# Hain Celestial

## Second Quarter Fiscal 2018 Business Review & Outlook

February 7, 2018

# Safe Harbor Statement

### Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are predictions based on expectations and projections about future events and are not statements of historical fact. You can identify forward-looking statements by the use of forward-looking terminology such as "plan", "continue", "expect", "anticipate", "intend", "predict", "project", "estimate", "likely", "believe", "might", "seek", "may", "will", "remain", "potential", "can", "should", "could", "future" and similar expressions, or the negative of those expressions, or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical facts. You can also identify forward-looking statements by discussions of the Project Terra strategic initiatives, the Company's potential divestiture of its Hain Pure Protein business, and our future performance and results of operations. 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, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and may not be able to be realized. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). Such factors, include, among others, the Company's beliefs or expectations relating to (i) the Company's guidance for Fiscal Year 2018; (ii) the Company's ability to generate growth; (iii) the potential divestiture of the Hain Pure Protein business, (iv) the results of the Company's SKU rationalization and (v) the Company's ability to execute Project Terra initiatives for future growth and simplify its brand portfolio to enhance value; and the other risks detailed from time-to-time in the Company's reports filed with the United States Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended June 30, 2017, and our quarterly reports. As a result of the foregoing and other factors, the Company cannot provide any assurance regarding future results, levels of activity and achievements of the Company, and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements. All forward-looking statements contained herein apply as of the date hereof or as of the date they were made and, except as required by applicable law, the Company disclaims any obligation to publicly update or revise any forward-looking statement to reflects changes in underlying assumptions or factors of new methods, future events or other changes.

### Non-GAAP Financial Measures

Management believes that the non-GAAP financial measures presented in this presentation provide useful additional information to investors about current trends in the Company's operations and are useful for period-over-period comparisons of operations. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. In addition, these non-GAAP measures may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded. They should be read only in connection with the Company's Consolidated Statements of Income presented in accordance with GAAP.

The Company defines Operating Free Cash Flow as cash provided from or used in operating activities (a GAAP measure) less capital expenditures. The Company views operating free cash flow as an important measure because it is one factor in evaluating the amount of cash available for discretionary investments.

The Company believes presenting net sales at constant currency provides useful information to investors because it provides transparency to underlying performance in the Company's consolidated net sales by excluding the effