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

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

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

Commission File No. 0-22818

THE HAIN CELESTIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

As of February 4, 2011 there were 43,016,752 shares outstanding of the registrant's Common Stock, par value \$.01 per share.

THE HAIN CELESTIAL GROUP, INC.

INDEX

Part I Financial Information

| | | |
|--|--|----|
| Item 1. | Financial Statements | |
| | Condensed Consolidated Balance Sheets – December 31, 2010 (unaudited) and June 30, 2010 | 2 |
| | Condensed Consolidated Statements of Income – Three months and six months ended December 31, 2010 and 2009 (unaudited) | 3 |
| | Condensed Consolidated Statement of Stockholders' Equity – Six months ended December 31, 2010 (unaudited) | 4 |
| | Condensed Consolidated Statements of Cash Flows – Six months ended December 31, 2010 and 2009 (unaudited) | 5 |
| | Notes to Condensed Consolidated Financial Statements | 6 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 18 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 24 |
| Item 4. | Controls and Procedures | 24 |
| Part II Other Information | | |
| Items 1, 1A, 3, and 5 are not applicable | | |
| Item 2 | Unregistered Sales of Equity Securities and Use of Proceeds | 24 |
| Item 6 | Exhibits | 25 |
| | Signatures | 26 |

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

| | December 31, 2010 (Unaudited) | June 30, 2010 (Note) |
|--|-------------------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 26,308 | \$ 17,266 |
| Accounts receivable, less allowance for doubtful accounts of \$1,423 and \$1,574 | 130,558 | 114,215 |
| Inventories | 169,979 | 157,012 |
| Deferred income taxes | 10,927 | 10,738 |
| Prepaid expenses and other current assets | 15,510 | 14,586 |
| Total current assets | <u>353,282</u> | <u>313,817</u> |
| Property, plant and equipment, net | 105,253 | 106,985 |
| Goodwill | 551,518 | 516,455 |
| Trademarks and other intangible assets, net | 207,569 | 198,129 |
| Investment in and advances to equity-method investees | 45,340 | 46,041 |
| Other assets | 19,074 | 16,660 |
| Total assets | <u>\$1,282,036</u> | <u>\$1,198,087</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 89,141 | \$ 91,435 |
| Accrued expenses and other current liabilities | 83,354 | 37,847 |
| Income taxes payable | 9,334 | 9,530 |
| Current portion of long-term debt | 38 | 38 |
| Total current liabilities | <u>181,867</u> | <u>138,850</u> |
| Long-term debt, less current portion | 240,087 | 225,004 |
| Deferred income taxes | 40,582 | 38,283 |
| Other noncurrent liabilities | 12,321 | 30,227 |
| Total liabilities | <u>474,857</u> | <u>432,364</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock - \$.01 par value, authorized 5,000,000 shares, no shares issued | — | — |
| Common stock - \$.01 par value, authorized 100,000,000 shares, issued 44,100,425 and 43,646,677 shares | 441 | 437 |
| Additional paid-in capital | 559,996 | 548,782 |
| Retained earnings | 266,266 | 240,904 |
| Accumulated other comprehensive income | (1,672) | (6,871) |
| | <u>825,031</u> | <u>783,252</u> |
| Less: 1,084,969 and 1,072,705 shares of treasury stock, at cost | (17,852) | (17,529) |
| Total stockholders' equity | <u>807,179</u> | <u>765,723</u> |
| Total liabilities and stockholders' equity | <u>\$1,282,036</u> | <u>\$1,198,087</u> |

Note: The balance sheet at June 30, 2010 has been derived from the audited financial statements at that date.

See notes to condensed consolidated financial statements.

[Table of Contents](#)

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|-----------|----------------------------------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| Net sales | \$291,878 | \$241,967 | \$549,839 | \$472,451 |
| Cost of sales | 206,486 | 172,067 | 394,345 | 340,743 |
| Gross profit | 85,392 | 69,900 | 155,494 | 131,708 |
| Selling, general and administrative expenses | 55,004 | 47,182 | 105,150 | 89,746 |
| Acquisition related expenses and restructuring charges | 676 | 1,157 | 2,089 | 2,936 |
| Operating income | 29,712 | 21,561 | 48,255 | 39,026 |
| Interest and other expenses, net | 3,527 | 3,515 | 5,984 | 6,557 |
| Income before income taxes and equity in earnings of equity-method investees | 26,185 | 18,046 | 42,271 | 32,469 |
| Provision for income taxes | 10,361 | 6,728 | 17,525 | 12,065 |
| Equity in net (income) loss of equity-method investees | (443) | 136 | (616) | 1,132 |
| Net income | \$ 16,267 | \$ 11,182 | \$ 25,362 | \$ 19,272 |
| Net income per common share: | | | | |
| Basic | \$ 0.38 | \$ 0.27 | \$ 0.59 | \$ 0.47 |
| Diluted | \$ 0.37 | \$ 0.27 | \$ 0.57 | \$ 0.47 |
| Shares used in the calculation of net income per common share: | | | | |
| Basic | 42,929 | 40,774 | 42,876 | 40,737 |
| Diluted | 44,334 | 41,352 | 44,126 | 41,255 |

See notes to condensed consolidated financial statements.

[Table of Contents](#)

THE HAIN CELESTIAL GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010
(In thousands, except share and per share amounts)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) | Total |
|---|-------------------|--------------------|----------------------------------|----------------------|------------------|-------------------|--|------------------|
| | Shares | Amount at \$.01 | | | Shares | Amount | | |
| Balance at June 30, 2010 | 43,646,677 | \$ 437 | \$548,782 | \$240,904 | 1,072,705 | \$(17,529) | \$ (6,871) | \$765,723 |
| Issuance of common stock pursuant to stock compensation plans | 211,563 | 2 | 2,217 | | | | | 2,219 |
| Issuance of common stock in connection with acquisition | 242,185 | 2 | 4,734 | | | | | 4,736 |
| Stock based compensation income tax effects | | | 352 | | | | | 352 |
| Shares withheld for payment of employee payroll taxes due on shares issued under stock based compensation plans | | | | | 12,264 | (323) | | (323) |
| Stock based compensation charge | | | 3,911 | | | | | 3,911 |
| Net income | | | | 25,362 | | | | 25,362 |
| Translation adjustments | | | | | | | 5,423 | 5,423 |
| Change in deferred gains on cash flow hedging instruments, net of tax | | | | | | | (508) | (508) |
| Change in unrealized loss on available for sale investment, net of tax | | | | | | | 284 | 284 |
| Balance at December 31, 2010 | <u>44,100,425</u> | <u>\$ 441</u> | <u>\$559,996</u> | <u>\$266,266</u> | <u>1,084,969</u> | <u>\$(17,852)</u> | <u>\$ (1,672)</u> | <u>\$807,179</u> |

See notes to condensed consolidated financial statements.

[Table of Contents](#)

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

| | Six Months Ended December 31, | |
|---|----------------------------------|------------------|
| | 2010 | 2009 |
| | (Unaudited) | |
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Net income | \$ 25,362 | \$ 19,272 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 11,713 | 9,359 |
| Deferred income taxes | (1,212) | (1,489) |
| Equity in net (income) loss of equity-method investees | (616) | 1,132 |
| Stock based compensation | 3,911 | 3,279 |
| Loss on write-down of investment | — | 1,210 |
| Tax benefit from stock based compensation | 352 | 108 |
| Contingent consideration expense | 443 | — |
| Interest accretion on contingent consideration | 907 | — |
| Other non-cash items, net | 15 | 104 |
| Increase (decrease) in cash attributable to changes in operating assets and liabilities, net of amounts applicable to acquisitions: | | |
| Accounts receivable | (13,505) | (10,223) |
| Inventories | (10,810) | (5,679) |
| Other current assets | (1,047) | 2,952 |
| Other assets | (3,803) | (647) |
| Accounts payable and accrued expenses | (1,348) | (16,816) |
| Income taxes | 288 | 8,252 |
| Net cash provided by operating activities | <u>10,650</u> | <u>10,814</u> |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES | | |
| Acquisitions, net of cash acquired | (16,317) | (344) |
| Purchases of property and equipment | (4,791) | (4,924) |
| Proceeds from disposals of property and equipment | 1,544 | 27 |
| Repayments from (advances to) equity-method investees, net | 1,319 | 2,049 |
| Net cash used in investing activities | <u>(18,245)</u> | <u>(3,192)</u> |
| CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES | | |
| Proceeds from exercises of stock options, net of related expenses | 2,219 | 768 |
| Borrowings (repayments) under bank revolving credit facility | 15,100 | (23,330) |
| Repayments of other long-term debt, net | (11) | — |
| Shares withheld for payment of employee payroll taxes | (323) | (19) |
| Net cash provided by (used in) financing activities | <u>16,985</u> | <u>(22,581)</u> |
| Effect of exchange rate changes on cash | <u>(348)</u> | <u>364</u> |
| Net increase (decrease) in cash and cash equivalents | 9,042 | (14,595) |
| Cash and cash equivalents at beginning of period | 17,266 | 41,408 |
| Cash and cash equivalents at end of period | <u>\$ 26,308</u> | <u>\$ 26,813</u> |

See notes to condensed consolidated financial statements.

[Table of Contents](#)

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

1. GENERAL

The Hain Celestial Group, Inc., a Delaware corporation, and its subsidiaries (collectively, the “Company,” and herein referred to as “we,” “us,” and “our”) manufacture, market, distribute and sell natural and organic products under brand names which are sold as “better-for-you” products. We are a leader in many natural and organic product categories, with such well-known brands as Earth’s Best®, Celestial Seasonings®, Terra®, Garden of Eatin’®, Sensible Portions®, Rice Dream®, Soy Dream®, Almond Dream®, Imagine®, WestSoy®, The Greek Gods®, Ethnic Gourmet®, Rosetto®, Arrowhead Mills®, MaraNatha®, SunSpire®, Health Valley®, Spectrum Naturals®, Spectrum Essentials®, Lima®, Danival®, GG UniqueFiber™, Yves Veggie Cuisine®, DeBoles®, Linda McCartney® (under license) and Daily Bread™. Our natural personal care products are marketed under the Avalon Organics®, Alba Botanica®, JASON®, Zia®, Queen Helene® and Earth’s Best TenderCare® brands. Our household cleaning products are marketed under the Martha Stewart Clean™ (under license) brand.

We have a minority investment in Hain Pure Protein Corporation (“HPP” or “Hain Pure Protein”), which processes, markets and distributes antibiotic-free chicken and turkey products. We also have an investment in a joint venture in Hong Kong with Hutchison China Meditech Ltd. (“Chi-Med”), a majority owned subsidiary of Hutchison Whampoa Limited, a company listed on the Alternative Investment Market, a sub-market of the London Stock Exchange, to market and distribute co-branded infant and toddler feeding products and market and distribute selected Hain Celestial brands in Hong Kong, China and other markets. These investments are accounted for under the equity method of accounting.

We operate in one business segment: the manufacturing, distribution and marketing of natural and organic products. In our 2010 fiscal year, approximately 40% of our revenues were derived from products that were manufactured within our own facilities with 60% produced by various co-packers.

In the Notes to Condensed Consolidated Financial Statements, all dollar amounts, except per share data, are in thousands unless otherwise indicated. References to 2011, 2010 or other years or fiscal 2011 or 2010 refer to our fiscal year ended June 30 of that year.

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

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 amounts as of and for the periods ended June 30, 2010 are derived from the Company’s audited annual financial statements. The condensed consolidated financial statements reflect all normal recurring adjustments which, in management’s opinion, are necessary for a fair presentation for interim periods. Operating results for the three and six months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the year ending June 30, 2011. Please refer to the footnotes to our consolidated financial statements as of June 30, 2010 and for the year then ended included in our Annual Report on Form 10-K for information not included in these condensed footnotes.

Newly Adopted Accounting Pronouncements

In the first quarter of fiscal 2011 we adopted new accounting guidance included in Accounting Standards Codification (“ASC”) 810, “Consolidation,” regarding the consolidation of variable interest entities. The standard includes guidance for determining whether an entity is a variable interest entity and replaces the quantitative-based risks and rewards approach with a qualitative approach that focuses on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance. It also requires an ongoing reassessment of whether an entity is the primary beneficiary, and it requires additional disclosures about an enterprise’s involvement in variable interest entities. The adoption of the guidance did not have any impact on our results of operations or financial condition.

Recently Issued Accounting Pronouncements Not Yet Effective

In December 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2010-28, “Intangibles-Goodwill and Other (Topic 350), When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force),” which provides updated authoritative guidance related to performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. The qualitative factors that an entity should consider when evaluating whether it is more likely than not that a goodwill impairment exists are consistent with the existing guidance for determining whether an impairment exists between annual tests. This update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, with no early adoption, which for the Company is our fiscal year beginning July 1, 2011. We do not expect this standard to have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, “Disclosure of Supplementary Pro Forma Information for Business Combinations.” The amendments in this standard specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This standard also expands the supplemental pro forma disclosures under ASC 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this ASU are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. This standard is therefore effective for the Company for acquisitions made after the beginning of fiscal 2012. We do not expect the pro forma disclosure requirements under this standard to have a material impact on our consolidated financial statements.

3. EARNINGS PER SHARE

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Numerator: | | | | |
| Net income | <u>\$16,267</u> | <u>\$11,182</u> | <u>\$25,362</u> | <u>\$19,272</u> |
| Denominator (in thousands): | | | | |
| Denominator for basic earnings per share - weighted average shares outstanding during the period | 42,929 | 40,774 | 42,876 | 40,737 |
| Effect of dilutive stock options and unvested restricted stock | <u>1,405</u> | <u>578</u> | <u>1,250</u> | <u>518</u> |
| Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions | <u>44,334</u> | <u>41,352</u> | <u>44,126</u> | <u>41,255</u> |
| Basic net income per share | <u>\$ 0.38</u> | <u>\$ 0.27</u> | <u>\$ 0.59</u> | <u>\$ 0.47</u> |
| Diluted net income per share | <u>\$ 0.37</u> | <u>\$ 0.27</u> | <u>\$ 0.57</u> | <u>\$ 0.47</u> |

Basic earnings per share excludes the dilutive effects of stock options and unvested restricted stock. Diluted earnings per share includes only the dilutive effects of common stock equivalents such as stock options. Anti-dilutive stock options, restricted stock and restricted stock units totaling 653,000 for the three months and 954,000 for the six months ended December 31, 2010 and 2,676,000 for the three months and 2,644,000 for the six months ended December 31, 2009 were excluded from our earnings per share calculations.

[Table of Contents](#)

4. COMPREHENSIVE INCOME

The components of comprehensive income were as follows:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|-----------------|----------------------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net income | \$16,267 | \$11,182 | \$25,362 | \$19,272 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments, net | 409 | 1,081 | 5,423 | 6,766 |
| Change in deferred gains (losses) on cash flow hedging instruments, net of tax | (164) | 36 | (508) | (654) |
| Change in unrealized loss on available-for-sale investment, net of tax | 170 | 641 | 284 | 745 |
| Comprehensive income | <u>\$16,682</u> | <u>\$12,940</u> | <u>\$30,561</u> | <u>\$26,129</u> |

Accumulated other comprehensive income (loss) consisted of the following:

| | December 31, 2010 | June 30, 2010 |
|--|-------------------|-------------------|
| Foreign currency translation adjustment | \$ (1,315) | \$ (6,738) |
| Unrealized loss on available for sale securities | (1) | (285) |
| Deferred gains (losses) on hedging instruments | (356) | 152 |
| Total accumulated other comprehensive loss | <u>\$ (1,672)</u> | <u>\$ (6,871)</u> |

5. ACQUISITIONS

We account for acquisitions using the acquisition method of accounting. The results of operations of the acquisitions have been included in our consolidated results from their respective dates of acquisition. We allocate the purchase price of each acquisition to the tangible assets, liabilities, and intangible assets acquired based on their estimated fair values. The excess of the purchase price over the fair value of the identified assets and liabilities has been recorded as goodwill.

Fiscal 2011

On July 2, 2010, we acquired substantially all of the assets and business of 3 Greek Gods, LLC (“Greek Gods”), including The Greek Gods brand of Greek-style yogurt products, and assumed certain liabilities for cash consideration of \$16.3 million, 242,185 shares of the Company’s common stock, valued at \$4.8 million, plus up to \$25.8 million of additional contingent consideration based upon the achievement of specified operating results in fiscal 2011 and 2012. The Company recorded \$22.9 million as the fair value of the contingent consideration at the acquisition date, which is included in other noncurrent liabilities. Greek Gods develops, produces, markets and sells The Greek Gods brand of Greek-style yogurt products into various sales channels. The acquisition of The Greek Gods brand expanded our refrigerated product offerings.

The following table summarizes the consideration paid for the Greek Gods acquisition and the amounts of assets acquired and liabilities assumed recognized at the acquisition date:

[Table of Contents](#)

| | <u>Amount</u> |
|--|-----------------|
| Purchase price: | |
| Cash paid | \$16,277 |
| Equity issued | 4,785 |
| Fair value of contingent consideration | <u>22,900</u> |
| | <u>\$43,962</u> |
| Allocation: | |
| Current assets | \$ 2,172 |
| Identifiable intangible assets | 18,800 |
| Current liabilities | <u>(696)</u> |
| Total identifiable net assets | 20,276 |
| Goodwill | <u>23,686</u> |
| | <u>\$43,962</u> |

The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The fair values assigned to identifiable intangible assets acquired were based on assumptions and estimates made by management. Identifiable intangible assets acquired consisted of customer relationships and trade names. The trade name intangible relates to “The Greek Gods” brand name, which has an indefinite life, and therefore, is not amortized. The customer relationship intangible asset is being amortized on a straight-line basis over its estimated useful life. Significant assumptions utilized in the income approach were based on company specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance. The goodwill of \$23.7 million represents the future economic benefits expected to arise that could not be individually identified and separately recognized, including entry into the yogurt category and use of our existing infrastructure to expand sales of the acquired business products. The goodwill is expected to be deductible for tax purposes.

The Company is required to reassess the fair value of the contingent consideration on a periodic basis. During the six months ended December 31, 2010, we increased our liability for contingent consideration and recorded an additional expense of \$0.4 million, based on our current projection.

Acquisition costs related to Greek Gods have been expensed as incurred and are included in “Acquisition related expenses and restructuring charges” in the Condensed Consolidated Statement of Income. Total acquisition related costs of approximately \$1.3 million were expensed in the six months ended December 31, 2010, including the aforementioned \$0.4 million of contingent consideration.

Fiscal 2010

On June 15, 2010, we acquired substantially all of the assets and business of World Gourmet Marketing, L.L.C. (“World Gourmet”), including its Sensible Portions brand snack products and assumed certain liabilities for cash consideration of \$50.9 million, 1,558,442 shares of the Company’s common stock, valued at \$35.4 million, plus up to \$30.0 million of additional contingent consideration based upon the achievement of specified operating results in fiscal 2011, of which the Company recorded \$26.6 million as the fair value at the acquisition date. We reassessed the fair value of the contingent consideration at December 31, 2010, which resulted in no change to the carrying value of the liability. During the quarter ended September 30, 2010, the Company completed its analysis of the fair values at the date of acquisition which resulted in a reallocation of \$7.0 million from identified intangible assets to goodwill.

On June 15, 2010, we also acquired Churchill Food Products Limited (“Churchill”), a manufacturer and distributor of food-to-go products in the United Kingdom. The acquisition of Churchill was completed for cash consideration of £1.3 million (approximately \$1.9 million based on the transaction date exchange rate) plus up to £1.8 million (approximately \$2.8 million) of additional contingent consideration based upon the achievement of specified operating results in fiscal 2011 and 2012, of which the Company recorded £1.3 million (approximately \$2.0 million) as the fair value at the acquisition date. We reassessed the fair value of the contingent consideration at December 31, 2010, which resulted in no change to the carrying value of the liability.

The following table provides unaudited pro forma results of operations for the three months and six months ended December 31, 2009 as if all of the above acquisitions had been completed at the beginning of that fiscal year. 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

[Table of Contents](#)

would have been achieved by the Company for the periods presented or that will be achieved by the combined company in the future. The pro forma information has been adjusted to give effect to items that are directly attributable to the transactions and are expected to have a continuing impact on the combined results. The adjustments include amortization expense associated with acquired identifiable intangible assets, interest expense associated with bank borrowings to fund the acquisitions and elimination of transactions costs incurred in fiscal 2011 that are directly related to the transactions and do not have a continuing impact on operating results.

| | Three months ended | | Six months ended | |
|---|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 |
| Pro forma net sales | \$ 291,878 | \$ 260,498 | \$ 549,839 | \$ 509,212 |
| Pro forma net income | \$ 16,723 | \$ 12,283 | \$ 26,820 | \$ 20,631 |
| Pro forma earnings per common share - diluted | \$ 0.38 | \$ 0.28 | \$ 0.61 | \$ 0.48 |

This information has not been adjusted to reflect any changes in the operations of the businesses subsequent to its acquisition by us. Changes in operations of the acquired businesses include, but are not limited to, discontinuation of 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 managements 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 management's opinion, these unaudited pro forma results of operations are not intended to represent or to be indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of the period presented or of future operations of the combined companies under our management.

6. INVENTORIES

Inventories consisted of the following:

| | December 31, 2010 | June 30, 2010 |
|---|----------------------|-------------------|
| Finished goods | \$ 111,797 | \$ 102,472 |
| Raw materials, work-in-progress and packaging | 58,182 | 54,540 |
| | <u>\$ 169,979</u> | <u>\$ 157,012</u> |

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

| | December 30, 2010 | June 30, 2010 |
|---|----------------------|-------------------|
| Land | \$ 8,993 | \$ 9,106 |
| Buildings and improvements | 38,257 | 37,957 |
| Machinery and equipment | 147,498 | 138,748 |
| Furniture and fixtures | 6,955 | 6,660 |
| Leasehold improvements | 1,987 | 3,477 |
| Construction in progress | 4,153 | 4,496 |
| | <u>207,843</u> | <u>200,444</u> |
| Less: Accumulated depreciation and amortization | 102,590 | 93,459 |
| | <u>\$ 105,253</u> | <u>\$ 106,985</u> |

8. GOODWILL AND OTHER INTANGIBLE ASSETS

[Table of Contents](#)

The Company performs its annual goodwill impairment test on the first day of its fiscal fourth quarter. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units below its carrying value, an interim test is performed.

Changes in the carrying amount of goodwill for the six months ended December 31, 2010 were as follows:

| | Goodwill | Accumulated Impairment Losses | Net Carrying Value |
|---|------------------|-------------------------------------|--------------------------|
| Balance as of June 30, 2010: | \$558,484 | \$ (42,029) | \$516,455 |
| Additions | 23,686 | — | 23,686 |
| Changes in goodwill on fiscal 2010 acquisitions | 7,000 | — | 7,000 |
| Translation adjustments, net | 4,377 | — | 4,377 |
| Balance as of December 31, 2010: | <u>\$593,547</u> | <u>\$ (42,029)</u> | <u>\$551,518</u> |

The addition to goodwill in the six months ended December 31, 2010 of \$23.7 million related to the acquisition of the assets and business of 3 Greek Gods LLC. During the six months ended December 31, 2010, we also reallocated \$7.0 million preliminarily allocated to other intangibles related to the acquisition of the assets and business of World Gourmet Marketing L.L.C. to goodwill, based on our completed analysis of the fair values at acquisition date.

At December 31, 2010, included in trademarks and other intangible assets are approximately \$30.2 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:

| | December 31, 2010 | | June 30, 2010 | |
|---|-----------------------------|-----------------------------|--------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets: | | | | |
| Other intangibles | \$ 47,797 | \$ 17,616 | \$ 47,385 | \$ 14,516 |
| Non-amortized intangible assets: | | | | |
| Trademarks | \$184,067 | \$ 6,679 | \$ 171,839 | \$ 6,579 |

Amortization of intangible assets with finite lives amounted to \$3.0 million in the six months ended December 31, 2010. The expected aggregate amortization expense in each of the next five fiscal years is \$6.0 million in 2011, \$5.4 million in 2012, \$4.6 million in 2013, \$3.8 million in 2014 and \$3.5 million in 2015.

9. SENIOR NOTES AND CREDIT FACILITY

We have outstanding \$150 million in aggregate principal amount of 10 year senior notes due May 2, 2016, which were issued in a private placement. The notes bear interest at 5.98%, payable semi-annually on November 2nd and May 2nd. We also have a credit agreement which provides us with a \$400 million revolving credit facility (the "Credit Agreement") expiring in July 2015. The Credit Agreement provides for an uncommitted \$100 million accordion feature, under which the facility may be increased to \$500 million, provided certain conditions are met. The Credit Agreement and the notes are guaranteed by substantially all of our current and future direct and indirect domestic subsidiaries. Loans under the Credit Agreement bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus an applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of December 31, 2010, there were \$90.0 million of borrowings outstanding under the Credit Agreement. We are required by the terms of the Credit Agreement and the notes to comply with customary affirmative and negative covenants for facilities and notes of this nature.

10. INCOME TAXES

The Company's effective income tax rate for the six months ended December 31, 2010 and December 31, 2009 was 41.5% and 37.2%, respectively. The effective tax rate for the first six months of fiscal 2011 was higher than the rate in the comparable period of the prior year primarily as a result of losses incurred in the United Kingdom for which no tax benefits are currently being recorded. Until an appropriate level of profitability is attained, we expect to continue to record and maintain a valuation allowance on our net deferred tax assets related to future United Kingdom tax benefits. If the Company is able to realize any of these deferred tax assets in the future, the provision for income taxes will be reduced by a release of the corresponding valuation allowance. The fiscal 2011 and 2010 effective income tax rates differed from the U.S. federal statutory rate primarily due to the United Kingdom losses, as well as the effect of state income taxes and the mix of pretax earnings by jurisdiction. There were no material changes in unrecognized tax benefits during the first six months of fiscal 2011.

11. STOCK BASED COMPENSATION AND INCENTIVE PERFORMANCE PLANS

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

During the six months ended December 31, 2010, 270,824 shares of restricted stock and restricted stock units were granted with an estimated grant date value of \$7.1 million. Included in this grant were 183,449 restricted shares and restricted stock units granted under the Company's 2011-2012 Long-term Incentive Plan, 122,841 of which are subject to the achievement of minimum performance goals established under that plan (see "Long-Term Incentive Plan," below). There were no stock options granted during the six month period.

The Company recorded stock based compensation expense of \$2.2 million for the three months ended December 31, 2010 and \$1.7 million for the three months ended December 31, 2009 and \$3.9 million for the six months ended December 31, 2010 and \$3.3 million for the six months ended December 31, 2009 in selling, general, and administrative expenses in its Condensed Consolidated Statements of Income. At December 31, 2010, there was \$12.3 million of unrecognized stock based compensation expense, net of estimated forfeitures, which will be recognized over a weighted average period of approximately 1.8 years.

Stock Options

A summary of our stock option plans' activity for the six months ended December 31, 2010 is as follows:

| | <u>Options</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Contractual Life</u> | <u>Aggregate Intrinsic Value</u> |
|--|------------------|--|--|--|
| Options outstanding June 30, 2010 | 5,153,233 | \$ 20.42 | | |
| Exercised | (139,794) | 15.88 | | |
| Canceled and expired | (752,650) | 33.50 | | |
| Options outstanding December 31, 2010 | <u>4,260,789</u> | \$ 17.94 | 3.70 | \$ 40,790 |
| Options exercisable at December 31, 2010 | <u>3,222,967</u> | \$ 17.97 | 3.28 | \$ 30,268 |

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing stock price on the last day of trading in the six month period ended December 31, 2010 and the exercise price) that would have been received by the option holders had all options been exercised on December 31, 2010. This value will change based on the fair market value of the Company's common stock. During the first six months of fiscal year 2011, the cash received from stock option exercises was \$2.2 million. The intrinsic value of the stock options exercised was \$1.4 million and the tax benefit expected to be realized from the tax deductions for stock options exercised was \$0.5 million for the six months ended December 31, 2010.

Restricted Stock

[Table of Contents](#)

Non-vested restricted stock awards at December 31, 2010 and activities during the six months then ended were as follows:

| | Number of Shares and Units | Weighted Average Grant Date Fair Value (per share) |
|---|-------------------------------|---|
| Non-vested restricted stock and units – June 30, 2010 | 410,553 | \$ 19.93 |
| Granted | 270,824 | 26.05 |
| Vested | (71,769) | 18.04 |
| Forfeited | (7,215) | 19.74 |
| Non-vested restricted stock and units – December 31, 2010 | <u>602,393</u> | \$ 22.84 |

At December 31, 2010, \$8.9 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to non-vested restricted stock awards is expected to be recognized over a weighted-average period of approximately 1.8 years.

There were 8,439,348 shares of Common Stock reserved for future issuance in connection with stock based awards as of December 31, 2010.

Long-Term Incentive Plan

The Company adopted, beginning in fiscal 2010, a long-term incentive program, (the “LTI Plan”). The LTI Plan currently consists of two-year performance-based long-term incentive plans (currently, the “2010-2011 LTIP” and the “2011-2012 LTIP”) that provide for a combination of equity grants and performance awards that can be earned over each two year period. Participants in the LTI Plan include our executive officers, including the Chief Executive Officer, and certain other key executives.

The Compensation Committee administers the LTI Plan and is responsible for, among other items, establishing the target values of awards to participants and selecting the specific performance factors for such awards. At the end of each performance period, the Compensation Committee determines, at its sole discretion, the specific payout to each participant. Such awards may be paid in cash and/or shares of the Company at the discretion of the Compensation Committee.

Upon the adoption of each two year plan, the Compensation Committee granted an initial award to each participant in the form of equity-based instruments (either restricted stock or stock options), for a portion of the individual target awards. These grants are subject to time vesting requirements, and a portion of the 2011-2012 LTIP related grant are also subject to the achievement of the minimum performance goals. These initial grants are being expensed over the vesting period on a straight-line basis. The payment of the actual awards earned, if any, will be reduced by the value of this initial grant. The Company has determined that the achievement of certain of the performance goals was probable and, accordingly, recorded approximately \$3.0 million and \$3.7 million of expense in addition to the stock based compensation expense for the three months and six months ended December 31, 2010, related to these awards. There was no additional expense recorded in the prior year. It is the Company’s expectation that such awards will be settled in cash, and therefore the impact of these awards have been excluded from the diluted EPS calculation.

12. RESTRUCTURING AND OTHER CHARGES

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

In connection with our acquisition of Churchill Food Products Ltd, in June 2010 (see Note 5) we recorded employee termination and exit costs of approximately \$0.6 million. In the six months ended December 31, 2010, we recorded an additional \$0.3 million of employee termination costs, included in “Acquisition related expenses and restructuring charges” on the Condensed Consolidated Statement of Income.

During fiscal 2010 we initiated a plan to consolidate the production of our fresh food-to-go products in the United Kingdom

[Table of Contents](#)

into our Luton facility. We recorded costs of \$2.9 million for the six months ended December 31, 2009 related to this plan, including \$2.6 million for severance and benefits and \$0.3 million of other exit costs.

The following table summarizes the changes in the liability for these reorganization and restructuring activities as of December 31, 2010:

| | Severance and Personnel Costs | Other Exit Costs | Total |
|-----------------------------------|-------------------------------------|---------------------|---------------|
| Accrued at July 1, 2010 | \$ 574 | \$ 641 | \$ 1,215 |
| Charged to expense in fiscal 2011 | 282 | — | 282 |
| Amounts utilized | (763) | (253) | (1,016) |
| Accrued at December 31, 2010 | <u>\$ 93</u> | <u>\$ 388</u> | <u>\$ 481</u> |

13. EQUITY INVESTMENTS

At December 31, 2010, the Company owned a 48.7% equity interest in the Hain Pure Protein joint venture. This investment is accounted for under the equity method of accounting (see Note 1). The carrying value of our investment in HPP of \$26.0 million and advances to HPP of \$17.5 million are included in "Investment in and advances to equity-method investee." The Company provided advances to HPP to finance its operations prior to its deconsolidation at the end of fiscal 2009. As a result of the deconsolidation and HPP simultaneously entering into a separate credit agreement, the Company and HPP entered into a subordination agreement covering the outstanding advances. The subordination agreement allows for prepayments of the advances based on HPP meeting certain conditions under its separate credit facility. HPP repaid \$3.0 million of the advances in the quarter ended December 31, 2010. The balance of the advances are due no later than December 31, 2012.

In October 2009, the Company formed a joint venture, Hutchison Hain Organic Holdings Limited ("HHO"), with Hutchison China Meditech Ltd. ("Chi-Med"), a majority owned subsidiary of Hutchison Whampoa Limited, to market and distribute co-branded infant and toddler feeding products and market and distribute selected Hain Celestial brands in Hong Kong, China and other markets. The Company's investment in its 50% share of the joint venture totaled approximately \$0.1 million. In addition, the Company and Chi-Med each advanced \$1.8 million to the joint venture for working capital needs during the quarter ended December 31, 2010. Voting control of the joint venture is shared equally between the Company and Chi-Med, although, in the event of a deadlock, Chi-Med has the ability to cast the deciding vote. The investment is being accounted for under the equity method of accounting. For the six months ended December 31, 2010, the joint venture's results of operations were not significant.

Available-For-Sale Securities

The Company has a less than 1% equity ownership interest in Yeo Hiap Seng Limited ("YHS"), a Singapore based natural food and beverage company listed on the Singapore Exchange, which is accounted for as an available-for-sale security. The fair value of this security was \$6.7 million at December 31, 2010 and \$6.2 million at June 30, 2010. The fair value of this investment is included in "Other assets" in the Company's condensed consolidated balance sheets. During the second quarter of fiscal 2010, the Company determined that an other-than-temporary decline in the fair value of YHS occurred based upon various factors including the near-term prospects of YHS, the length of time the investment was in an unrealized loss position, and publicly available information about the industry and geographic region in which YHS operates and, accordingly recorded a loss of \$1.2 million on the write-down of this investment.

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

[Table of Contents](#)

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

The following table presents by level within the fair value hierarchy assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

| | Total | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|------------------------------------|-----------------|---|---|---|
| Assets: | | | | |
| Available for sale securities | \$ 6,697 | \$ 6,697 | — | — |
| | <u>\$ 6,697</u> | <u>\$ 6,697</u> | <u>—</u> | <u>—</u> |
| Liabilities: | | | | |
| Forward foreign currency contracts | \$ 502 | — | \$ 502 | — |
| Contingent consideration | 53,027 | — | — | \$ 53,027 |
| Total | <u>\$53,529</u> | <u>—</u> | <u>\$ 502</u> | <u>\$ 53,027</u> |

The following table presents assets and liabilities measured at fair value on a recurring basis as of June 30, 2010:

| | Total | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|------------------------------------|-----------------|---|---|---|
| Assets: | | | | |
| Cash equivalents | \$10,586 | — | \$ 10,586 | — |
| Available for sale securities | 6,232 | \$ 6,232 | — | — |
| Forward foreign currency contracts | 256 | — | 256 | — |
| | <u>\$17,074</u> | <u>\$ 6,232</u> | <u>\$ 10,842</u> | <u>—</u> |
| Liabilities: | | | | |
| Forward foreign currency contracts | \$ 57 | — | \$ 57 | — |
| Contingent consideration | 28,580 | — | — | \$ 28,580 |
| Total | <u>\$28,637</u> | <u>—</u> | <u>\$ 57</u> | <u>\$ 28,580</u> |

Available for sale securities consist of the Company's investment in YHS (see Note 13). Fair value is measured using the market approach based on quoted prices. The Company utilizes the income approach to measure fair value for its foreign currency forward contracts. The income approach uses pricing models that rely on market observable inputs such as yield curves, currency exchange rates, and forward prices.

In connection with the Greek Gods, World Gourmet and Churchill Food Products acquisitions, payment of a portion of the respective purchase prices are contingent upon the achievement of certain operating results. We have estimated the fair value of the contingent consideration as the present value of the expected contingent payments, determined using the weighted probabilities of the possible payments. We are required to reassess the fair value of contingent payments on a periodic basis. During the first six months of fiscal 2011, the Company reassessed the fair value of the contingent consideration for each of these acquisitions, resulting in additional expense of \$0.4 million related to the Greek Gods acquisition (See Note 5).

The following table summarizes the Level 3 activity:

[Table of Contents](#)

| | Six months ended December 31, 2010 |
|---|--|
| Balance as of June 30, 2010 | \$ 28,580 |
| Accretion of interest expense on contingent consideration | 907 |
| Fair value of initial contingent consideration – Greek Gods acquisition | 22,900 |
| Contingent consideration adjustment expense | 443 |
| Translation adjustment | 197 |
| Balance as of December 31, 2010 | <u>\$ 53,027</u> |

There were no transfers of financial instruments between the three levels of fair value hierarchy during the six months ended December 31, 2010.

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

Cash Flow Hedges

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

Foreign Exchange contracts — The Company utilizes foreign currency contracts to hedge forecasted transactions, primarily intercompany transactions, on certain foreign currencies and designates these derivative instruments as foreign currency cash flow hedges when appropriate. The notional and fair value amounts of the Company's foreign exchange derivative contracts at December 31, 2010 were \$14.0 million and \$0.5 million of liabilities. The fair value of these derivatives is included in "Accrued expenses and other current liabilities" on the Company's Condensed Consolidated Balance Sheet. For these derivatives, which qualify as hedges of probable forecasted cash flows, the effective portion of changes in fair value is temporarily reported in Accumulated Other Comprehensive Income ("OCI") and recognized in earnings when the hedged item affects earnings. These foreign exchange contracts have maturities over the next 13 months. There were \$13.5 million of notional amount and \$0.2 million of fair value assets of foreign exchange derivative contracts outstanding at June 30, 2010.

The Company assesses effectiveness at the inception of the hedge and on a quarterly basis. These assessments determine whether derivatives designated as qualifying hedges continue to be highly effective in offsetting changes in the cash flows of hedged items. Any ineffective portion of change in fair value is not deferred in accumulated OCI and is included in current period results. For the six months ended December 31, 2010, the impact of hedge ineffectiveness on earnings was not significant. The Company will discontinue cash flow hedge accounting when the forecasted transaction is no longer probable of occurring on the originally forecasted date or when the hedge is no longer effective. There were no discontinued foreign exchange hedges for the six months ended December 31, 2010.

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

| | Six months ended December 31, 2010 |
|--|--|
| Net carrying amount at July 1, 2010 | \$ 152 |
| Cash flow hedges deferred in OCI | (701) |
| Changes in deferred taxes | 193 |
| Net carrying amount at December 31, 2010 | <u>\$ (356)</u> |

15. LEGAL PROCEEDINGS

From time to time, we are involved in litigation incidental to the ordinary conduct of our business. Disposition of pending litigation related to these matters is not expected by management to have a material adverse effect on our business, results

[Table of Contents](#)

of operations or financial condition.

16. SEGMENT INFORMATION

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

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|----------------------|----------------------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net sales: | | | | |
| United States | \$ 238,204 | \$ 191,772 | \$ 449,071 | \$ 371,919 |
| Canada | 18,051 | 15,768 | 34,268 | 30,970 |
| Europe | 35,623 | 34,427 | 66,500 | 69,562 |
| | <u>\$ 291,878</u> | <u>\$ 241,967</u> | <u>\$ 549,839</u> | <u>\$ 472,451</u> |
| Earnings before income taxes and equity in earnings of equity-method investees: | | | | |
| United States | \$ 26,293 | \$ 22,173 | \$ 44,850 | \$ 39,437 |
| Canada | 2,404 | 916 | 3,252 | 1,861 |
| Europe | (2,512) | (5,043) | (5,831) | (8,829) |
| | <u>\$ 26,185</u> | <u>\$ 18,046</u> | <u>\$ 42,271</u> | <u>\$ 32,469</u> |
| | | December 31, 2010 | June 30, 2010 | |
| Long-lived assets: | | | | |
| United States | | \$ 842,425 | \$ 798,116 | |
| Canada | | 61,891 | 60,748 | |
| Europe | | 24,438 | 25,406 | |
| | | <u>\$ 928,754</u> | <u>\$ 884,270</u> | |

17. SUBSEQUENT EVENTS

Acquisitions

On January 28, 2011, we acquired GG UniqueFiber AS, a manufacturer of all natural high fiber crackers based in Norway, for approximately \$3.3 million in cash plus additional contingent consideration. GG UniqueFiber's products are distributed through independent distributors in the United States and Europe. The acquisition broadens our offerings of whole grain and high fiber products, for which we can provide expanded distribution.

On February 4, 2011, we acquired Danival SAS, a manufacturer of certified organic food products based in France for approximately \$26 million in cash, which was funded with borrowings under our Credit Agreement. Danival's product line includes over 200 branded organic sweet and salted grocery, fruits, vegetables and delicatessen products currently distributed in Europe. The Danival acquisition complements the organic food line of our Lima brand in Europe and provides additional opportunities to us through expanded distribution of Danival's products in Europe, the United States and Asia.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the December 31, 2010 Condensed Consolidated Financial Statements and the related Notes contained in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended June 30, 2010. Forward-looking statements in this review are qualified by the cautionary statement included in this review under the sub-heading, "Note Regarding Forward Looking Information," below.

Overview

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

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

Our sales and profits have increased during a period of challenging macroeconomic conditions. We continue to monitor the economic environment and anticipate that high unemployment and uncertainty may continue to affect consumer confidence, behavior and spending. In addition, we expect that higher input costs will affect future periods. We strive to mitigate the impact of these challenging conditions and input cost increases with improvements in operating efficiencies, cost savings initiatives and price increases to our customers. We continue to invest behind our brands to deliver value to consumers. Our recent acquisitions of The Greek Gods yogurt and Sensible Portions snacks brands have achieved increased sales over their pre-acquisition results. Published independent syndicated consumption data (consumption data measures sales scanned through cash registers at retail) and similar information provided directly by retailers indicate that our consumption trends at certain retailers continued to improve. We monitor consumption trends as part of the total mix of information used to evaluate expectations of future sales.

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

Results of Operations

Three months ended December 31, 2010

Net sales for the three months ended December 31, 2010 were \$291.9 million compared to \$242.0 million for the three months ended December 31, 2009, an increase of \$49.9 million, or 20.6%. Sales in North America increased \$48.7 million, or 23.5%, from the year ago quarter. The increase in sales resulted from growth from many of our existing brands, including our Celestial Seasonings teas

[Table of Contents](#)

and our Alba, Avalon and Jason personal care products, as improved consumption trends continued, as well as the acquisitions of The Greek Gods brand yogurt and Sensible Portions snacks. Sales in Europe increased \$1.2 million, or 3.5%, despite an unfavorable impact from changes in foreign exchange rates of \$2.2 million. Sales by our continent-based European operations increased by approximately 7.4% in local currency for the three months ended December 31, 2010 compared to the prior year period. Sales in local currency in the United Kingdom increased approximately 13.3% as a result of increased sales of our Linda McCartney meat-free frozen foods and our frozen desserts. Sales of food-to-go products in the United Kingdom decreased, with sales from the Churchill Food Products Limited (“Churchill”) acquisition offsetting some of the loss of sales made in the prior year’s period to Marks and Spencer.

Gross profit for the three months ended December 31, 2010 was \$85.4 million, an increase of \$15.5 million from gross profit of \$69.9 million reported in last year’s second quarter. Gross profit as a percentage of net sales was 29.3% for the three months ended December 31, 2010 compared to 28.9% of net sales for the December 31, 2009 quarter. The increase in gross profit percentage resulted from the mix of product sales, including the sales from the Greek Gods and Sensible Portions acquisitions, which have relatively higher gross profit margins, and together with cost savings more than offset input cost increases and increased promotional spending.

Selling, general and administrative expenses were \$55.0 million for the three months ended December 31, 2010, an increase of \$7.8 million, or 16.6%, compared to \$47.2 million in the December 31, 2009 quarter. Selling, general and administrative expenses have increased primarily as a result of the costs brought on by the businesses we acquired, including higher amortization expense related to identified intangibles and a higher level of selling expenses employed by the acquired brands where product demonstrations and store level sampling are integral parts of the consumer experience. Selling, general and administrative expenses as a percentage of net sales decreased to 18.8% in the second quarter of fiscal 2011 compared to 19.5% in the second quarter of last year.

In the second quarter of fiscal 2011 we incurred acquisition related and restructuring expenses aggregating \$0.7 million related to the acquisition of The Greek Gods yogurt brand in July 2010 and other acquisition and integration activities. In the second quarter of fiscal 2010, we incurred approximately \$1.2 million of restructuring expenses related to the consolidation of our Daily Bread production activities into our Luton, United Kingdom facility.

Operating income was \$29.7 million for the three months ended December 31, 2010 compared to \$21.6 million in the December 31, 2009 quarter. The increase in operating income resulted primarily from the increased sales and gross profit. Operating income as a percentage of net sales was 10.2% in the December 31, 2010 quarter compared with 8.9% in the December 31, 2009 quarter.

Interest and other expenses, net were \$3.5 million for the three months ended December 31, 2010 and December 31, 2009. Interest expense totaled \$3.3 million in this year’s second quarter, which includes interest on the \$150 million of 5.98% senior notes outstanding, interest related to borrowings under our revolving credit agreement and interest accretion on contingent consideration. Interest expense in last year’s second quarter was approximately \$2.5 million. The increase in interest expense resulted from higher borrowings under our revolving credit facility used to fund our recent acquisitions, and the interest accretion on contingent consideration of \$0.5 million. Also included in other expenses for the three months ended December 31, 2009 is a \$1.2 million non-cash impairment charge for an other-than-temporary decline in the fair value of our investment in the shares of Yeo Hiap Seng Limited, a Singapore-based natural food and beverage company listed on the Singapore stock exchange.

Income before income taxes and equity in the after tax earnings of our equity-method investees for the three months ended December 31, 2010 amounted to \$26.2 million compared to \$18.0 million in the comparable period of the prior year.

Our effective income tax rate was 39.6% of pre-tax income for the three months ended December 31, 2010 compared to 37.3% for the three months ended December 31, 2009. The effective tax rate for the second quarter of fiscal 2011 was higher than the comparable period of the prior year as a result of the losses incurred in the United Kingdom for which no tax benefit is currently being recorded and changes in geographic income distribution. The effective rate differs from the U.S. statutory rate 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.

Our equity in the net income from our investments in HPP and HHO for the three months ended December 31, 2010 was \$0.4 million compared to a loss of \$0.1 million in the December 31, 2009 quarter.

[Table of Contents](#)

Net income for the three months ended December 31, 2010 was \$16.3 million compared to \$11.2 million in the December 31, 2009 quarter. The increase of \$5.1 million in earnings was attributable to the factors noted above.

Six months ended December 31, 2010

Net sales for the six months ended December 31, 2010 were \$549.8 million compared to \$472.5 million for the six months ended December 31, 2009, an increase of \$77.4 million, or 16.4%. Sales in North America increased \$80.4 million, or 20.0%, from the year ago quarter. The increase in sales resulted from growth from many of our existing brands, including Celestial Seasonings teas and our Alba, Avalon and Jason personal care products, as improved consumption trends continued, as well as the acquisitions of The Greek Gods brand yogurt and Sensible Portions snacks. Sales in Europe decreased \$3.1 million, or 4.4%, which included unfavorable changes in foreign exchange rates of approximately \$4.9 million. Sales by our continent-based European operations increased by approximately 6.8% in local currency for the six months ended December 31, 2010 compared to the prior year period. Sales in the United Kingdom decreased by approximately 2.2% in local currency as increased sales of our Linda McCartney meat-free frozen foods and our frozen desserts were offset by decreased sales in our food-to-go operations as a result of the loss of sales from the phasing out of the supply of fresh sandwiches to Marks and Spencer, which accounted for \$7.8 million of sales in last year's first six months.

Gross profit for the six months ended December 31, 2010 was \$155.5 million, an increase of \$23.8 million from gross profit of \$131.7 million reported in last year's first six months. Gross profit as a percentage of net sales was 28.3% for the six months ended December 31, 2010 compared to 27.9% of net sales for the December 31, 2009 comparable period. The increase in gross profit percentage resulted from the mix of product sales, including the sales from The Greek Gods and Sensible Portions acquisitions, which have relatively higher gross profit margins, and together with cost savings more than offset input cost increases. The improvement in gross profit was also impacted by the integration of the Churchill production into our Luton United Kingdom food-to-go factory and the continuing challenges we face in rebuilding our sales volume.

Selling, general and administrative expenses were \$105.2 million for the six months ended December 31, 2010, an increase of \$15.4 million, or 17.2%, compared to \$89.7 million in the six months ended December 31, 2009. Selling, general and administrative expenses have increased primarily as a result of the costs brought on by the businesses we acquired, including higher amortization expense related to identified intangibles and a higher level of selling expenses employed by the acquired brands where product demonstrations and store level sampling are integral parts of the consumer experience. Selling, general and administrative expenses as a percentage of net sales increased to 19.1% in the first six months of fiscal 2011 compared to 19.0% in the first six months of last year.

