifically identify and reserve for slow moving or obsolete raw ingredients and packaging.

### Property, Plant and Equipment

Our property, plant and equipment is carried at cost and depreciated or amortized on a straight-line basis over the lesser of the estimated useful lives or lease life, whichever is shorter. We believe the asset lives assigned to our property, plant and equipment are within ranges/guidelines generally used in food manufacturing and distribution businesses. Our manufacturing plants and distribution centers, and their related assets, are periodically reviewed to determine if any impairment exists by analyzing underlying cash flow projections. At this time, we believe no impairment exists on the carrying value of such assets. Ordinary repairs and maintenance are expensed as incurred.

Intangibles

Goodwill is no longer amortized and the value of an identifiable intangible asset is amortized over its useful life unless the asset is determined to have an indefinite useful life. The carrying values of goodwill and other intangible assets with indefinite useful lives are tested annually for impairment.

Revenue Recognition and Sales Incentives

Sales are recognized upon the shipment of finished goods to customers and are reported net of sales incentives. Allowances for cash discounts and returns are recorded in the period in which the related sale is recognized. Shipping and handling costs are included as a component of cost of sales.

Seasonality

Our tea business consists primarily of manufacturing and marketing hot tea products and, as a result, its quarterly results of operations reflect seasonal trends resulting from increased demand for its hot tea products in the cooler months of the year. This is also true for our soups and hot cereals businesses, but to a lesser extent. Quarterly fluctuations in our sales volume and operating results are due to a number of factors relating to our business, including the timing of trade promotions, advertising and consumer promotions and other factors, such as seasonality, abnormal and inclement weather patterns and unanticipated increases in labor, commodity, energy, insurance or other operating costs. The impact on sales volume and operating results, due to the timing and extent of these factors, can significantly impact our business. For these reasons, you should not rely on our quarterly operating results as indications of future performance. In some future periods, our operating results may fall below the expectations of securities analysts and investors, which could harm our business.

Inflation

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

Note Regarding Forward Looking Information

Certain statements contained in this Quarterly Report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act 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; the ability of the Company to implement its business and acquisition strategy; the ability to effectively integrate its acquisitions; the ability of the Company to obtain financing for general corporate purposes; competition; availability of key personnel; and changes in, or the failure to comply with government regulations. As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity and achievements and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the reported market risks since the end of the most recent fiscal year.

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, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are adequately designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in applicable rules and forms.

(b) Changes in Internal Controls.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls during the quarter covered by this report or from the end of the reporting period to the date of this Form 10-Q.

Part II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on December 4, 2003. The Company submitted the following matters to a vote of security holders:

1. To elect a board of directors to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified; and

2. To amend our 2002 Long Term Incentive and Stock Award Plan to increase the number of shares issuable over the term of the plan by 1,500,000 shares to 3,100,000 shares in the aggregate; and

3. To amend our 2000 Directors Stock Option Plan to increase the number of shares issuable over the term of the plan by 200,000 shares to 950,000 shares in the aggregate; and

4. To ratify the appointment of Ernst & Young LLP as our independent auditors for fiscal 2004.

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

| ELECTION OF DIRECTORS | FOR | WITHHELD |
|---|---|---|
| Irwin D. Simon | 29,921,053 | 1,445,899 |
| Beth L. Bronner | 29,227,951 | 2,139,001 |
| Jack Futterman | 23,900,726 | 7,466,226 |
| Daniel R. Glickman | 30,079,294 | 1,287,658 |
| James S. Gold | 21,580,456 | 9,786,496 |
| Marina Hahn | 23,599,333 | 7,767,619 |
| Neil Harrison | 28,884,675 | 2,482,277 |
| Andrew R. Heyer | 29,612,612 | 1,754,340 |
| Joseph Jimenez | 22,467,308 | 8,899,644 |
| Roger Meltzer | 20,747,760 | 10,619,192 |
| Larry Zilavy | 23,583,484 | 7,783,468 |

The stockholders ratified the amendment to our 2002 Long Term Incentive and Stock Award Plan casting 13,472,174 votes in favor, 11,573,732 votes against, 152,524 abstaining and 6,131,315 not voted.

The stockholders ratified the amendment to our 2000 Directors Stock Option Plan casting 13,470,310 votes in favor, 11,551,598 votes against, 177,062 abstaining, and 6,131,315 not voted.

The stockholders ratified the appointment of Ernst & Young, LLP casting 23,895,939 votes in favor, 7,376,448 against, and 94,565 abstaining.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Reports on Form 8-K

On October 30, 2003, we furnished a report on Form 8-K, reporting on Item 12, announcing our earnings for our first quarter ended September 30, 2003.

EXHIBITS

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended. |
| 32.1 | 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 | 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. |

SIGNATURES

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

THE HAIN CELESTIAL GROUP, INC.

| | |
|---|---|
| Date: February 17, 2004 | /s/ Irwin D. Simon<br>----------------------------------<br>Irwin D. Simon,<br>Chairman, President and Chief Executive Officer |
| Date: February 17, 2004 | /s/ Ira J. Lamel<br>----------------------------------<br>Ira J. Lamel,<br>Executive Vice President and Chief Financial Officer |

EXHIBIT 31.1

CERTIFICATION

I, Irwin D. Simon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hain Celestial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2004

/s/ Irwin D. Simon
- ---------------------------------------
Irwin D. Simon
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Ira J. Lamel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hain Celestial Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2004

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

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q for the period ended December 31, 2003 (the "Report") filed by The Hain Celestial Group, Inc. (the "Company") with the Securities and Exchange Commission, I, Irwin D. Simon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 17, 2004

/s/ Irwin D. Simon
- -------------------------------------
Irwin D. Simon
President and Chief Executive Officer

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

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q for the period ended December 31, 2003 (the "Report") filed by The Hain Celestial Group, Inc. (the "Company") with the Securities and Exchange Commission, I, Ira J. Lamel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 17, 2004

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

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