In the six months ended December 31, 2010 we incurred acquisition related expenses aggregating \$2.1 million related to the acquisition of The Greek Gods yogurt brand in July 2010 and integration activities related to Churchill, which was acquired in last fiscal year's fourth quarter. In the first six months of fiscal 2010, we incurred approximately \$2.9 million of restructuring expenses related to the consolidation of our Daily Bread production activities into the Luton factory.

Operating income was \$48.3 million for the six months ended December 31, 2010 compared to \$39.0 million in the prior year. The increase in operating income resulted primarily from the increased sales and gross profit. Operating income as a percentage of net sales was 8.8% in the December 31, 2010 period compared with 8.3% in the six months ended December 31, 2009.

Interest and other expenses, net were \$6.0 million for the six months ended December 31, 2010 compared to \$6.6 million for the six months ended December 31, 2009. Interest expense totaled \$6.7 million in this year's first six months, which includes interest on the \$150 million of 5.98% senior notes outstanding, interest related to borrowings under our revolving credit agreement and interest accretion on contingent consideration. Interest expense in last year's first six months was approximately \$5.2 million. The increase in interest expense resulted from higher borrowings under our revolving credit facility used to fund our recent acquisitions, and the interest accretion on contingent consideration of \$0.9 million. Other expenses also includes approximately \$1.3 million of exchange gains for the six months ended December 31, 2010 compared to \$0.3 million of exchange losses in the prior year period. Also included in other expenses for the six months ended December 31, 2009 is a \$1.2 million non-cash impairment charge for an other-than-temporary decline in the fair value of our investment in the shares of Yeo Hiap Seng Limited, a Singapore-based natural food and beverage company listed on the Singapore stock exchange.

[Table of Contents](#)

Income before income taxes and equity in the after tax earnings of our equity-method investees for the six months ended December 31, 2010 amounted to \$42.3 million compared to \$32.5 million in the comparable period of the prior year.

Our effective income tax rate was 41.5% of pre-tax income for the six months ended December 31, 2010 compared to 37.2% for the six months ended December 31, 2009. The effective tax rate for the first six months of fiscal 2011 was higher than the comparable period of the prior year as a result of losses incurred in the United Kingdom for which no tax benefit is currently being recorded. The effective rate differs from the U.S. federal statutory rate due to the effect of state and local income taxes, tax rates in foreign jurisdictions along with the mix of pre-tax income by jurisdiction 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.

Our equity in the net income from our investments in HPP and HHO for the six months ended December 31, 2010 was \$0.6 million compared to a loss of \$1.1 million for the six months ended December 31, 2009.

Net income for the six months ended December 31, 2010 was \$25.4 million compared to \$19.3 million for the six months ended December 31, 2009. The increase of \$6.1 million in earnings was attributable to the factors noted above.

Liquidity and Capital Resources

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

Our cash balance was \$26.3 million at December 31, 2010, an increase of \$9.0 million from the end of fiscal 2010. Net cash provided by operating activities was \$10.7 million for the six months ended December 31, 2010 compared to \$10.8 million for the six months ended December 31, 2009. We had an increase in net income and non-cash items of approximately \$7.9 million which was offset by an increase in the use of cash for changes in operating assets and liabilities of approximately \$8.1 million as compared to the prior year period. The increase in cash used by changes in operating assets and liabilities resulted from increases in our inventories and accounts receivable, which is attributable primarily to our recent acquisitions.

In the six months ended December 31, 2010, we used \$18.2 million of cash in investing activities. We used \$16.3 million of cash in connection with our acquisition of the assets and business of 3 Greek Gods LLC and \$4.8 million for capital expenditures. This was partially offset by proceeds from the sale of property, plant and equipment of \$1.5 million. We also received a \$3.1 million repayment of advances made to HPP and loaned \$1.8 million of cash to Hutchison Hain Organic Holding Limited, our Hong Kong joint venture. We used \$3.2 million of cash in investing activities in the six months ended December 31, 2009, which consisted primarily of \$4.9 million for capital expenditures, partially offset by a \$2.0 million repayment of advances received from HPP.

Net cash of \$17.0 million was provided by financing activities for the six months ended December 31, 2010 compared to \$22.6 million used in financing activities for the six months ended December 31, 2009. The change was due principally to \$15.1 million of borrowings drawn under our Credit Agreement for the six months ended December 31, 2010, which was used to fund our acquisition of the assets of 3 Greek Gods, compared to \$23.3 million of repayments made during the six months ended December 31, 2009. We also had an increase in the proceeds from exercises of stock options to \$2.2 million in the six months ended December 31, 2010 from \$0.8 million in the six months ended December 31, 2009.

We maintain our cash and cash equivalents primarily in money market funds or their equivalent. As of December 31, 2010, all of our investments mature in less than six months. Accordingly, we do not believe that our investments have significant exposure to interest rate risk.

In our internal evaluations, we also use the non-GAAP financial measure "operating free cash flow." The difference between operating free cash flow and net cash provided by operating activities, which is the most comparable U.S. GAAP financial measure, is that operating free cash flow reflects the impact of capital expenditures. Since capital spending is essential to maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider capital spending when evaluating our cash from operating activities. We view operating free cash flow as an important measure because it is one factor in evaluating the amount of cash available for

[Table of Contents](#)

discretionary investments.

| 12 months ended December 31, | 2010 | 2009 |
|--|------------------|------------------|
| Cash flow provided by operating activities | \$ 70,866 | \$ 49,378 |
| Purchases of property, plant and equipment | (11,295) | (11,680) |
| Operating free cash flow | <u>\$ 59,571</u> | <u>\$ 37,698</u> |

Our operating free cash flow was \$59.6 million for the twelve months ended December 31, 2010, an increase of \$21.9 million from the twelve months ended December 31, 2009. The improvement in our operating free cash flow resulted from the increase in our cash flow from operations. Our capital spending in the trailing twelve months was slightly lower than historical levels as a result of the recent economic uncertainties. We expect that our capital spending for the full current fiscal year will be approximately \$15 million.

We have outstanding \$150 million in aggregate principal amount of 10-year senior notes due May 2, 2016, issued in a private placement. The notes bear interest at 5.98%, payable semi-annually on November 2nd and May 2nd. We also have a credit agreement which provides us with a \$400 million revolving credit facility (the "Credit Agreement") expiring in July 2015. The Credit Agreement provides for an uncommitted \$100 million accordion feature, under which the facility may be increased to \$500 million, provided certain conditions are met. The Credit Agreement and the notes are guaranteed by substantially all of our current and future direct and indirect domestic subsidiaries. Loans under the Credit Agreement bear interest at a base rate (greater of the applicable prime rate or Federal Funds Rate plus an applicable margin) or, at our option, the reserve adjusted LIBOR rate plus an applicable margin. As of December 31, 2010, there were \$90.0 million of borrowings outstanding under the Credit Agreement. We are required by the terms of the Credit Agreement and the notes to comply with customary affirmative and negative covenants for facilities and notes of this nature.

We believe that our cash on hand of \$26.3 million at December 31, 2010, projected cash flows from operations and availability under our credit agreement are sufficient to fund our currently anticipated liquidity requirements for our ongoing operations, internal growth initiatives and acquisitions. In connection with our business strategy, we regularly evaluate acquisition opportunities. We expect our continuing capital needs to include funding our working capital requirements and capital investments and funding potential acquisitions.

Off Balance Sheet Arrangements

At December 31, 2010, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K that have had or are likely to have a material current or future effect on our financial statements.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies; however, it is likely that materially different amounts would be reported under different conditions or using assumptions different from those that we have applied. The accounting policies that have been identified as critical to our business operations and understanding the results of our operations pertain to revenue recognition and sales incentives, valuation of accounts and chargebacks receivable, inventories, property, plant and equipment, accounting for acquisitions, stock based compensation, segments and goodwill and intangible assets. The application of each of these critical accounting policies and estimates was discussed in Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2010.

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

[Table of Contents](#)

be negatively impacted.

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

Inflation

Inflation may cause increased ingredient, fuel, labor and benefits costs. 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, 2010. To the extent permitted by competition, we seek to recover increased costs through a combination of price increases, new product innovation and by implementing process efficiencies and cost reductions.

Note Regarding Forward Looking Information

Certain statements contained in this Quarterly Report constitute "forward-looking statements" within the meaning of Rule 3b-6 of the Securities Exchange Act of 1934. These forward-looking statements include the following: (i) our intentions for growth through acquisitions as well as internal expansion; (ii) our beliefs regarding the integration of our brands and the resulting impact thereof; (iii) our statements regarding the introduction of new products and the impact on our revenues and margins; (iv) our beliefs regarding the positioning of our business for the future; (v) our beliefs that we will continue to derive benefits from new products; (vi) our belief that our cash and cash equivalent investments have no significant exposure to interest rate risk; and (vii) our belief that our sources of liquidity are adequate to fund our anticipated operating and cash requirements for the next twelve months. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, levels of activity, performance or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- our ability to achieve our guidance for sales and earnings per share in fiscal year 2011 given the economic environment in the U.S. and other markets that we sell products as well as economic and business conditions generally and their effect on our customers and consumers' product preferences, and our business, financial condition and results of operations;
- our expectations for our business for fiscal year 2011 and its positioning for the future;
- changes in estimates or judgments related to our impairment analysis of goodwill and other intangible assets;
- our ability to implement our business and acquisition strategy, including our strategy for improving results in the United Kingdom;
- the ability of our joint venture investments, including HPP, to successfully execute their business plans;
- our ability to realize sustainable growth generally and from investments in core brands, offering new products and our focus on cost containment, productivity, cash flow and margin enhancement in particular;
- our ability to effectively integrate our acquisitions;
- competition;
- the success and cost of introducing new products as well as our ability to increase prices on existing products;
- availability and retention of key personnel;
- our reliance on third party distributors, manufacturers and suppliers;
- our ability to maintain existing contracts and secure and integrate new customers;
- our ability to respond to changes and trends in customer and consumer demand, preferences and consumption;
- international sales and operations;

[Table of Contents](#)

- changes in our input costs, including ingredient, fuel and employee costs;
- the effects on our results of operations from the impacts of foreign exchange;
- changes in, or the failure to comply with, government regulations; and
- other risks detailed from time-to-time in the Company's reports filed with the SEC, including the annual report on Form 10-K for the fiscal year ended June 30, 2010.

As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity and achievements and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in market risk for the six months ended December 31, 2010 from those addressed in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2010. 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, 2010.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

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

(b) Changes in Internal Control Over Financial Reporting.

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

Part II - OTHER INFORMATION

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

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

| Period | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced plans | (d) Maximum number of shares that may yet be purchased under the plans ⁽²⁾ |
|---------------|---|---|---|--|
| October 2010 | 366 ⁽¹⁾ | \$ 24.10 | — | 900,300 |
| November 2010 | 10,391 ⁽¹⁾ | \$ 26.64 | — | 900,300 |
| December 2010 | — ⁽¹⁾ | — | — | 900,300 |
| Total | <u>10,757</u> | <u>\$ 26.55</u> | — | <u>900,300</u> |

(1) Shares surrendered for payment of employee payroll taxes due on shares issued under stockholder approved stock based compensation plans.

Table of Contents

- (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

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 3.2 | Amended and Restated By-Laws (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on November 22, 2010). |
| 10.1 | 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 filed with the SEC on November 22, 2010). |
| 10.2(a) | 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 (2011-2012 Long Term Incentive Plan). |
| 10.3(a) | Form of Restricted Stock Agreement with the Company's non-CEO executive officers under the Company's Amended and Restated 2002 Long Term Incentive and Stock Award Plan (2011-2012 Long Term Incentive Plan). |
| 31.1(a) | 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(a) | 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(a) | Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2(a) | Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101* | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2010, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. |

^(a) - Filed herewith

* - Furnished, not filed.

SIGNATURES

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

THE HAIN CELESTIAL GROUP, INC.

Date: February 9, 2011

/s/ Irwin D. Simon

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

Date: February 9, 2011

/s/ Ira J. Lamel

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

THE HAIN CELESTIAL GROUP, INC.
RESTRICTED STOCK AGREEMENT

The Hain Celestial Group, Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock* (the “**Notice**”) to which this Restricted Stock Agreement (this “**Agreement**”) is attached an Award of Shares subject to the terms and conditions set forth in the Notice and this Agreement. This Award shall constitute a Restricted Share award under the Plan. The Company granted the Award pursuant to the Company’s Amended and Restated 2002 Long Term Incentive and Stock Award Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Notice, this Agreement, and the Plan, (b) accepts the Award subject to all of the terms and conditions of the Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Notice, this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

All questions of interpretation concerning the Notice and this Agreement shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. The Chief Executive Officer or Chief Financial Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein.

3. **THE AWARD.**

3.1 **Grant and Issuance of Shares.** Upon the later of (a) the Date of Grant and (b) the date the Notice shall have been fully executed, the Participant shall acquire and the Company shall issue, subject to the provisions of this Agreement, a number of Shares equal to the Total Number of Shares set forth in the Notice. As a condition to the issuance of the Shares, the Participant shall execute and deliver to the Company along with the Notice the Assignment

Separate from Certificate duly endorsed (with date and number of shares blank) in the form attached to the Notice.

3.2 No Monetary Payment Required. The Participant is not required to make any monetary payment (other than to satisfy applicable tax withholding, if any, with respect to the issuance or vesting of the Shares) as a condition to receiving the Shares, the consideration for which shall be past services actually rendered or future services to be rendered to the Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to the Company or for its benefit having a value not less than the par value of the Shares issued pursuant to the Award.

3.3 Beneficial Ownership of Shares; Certificate Registration. The Participant hereby authorizes the Company, in its sole discretion, to deposit the Shares with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 6. Furthermore, the Participant hereby authorizes the Company, in its sole discretion, to deposit, following the term of such Escrow, for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all Shares which are no longer subject to such Escrow. Except as provided by the foregoing, a certificate for the Shares shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

3.4 Issuance of Shares in Compliance with Law. The issuance of the Shares shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Shares shall be issued hereunder if their issuance would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Shares shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. As a condition to the issuance of the Shares, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4. **VESTING OF SHARES.**

4.1 Normal Vesting. Except as provided by Sections 4.2 or 4.3, the Shares shall vest and become Vested Shares as provided in the Notice.

4.2 Acceleration of Vesting in Connection with a Change in Control. In the event that: one or more of the following events occurs (a) any merger, consolidation, recapitalization, reorganization, acquisition or other business combination involving the Company, other than (i) any transaction in which the Company is the surviving entity and the holders of the outstanding voting securities of the Company immediately prior to the transaction receive or retain securities representing more than 50% of the voting power of all of the

securities of the Company outstanding immediately after the transaction (with each holder's voting power relative to other holders remaining substantially unchanged) or (ii) any transaction the purpose of which is to change the jurisdiction of organization of the Company and in which outstanding Awards under the Plan are assumed by the surviving entity, as determined by the Committee; (b) any person, group or entity is or becomes the beneficial owner, directly or indirectly, of 50% or more of the voting power of all of the then-outstanding securities of the Company; or (c) the sale, transfer or other disposition of all or substantially all of the assets of the Company, or the approval by the stockholders of the Company of a plan of complete liquidation, then any Shares which are not Vested Shares ("**Unvested Shares**") shall, immediately prior to the record date for distribution with respect to such event, or if there is no such record date, then immediately prior to such event, become immediately vested and all restrictions shall lapse.

4.3 Acceleration of Vesting Upon Certain Terminations. Except as otherwise provided in Participant's employment agreement in effect as of the Date of Grant, in the event that the Participant's service is terminated as a result of Participant's death, Disability or Retirement during the Performance Period (as defined below), then the Shares will be eligible to vest on November 18, 2012 on a pro-rated basis, subject to the terms and conditions of The Hain Celestial Group, Inc. 2010-2014 Executive Incentive Plan, including the calculation of the Long-Term Incentive Award thereunder. For this purpose, "**Disability**" shall mean the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code, "**Retirement**" shall mean if such Participant terminates his or her service on or after the earliest date upon which such Participant is eligible for Social Security retirement benefits and "**Performance Period**" shall mean July 1, 2010 through June 30, 2012.

5. COMPANY REACQUISITION RIGHT.

5.1 Grant of Company Reacquisition Right. Except as otherwise provided in Participant's employment agreement in effect as of the Date of Grant, in the event that (a) the Participant's service terminates for any reason other than as provided in Section 4.3, or (b) the Participant, or other holder of the Shares, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to a transaction approved by the Company), including, without limitation, any transfer to a nominee or agent of the Participant, any Unvested Shares, the Company shall automatically reacquire any Unvested Shares, and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

5.2 Dividends, Distributions and Adjustments. Upon the occurrence of a dividend or distribution to the stockholders of the Company paid in Shares or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 8, any and all new, substituted or additional securities or other property (other than regular, periodic dividends paid on Shares pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Shares shall be immediately subject to the Company Reacquisition Right and included in the terms "Shares," and "Unvested Shares" for all purposes of the Company Reacquisition Right with the same force and effect as such Unvested Shares immediately prior to the dividend, distribution or adjustment, as the case may be.

6. **ESCROW.**

6.1 Appointment of Agent. To ensure that Shares subject to the Company Reacquisition Right will be available for reacquisition, the Participant and the Company hereby appoint the Secretary of the Company, or any other person designated by the Company, as their agent and as attorney-in-fact for the Participant (the "**Agent**") to hold any and all Unvested Shares and to sell, assign and transfer to the Company any such Unvested Shares reacquired by the Company pursuant to the Company Reacquisition Right. The Participant understands that appointment of the Agent is a material inducement to make this Agreement and that such appointment is coupled with an interest and is irrevocable. The Agent shall not be personally liable for any act the Agent may do or omit to do hereunder as escrow agent, agent for the Company, or attorney in fact for the Participant while acting in good faith and in the exercise of the Agent's own good judgment, and any act done or omitted by the Agent pursuant to the advice of the Agent's own attorneys shall be conclusive evidence of such good faith. The Agent may rely upon any letter, notice or other document executed by any signature purporting to be genuine and may resign at any time.

6.2 Establishment of Escrow. The Participant authorizes the Company to deposit the Unvested Shares with the Company's transfer agent to be held in book entry form, as provided in Section 3.3, and the Participant agrees to deliver to and deposit with the Agent each certificate, if any, evidencing the Shares and an Assignment Separate from Certificate with respect to such book entry shares and each such certificate duly endorsed (with date and number of Shares blank) in the form attached to the Notice, to be held by the Agent under the terms and conditions of this Section 6 (the "**Escrow**"). Upon the occurrence of a change in the capital structure of the Company, as described in Section 8, in the character or amount of any outstanding stock of the corporation the stock of which is subject to the provisions of this Agreement, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of his or her ownership of the Shares that remain subject to the Company Reacquisition Right shall be immediately subject to the Escrow to the same extent as the Shares immediately before such event. The Company shall bear the expenses of the Escrow.

6.3 Delivery of Shares to Participant. The Escrow shall continue with respect to any Shares for so long as such Shares remain subject to the Company Reacquisition Right. Upon termination of the Company Reacquisition Right with respect to Shares, the Company shall so notify the Agent and direct the Agent to deliver such number of Shares to the Participant. As soon as practicable after receipt of such notice, the Agent shall cause to be delivered to the Participant the Shares specified by such notice, and the Escrow shall terminate with respect to such Shares.

7. **TAX MATTERS.**

7.1 Tax Withholding.

(a) **In General.** The Company shall have no obligation to deliver the Shares or to release any Shares from the Escrow established pursuant to Section 6 until the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award, including, without limitation, obligations arising upon (a) the

transfer of Shares to the Participant, (b) the lapsing of any restriction with respect to any Shares, (c) the filing of an election to recognize tax liability, or (d) the transfer by the Participant of any Shares have been satisfied by the Participant. In general, withholding obligations will apply to any Eligible Person who is an Employee of the Company or a Subsidiary on the Date of Grant.

(b) **Withholding in Shares.** The Participant shall satisfy all such withholding obligations by the Company withholding a sufficient number of whole Vested Shares otherwise deliverable to the Participant with a fair market value in an amount of such tax withholding obligations determined utilizing the applicable minimum statutory withholding rates.

7.2 Election Under Section 83(b) of the Code.

(a) The Participant understands that Section 83 of the Code taxes as ordinary income the difference between the amount paid for the Shares, if anything, and the fair market value of the Shares as of the date on which the Shares are “substantially vested,” within the meaning of Section 83. In this context, “substantially vested” means that the right of the Company to reacquire the Shares pursuant to the Company Reacquisition Right has lapsed. The Participant understands that he or she may elect to have his or her taxable income determined at the time he or she acquires the Shares rather than when and as the Company Reacquisition Right lapses by filing an election under Section 83(b) of the Code with the Internal Revenue Service no later than thirty (30) days after the date of acquisition of the Shares. The Participant understands that failure to make a timely filing under Section 83(b) will result in his or her recognition of ordinary income, as the Company Reacquisition Right lapses, on the difference between the purchase price, if anything, and the fair market value of the Shares at the time such restrictions lapse. The Participant further understands, however, that if Shares with respect to which an election under Section 83(b) has been made are forfeited to the Company pursuant to its Company Reacquisition Right, such forfeiture will be treated as a sale on which there is realized a loss equal to the excess (if any) of the amount paid (if any) by the Participant for the forfeited Shares over the amount realized (if any) upon their forfeiture. If the Participant has paid nothing for the forfeited Shares and has received no payment upon their forfeiture, the Participant understands that he or she will be unable to recognize any loss on the forfeiture of the Shares even though the Participant incurred a tax liability by making an election under Section 83(b).

(b) The Participant understands that he or she should consult with his or her tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date of the acquisition of the Shares pursuant to this Agreement. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Participant. The Participant acknowledges that he or she has been advised to consult with a tax advisor regarding the tax consequences to the Participant of the acquisition of Shares hereunder. ANY ELECTION UNDER SECTION 83(b) THE PARTICIPANT WISHES TO MAKE MUST BE FILED NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE PARTICIPANT ACQUIRES THE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. THE PARTICIPANT ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE PARTICIPANT’S SOLE RESPONSIBILITY, EVEN IF THE

PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

(c) The Participant will notify the Company in writing if the Participant files an election pursuant to Section 83(b) of the Code. The Company intends, in the event it does not receive from the Participant evidence of such filing, to claim a tax deduction for any amount which would otherwise be taxable to the Participant in the absence of such an election.

8. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company, in the event of any change in the Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (excepting normal cash dividends) that has a material effect on the fair market value of Shares, appropriate adjustments shall be made in the number and kind of shares subject to the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

9. **RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any Shares subject to the Award until the date of the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Shares are issued, except as provided in Section 8. Subject to the provisions of this Agreement, the Participant shall exercise all rights and privileges of a stockholder of the Company with respect to Shares deposited in the Escrow pursuant to Section 6. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between the Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the service of the Company or any Subsidiary or interfere in any way with any right of such entities to terminate the Participant's service at any time.

10. **LEGENDS.**

The Company may at any time place legends referencing the Company Recapitalization Right and any applicable federal, state or foreign securities law restrictions on all certificates representing the Shares. The Participant shall, at the request of the Company,

promptly present to the Company any and all certificates representing the Shares in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS SET FORTH IN AN AGREEMENT BETWEEN THIS CORPORATION AND THE REGISTERED HOLDER, OR HIS PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION.”

11. **TRANSFERS IN VIOLATION OF AGREEMENT.**

No Shares may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement until the date on which such shares become Vested Shares, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Shares which will have been transferred in violation of any of the provisions set forth in this Agreement or (b) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares will have been so transferred. In order to enforce its rights under this Section, the Company shall be authorized to give a stop transfer instruction with respect to the Shares to the Company's transfer agent.

12. **MISCELLANEOUS PROVISIONS.**

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

12.2 **Nontransferability of the Award.** The right to acquire Shares pursuant to the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

12.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

12.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

12.5 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Notice, this Agreement, the Plan's prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the parties may deliver electronically any notices called for in connection with the Escrow and the Participant may deliver electronically the Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.5(a) of this Agreement and consents to the electronic delivery of the Plan documents, the Notice and notices in connection with the Escrow, as described in Section 12.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.5(a).

12.6 Integrated Agreement. The Notice, this Agreement and the Plan shall constitute the entire understanding and agreement of the Participant and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Participant and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Notice and the Agreement shall survive any settlement of the Award and shall remain in full force and effect.

12.7 **Applicable Law.** This Agreement shall be governed by the laws of the State of New York as such laws are applied to agreements between New York residents entered into and to be performed entirely within the State of New York.

12.8 **Severability.** If any term or provision of this Agreement or the application thereof to any Participant or circumstance shall to any extent be invalid or unenforceable, such provision will be modified, rewritten or interpreted to include as much of its nature and scope as will render it enforceable. If it cannot be so modified, rewritten or interpreted to be enforceable in any respect, it will not be given effect and the remainder of this Agreement, or the application of such term or provision to Participants or circumstances other than those held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

12.9 **Counterparts.** The Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

THE HAIN CELESTIAL GROUP, INC.
RESTRICTED STOCK AGREEMENT

The Hain Celestial Group, Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock* (the “**Notice**”) to which this Restricted Stock Agreement (this “**Agreement**”) is attached an Award of Shares subject to the terms and conditions set forth in the Notice and this Agreement. This Award shall constitute a Restricted Share award under the Plan. The Company granted the Award pursuant to the Company’s Amended and Restated 2002 Long Term Incentive and Stock Award Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Notice, this Agreement, and the Plan, (b) accepts the Award subject to all of the terms and conditions of the Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Notice, this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

All questions of interpretation concerning the Notice and this Agreement shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. The Chief Executive Officer or Chief Financial Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein.

3. **THE AWARD.**

3.1 **Grant and Issuance of Shares.** Upon the later of (a) the Date of Grant and (b) the date the Notice shall have been fully executed, the Participant shall acquire and the Company shall issue, subject to the provisions of this Agreement, a number of Shares equal to the Total Number of Shares set forth in the Notice. As a condition to the issuance of the Shares, the Participant shall execute and deliver to the Company along with the Notice the Assignment

Separate from Certificate duly endorsed (with date and number of shares blank) in the form attached to the Notice.

3.2 No Monetary Payment Required. The Participant is not required to make any monetary payment (other than to satisfy applicable tax withholding, if any, with respect to the issuance or vesting of the Shares) as a condition to receiving the Shares, the consideration for which shall be past services actually rendered or future services to be rendered to the Company or for its benefit. Notwithstanding the foregoing, if required by applicable law, the Participant shall furnish consideration in the form of cash or past services rendered to the Company or for its benefit having a value not less than the par value of the Shares issued pursuant to the Award.

3.3 Beneficial Ownership of Shares; Certificate Registration. The Participant hereby authorizes the Company, in its sole discretion, to deposit the Shares with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 6. Furthermore, the Participant hereby authorizes the Company, in its sole discretion, to deposit, following the term of such Escrow, for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all Shares which are no longer subject to such Escrow. Except as provided by the foregoing, a certificate for the Shares shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

3.4 Issuance of Shares in Compliance with Law. The issuance of the Shares shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Shares shall be issued hereunder if their issuance would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Shares shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. As a condition to the issuance of the Shares, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4. **VESTING OF SHARES.**

4.1 Normal Vesting. Except as provided by Sections 4.2 or 4.3, the Shares shall vest and become Vested Shares as provided in the Notice.

4.2 Acceleration of Vesting in Connection with a Change in Control. In the event that: one or more of the following events occurs (a) any merger, consolidation, recapitalization, reorganization, acquisition or other business combination involving the Company, other than (i) any transaction in which the Company is the surviving entity and the holders of the outstanding voting securities of the Company immediately prior to the transaction receive or retain securities representing more than 50% of the voting power of all of the

securities of the Company outstanding immediately after the transaction (with each holder's voting power relative to other holders remaining substantially unchanged) or (ii) any transaction the purpose of which is to change the jurisdiction of organization of the Company and in which outstanding Awards under the Plan are assumed by the surviving entity, as determined by the Committee; (b) any person, group or entity is or becomes the beneficial owner, directly or indirectly, of 50% or more of the voting power of all of the then-outstanding securities of the Company; or (c) the sale, transfer or other disposition of all or substantially all of the assets of the Company, or the approval by the stockholders of the Company of a plan of complete liquidation, then any Shares which are not Vested Shares ("**Unvested Shares**") shall, immediately prior to the record date for distribution with respect to such event, or if there is no such record date, then immediately prior to such event, become immediately vested and all restrictions shall lapse.

4.3 Acceleration of Vesting Upon Certain Terminations.

(a) **Time-Based Shares.** In the event that the Participant's service is terminated as a result of Participant's death, Disability or Retirement, then any Time-Based Shares which are not Vested Shares shall become immediately vested and all restrictions shall lapse. For this purpose, "**Disability**" shall mean the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code, and "**Retirement**" shall mean if such Participant terminates his or her service on or after the earliest date upon which such Participant is eligible for Social Security retirement benefits.

(b) **Performance-Based Shares.** In the event that the Participant's service is terminated as a result of Participant's death, Disability or Retirement during the Performance Period (as defined below) then the Performance-Based Shares will be eligible to vest on November 18, 2012 on a pro-rated basis, subject to the terms and conditions of The Hain Celestial Group, Inc. 2010-2014 Executive Incentive Plan, including the calculation of the Long-Term Incentive Award thereunder. For purposes of this Agreement, the "**Performance Period**" shall mean July 1, 2010 through June 30, 2012.

5. COMPANY REACQUISITION RIGHT.

5.1 **Grant of Company Reacquisition Right.** Except as otherwise provided in an employment agreement or other agreement concerning the terms of a Participant's employment with the Company, in the event that (a) the Participant's service terminates for any reason other than as provided in Section 4.3, or (b) the Participant, or other holder of the Shares, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to a transaction approved by the Company), including, without limitation, any transfer to a nominee or agent of the Participant, any Unvested Shares, the Company shall automatically reacquire any Unvested Shares, and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

5.2 **Dividends, Distributions and Adjustments.** Upon the occurrence of a dividend or distribution to the stockholders of the Company paid in Shares or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 8, any and all new, substituted or additional securities or other property (other than

regular, periodic dividends paid on Shares pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Shares shall be immediately subject to the Company Reacquisition Right and included in the terms "Shares," and "Unvested Shares" for all purposes of the Company Reacquisition Right with the same force and effect as such Unvested Shares immediately prior to the dividend, distribution or adjustment, as the case may be.

6. **ESCROW.**

6.1 **Appointment of Agent.** To ensure that Shares subject to the Company Reacquisition Right will be available for reacquisition, the Participant and the Company hereby appoint the Secretary of the Company, or any other person designated by the Company, as their agent and as attorney-in-fact for the Participant (the "**Agent**") to hold any and all Unvested Shares and to sell, assign and transfer to the Company any such Unvested Shares reacquired by the Company pursuant to the Company Reacquisition Right. The Participant understands that appointment of the Agent is a material inducement to make this Agreement and that such appointment is coupled with an interest and is irrevocable. The Agent shall not be personally liable for any act the Agent may do or omit to do hereunder as escrow agent, agent for the Company, or attorney in fact for the Participant while acting in good faith and in the exercise of the Agent's own good judgment, and any act done or omitted by the Agent pursuant to the advice of the Agent's own attorneys shall be conclusive evidence of such good faith. The Agent may rely upon any letter, notice or other document executed by any signature purporting to be genuine and may resign at any time.

6.2 **Establishment of Escrow.** The Participant authorizes the Company to deposit the Unvested Shares with the Company's transfer agent to be held in book entry form, as provided in Section 3.3, and the Participant agrees to deliver to and deposit with the Agent each certificate, if any, evidencing the Shares and an Assignment Separate from Certificate with respect to such book entry shares and each such certificate duly endorsed (with date and number of Shares blank) in the form attached to the Notice, to be held by the Agent under the terms and conditions of this Section 6 (the "**Escrow**"). Upon the occurrence of a change in the capital structure of the Company, as described in Section 8, in the character or amount of any outstanding stock of the corporation the stock of which is subject to the provisions of this Agreement, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of his or her ownership of the Shares that remain subject to the Company Reacquisition Right shall be immediately subject to the Escrow to the same extent as the Shares immediately before such event. The Company shall bear the expenses of the Escrow.

6.3 **Delivery of Shares to Participant.** The Escrow shall continue with respect to any Shares for so long as such Shares remain subject to the Company Reacquisition Right. Upon termination of the Company Reacquisition Right with respect to Shares, the Company shall so notify the Agent and direct the Agent to deliver such number of Shares to the Participant. As soon as practicable after receipt of such notice, the Agent shall cause to be delivered to the Participant the Shares specified by such notice, and the Escrow shall terminate with respect to such Shares.

7. **TAX MATTERS.**

7.1 **Tax Withholding.**

(a) **In General.** The Company shall have no obligation to deliver the Shares or to release any Shares from the Escrow established pursuant to Section 6 until the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award, including, without limitation, obligations arising upon (a) the transfer of Shares to the Participant, (b) the lapsing of any restriction with respect to any Shares, (c) the filing of an election to recognize tax liability, or (d) the transfer by the Participant of any Shares have been satisfied by the Participant. In general, withholding obligations will apply to any Eligible Person who is an Employee of the Company or a Subsidiary on the Date of Grant.

(b) **Withholding in Shares.** The Participant shall satisfy all such withholding obligations by the Company withholding a sufficient number of whole Vested Shares otherwise deliverable to the Participant with a fair market value in an amount of such tax withholding obligations determined utilizing the applicable minimum statutory withholding rates.

7.2 **Election Under Section 83(b) of the Code.**

(a) The Participant understands that Section 83 of the Code taxes as ordinary income the difference between the amount paid for the Shares, if anything, and the fair market value of the Shares as of the date on which the Shares are “substantially vested,” within the meaning of Section 83. In this context, “substantially vested” means that the right of the Company to reacquire the Shares pursuant to the Company Reacquisition Right has lapsed. The Participant understands that he or she may elect to have his or her taxable income determined at the time he or she acquires the Shares rather than when and as the Company Reacquisition Right lapses by filing an election under Section 83(b) of the Code with the Internal Revenue Service no later than thirty (30) days after the date of acquisition of the Shares. The Participant understands that failure to make a timely filing under Section 83(b) will result in his or her recognition of ordinary income, as the Company Reacquisition Right lapses, on the difference between the purchase price, if anything, and the fair market value of the Shares at the time such restrictions lapse. The Participant further understands, however, that if Shares with respect to which an election under Section 83(b) has been made are forfeited to the Company pursuant to its Company Reacquisition Right, such forfeiture will be treated as a sale on which there is realized a loss equal to the excess (if any) of the amount paid (if any) by the Participant for the forfeited Shares over the amount realized (if any) upon their forfeiture. If the Participant has paid nothing for the forfeited Shares and has received no payment upon their forfeiture, the Participant understands that he or she will be unable to recognize any loss on the forfeiture of the Shares even though the Participant incurred a tax liability by making an election under Section 83(b).

(b) The Participant understands that he or she should consult with his or her tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date of the acquisition of the Shares pursuant to this Agreement. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Participant.

The Participant acknowledges that he or she has been advised to consult with a tax advisor regarding the tax consequences to the Participant of the acquisition of Shares hereunder. ANY ELECTION UNDER SECTION 83(b) THE PARTICIPANT WISHES TO MAKE MUST BE FILED NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE PARTICIPANT ACQUIRES THE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. THE PARTICIPANT ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE PARTICIPANT'S SOLE RESPONSIBILITY, EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

(c) The Participant will notify the Company in writing if the Participant files an election pursuant to Section 83(b) of the Code. The Company intends, in the event it does not receive from the Participant evidence of such filing, to claim a tax deduction for any amount which would otherwise be taxable to the Participant in the absence of such an election.

8. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company, in the event of any change in the Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (excepting normal cash dividends) that has a material effect on the fair market value of Shares, appropriate adjustments shall be made in the number and kind of shares subject to the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

9. **RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any Shares subject to the Award until the date of the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Shares are issued, except as provided in Section 8. Subject to the provisions of this Agreement, the Participant shall exercise all rights and privileges of a stockholder of the Company with respect to Shares deposited in the Escrow pursuant to Section 6. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between the Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the service of the Company or any Subsidiary or interfere in any way with any right of such entities to terminate the Participant's

service at any time.

10. **LEGENDS.**

The Company may at any time place legends referencing the Company Reacquisition Right and any applicable federal, state or foreign securities law restrictions on all certificates representing the Shares. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing the Shares in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS SET FORTH IN AN AGREEMENT BETWEEN THIS CORPORATION AND THE REGISTERED HOLDER, OR HIS PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION.”

11. **COVENANTS NOT TO DISCLOSE, COMPETE OR SOLICIT.**

(a) The Participant acknowledges that (i) the Company is engaged in a continuous program of research, development, production, marketing, sales and production regarding natural and organic products throughout the United States and internationally (the foregoing, together with any other businesses in which the Company engages from the date hereof to the date of the termination of the Participant’s employment with the Company and its Subsidiaries is referred to herein as the “**Company Business**”); (ii) the Participant’s work for and position with the Company and/or one of its Subsidiaries has allowed the Participant, and will continue to allow the Participant, access to trade secrets of, and Confidential Information (as defined below) concerning the Company Business; (iii) the Company Business is national and international in scope; (iv) the Company would not have agreed to grant the Participant this Award but for the agreements and covenants contained in this Agreement; and (v) the agreements and covenants contained in this Agreement are necessary and essential to protect the business, goodwill, and customer relationships that the Company and its Subsidiaries have expended significant resources to develop. The Company agrees and acknowledges that, on or following the date hereof, it will provide the Participant with one or more of the following: (a) authorization to access Confidential Information through a computer password or by other means, (b) authorization to represent the Company in communications with customers and other third parties to promote the goodwill of the business in accordance with generally applicable Company policies and (c) access to participate in certain restricted access meetings, conferences or training relating to the Participant’s position with the Company.

(b) For purposes of this Agreement, “**Confidential Information**” shall mean all business records, trade secrets, know-how, customer lists or compilations, terms of customer agreements, supplier or service information, pricing or cost information, marketing information, future products and strategies, business opportunities, inventions, creations, enhancements, business operation information, financial information or personnel data, any formula, pattern, device and/or compilation of information which is used in the Company’s Business and which

gives the Company an advantage over its competitors, and other confidential or proprietary information created, used and/or obtained by the Participant in the course of the Participant's employment with the Company or any Subsidiary. The Participant agrees not to engage in unauthorized use or disclosure of Confidential Information, and agrees that upon termination of the Participant's employment (or earlier if so requested) the Participant will preserve and return to the Company any and all records in the Participant's possession or control, tangible and intangible, developed or obtained during and as a result of Participant's employment (excluding documents relating to compensation and employee benefits). The Participant further agrees not to keep or retain any copies of such records without written authorization from a duly authorized officer of the Company covering the specific item retained.

(c) Ancillary to the foregoing and this Award, the Participant hereby agrees that, during the term of the Participant's employment with the Company or any Subsidiary and for a period of [____ year(s)] after the termination of Participant's employment with the Company or any Subsidiary for any reason, whether it be voluntary or involuntary, with or without cause (the "**Restricted Period**"), the Participant will not, directly or indirectly, individually or on behalf of any person or entity other than the Company or any of its Subsidiaries:

(i) Provide Competing Services (as defined below) to any company or business (other than the Company or any Subsidiary) engaged in the manufacture, distribution, sale or marketing of any of the Relevant Products (as defined below) in the Relevant Market Area (as defined below);

(ii) Approach, consult, solicit or accept business from, or contact or otherwise communicate, directly or indirectly, in any way with any Customer (as defined below) in an attempt to (1) divert business from, or interfere with any business relationship of the Company or any of its Subsidiaries, or (2) convince any Customer to change or alter any of such Customer's existing or prospective contractual terms and conditions with the Company or any Subsidiary; or

(iii) Solicit, induce, recruit or encourage, either directly or indirectly, any employee of the Company or any Subsidiary, with whom Participant had contact with during Participant's employment or about whom Participant obtained Confidential Information, to leave his or her employment with the Company or any Subsidiary or employ or offer to employ any employee of the Company or any Subsidiary. For the purposes of this section, an employee of the Company or any Subsidiary shall be deemed to be an employee of the Company or any Subsidiary while employed by the Company and for a period of sixty (60) days thereafter.

(d) For purposes of this Agreement, the following terms shall have the meanings indicated:

(i) To provide "**Competing Services**" means to provide, manage, supervise, or consult about (whether as an employee, owner, partner, stockholder, investor, joint venturer, lender, director, manager, officer, employee, consultant, independent contractor, representative or agent, or otherwise) any services that (A) are similar in purpose or function to

services the Participant provided to the Company or any Subsidiary in the two year period preceding the termination of the Participant's employment, (B) might involve the use of Confidential Information, or (C) involve business opportunities related to Relevant Products. For purposes of this Agreement, nothing contained herein shall be deemed to prohibit a Participant from providing legal services to a competing company to the extent that applicable disciplinary rules permit.

(ii) "**Customer**" means any and all persons or entities who purchased any Relevant Product from the Company or any Subsidiary during the term of the Participant's employment with the Company or any Subsidiary with whom Participant had contact during Participant's employment or about whom Participant obtained Confidential Information.

(iii) "**Relevant Products**" means any natural or organic product that was developed or sold by the Company or any Subsidiary within the course of the last two (2) years of the Participant's employment with the Company or any Subsidiary.

(iv) "**Relevant Market Area**" means the counties (or county equivalents) of any country where the Company does business that the Participant assists in providing services to and/or receives Confidential Information about in the two (2) year period preceding the termination of the Participant's employment so long as the Company continues to do business in that geographic market area during the Restricted Period.

(e) Notwithstanding the foregoing, (1) the restrictions of subsection 11(b) and 11(c) above shall not prohibit the Participant's employment with a non-competing, independently operated subsidiary, division, or unit of a diversified company (even if other separately operated portions of the diversified company are involved in Relevant Products) if in advance of the Participant's providing any services, the Participant and the diversified company that is going to employ or retain the Participant both provide the Company with written assurances that are satisfactory to the Company establishing that (a) the entity, subsidiary, division or unit of the diversified business that the Participant is going to be employed in or retained by is not involved in Relevant Products or preparing to become involved in Relevant Products, and (b) the Participant's position will not involve Competing Services of any kind, and (2) the Participant is not prohibited from owning either of record or beneficially, not more than five percent (5%) of the shares or other equity of any publicly traded company. The Participant's obligations under this Section 11 shall survive the vesting or forfeiture of the underlying Shares.

(f) Any breach of any provision of this Section 11 will result in immediate and complete forfeiture of the Participant's unvested Shares and the Participant hereby agrees that the Participant shall return to the Company any Shares that were previously issued to the Participant or, if the Participant no longer owns the Shares, an amount in cash equal to the fair market value of any such Shares on the date they were issued to the Participant (less any taxes paid by the Participant). In addition, the Participant hereby agrees that if the Participant violates any provision of this Section 11, the Company will be entitled to injunctive relief, specific performance, or such other legal and equitable relief as is needed to prevent or enjoin any violation of the provisions of this Agreement in addition to and not to the exclusion of any other

remedy that may be allowed by law for damages experienced prior to the issuance of injunctive relief. The Participant also agrees that, if the Participant is found to have breached any of the time-limited covenants in this Section 11, the time period during which the Participant is subject to such covenant shall be extended by one day for each day the Participant is found to have violated such restriction. If Participant is found to have breached any obligation in this Agreement, Participant will pay the Company, in addition to any damages that may be awarded by the Court, reasonable attorneys' fees incurred by the Company to establish that breach or otherwise to enforce this Agreement.

(g) The Participant acknowledges that the Participant has given careful consideration to the restraints imposed by this Agreement, and the Participant fully agrees that they are necessary for the reasonable and proper protection of the business of the Company and its Subsidiaries. The restrictions set forth herein shall be construed as a series of separate and severable covenants. The Participant agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period, and geographical area. Except as expressly set forth herein, the restraints imposed by this Agreement shall continue during their full time periods and throughout the geographical area set forth in this Agreement.

(h) The Participant also stipulates and agrees that (a) the Restrictive Covenants and (b) the Company's agreement herein to provide the Participant with this Restricted Stock Award are mutually dependent clauses and obligations without which this Agreement would not be made by the parties. Accordingly, the Participant agrees not to sue or otherwise pursue a legal claim to set aside or avoid enforcement of the Restrictive Covenants. In the event that the Participant or any other party pursues a legal challenge to the enforceability of any material provision of the restrictions in Section 11 of this Agreement and a material provision is found unenforceable by a court of law or other legally binding authority such that the Participant is no longer bound by a material provision of Section 11, then (1) the Participant's unvested Shares shall be forfeited and (2) the Participant hereby agrees that the Participant shall return to the Company any Shares that were previously issued to the Participant or, if the Participant no longer owns the Shares, an amount in cash equal to the fair market value of any such Shares on the date they were issued to the Participant (less any taxes paid by the Participant). The foregoing is not intended as a liquidated damage remedy but is instead a return-of-gains and contractual rescission remedy due to the mutually dependent nature of the subject provisions in the Agreement.

(i) If any of the Restrictive Covenants are deemed unenforceable as written, the Participant and the Company expressly authorize the court to revise, delete or add to the restrictions contained in this Section 11 to the extent necessary to enforce the intent of the parties and to provide the goodwill, Confidential Information, and other business interests of the Company and its Subsidiaries with effective protection to the maximum extent permitted by law. In the event that such reformation of the restriction is acceptable to the Company, then the forfeiture and rescission (return of gain) remedies provided for in subsection 11(h) above shall not apply.

(j) The provisions of this Section 11 are not intended to override, supersede, reduce, modify or affect in any manner any other non-competition, non-solicitation or

confidentiality agreement between the Participant and the Company or any Subsidiary, and instead are intended to supplement any such agreements.

(k) No waiver by the Participant or the Company of any breach of, or lack of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or the same condition or provision at another time.

(l) The parties expressly acknowledge and agree that the right and opportunity to receive the benefits of this Agreement in exchange for compliance with the restrictions set forth herein is full and sufficient consideration for the obligations imposed by this Agreement. In the event of a forfeiture of any of the benefits of this Agreement pursuant to Section 11(f) or 11(h), it is the intent of the parties that the restrictions set forth herein shall remain in effect to the fullest extent permitted by law and shall not be void for lack of consideration. If a court determines, despite the parties' expressed intent set forth herein, that any of the restrictions in Section 11 would be unenforceable due to lack of consideration after a forfeiture, Participant shall retain the minimum amount of unvested shares necessary to preserve the full enforceability of the restrictions agreed to herein.

12. **TRANSFERS IN VIOLATION OF AGREEMENT.**

No Shares may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement until the date on which such shares become Vested Shares, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Shares which will have been transferred in violation of any of the provisions set forth in this Agreement or (b) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares will have been so transferred. In order to enforce its rights under this Section, the Company shall be authorized to give a stop transfer instruction with respect to the Shares to the Company's transfer agent.

13. **MISCELLANEOUS PROVISIONS.**

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

13.2 **Nontransferability of the Award.** The right to acquire Shares pursuant to the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

13.3 Further Instruments. The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

13.4 Binding Effect. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns. Participant expressly acknowledges and agrees that the Company may assign this Agreement in its discretion.

13.5 Delivery of Documents and Notices. Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) Description of Electronic Delivery. The Plan documents, which may include but do not necessarily include: the Plan, the Notice, this Agreement, the Plan's prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the parties may deliver electronically any notices called for in connection with the Escrow and the Participant may deliver electronically the Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) Consent to Electronic Delivery. The Participant acknowledges that the Participant has read Section 13.5(a) of this Agreement and consents to the electronic delivery of the Plan documents, the Notice and notices in connection with the Escrow, as described in Section 13.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.5(a).

13.6 Integrated Agreement. The Notice, this Agreement and the Plan shall constitute the entire understanding and agreement of the Participant and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between the Participant and the Company with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Notice and the Agreement shall survive any settlement of the Award and shall remain in full force and effect.

13.7 Applicable Law. This Agreement shall be governed by the laws of the State of New York as such laws are applied to agreements between New York residents entered into and to be performed entirely within the State of New York.

13.8 Severability. If any term or provision of this Agreement or the application thereof to any Participant or circumstance shall to any extent be invalid or unenforceable, such provision will be modified, rewritten or interpreted to include as much of its nature and scope as will render it enforceable. If it cannot be so modified, rewritten or interpreted to be enforceable in any respect, it will not be given effect and the remainder of this Agreement, or the application of such term or provision to Participants or circumstances other than those held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

13.9 Counterparts. The Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

CERTIFICATION

I, Irwin D. Simon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hain Celestial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2011

/s/ Irwin D. Simon

Irwin D. Simon
President and Chief Executive Officer

CERTIFICATION

I, Ira J. Lamel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Hain Celestial Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2011

/s/ Ira J. Lamel

Ira J. Lamel
Executive Vice President and
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q for the period ended December 31, 2010 (the "Report") filed by The Hain Celestial Group, Inc. (the "Company") with the Securities and Exchange Commission, I, Irwin D. Simon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 9, 2011

/s/ Irwin D. Simon

Irwin D. Simon

President and Chief Executive Officer

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

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

In connection with the Quarterly Report on Form 10-Q for the period ended December 31, 2010 (the "Report") filed by The Hain Celestial Group, Inc. (the "Company") with the Securities and Exchange Commission, I, Ira J. Lamel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: February 9, 2011

/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.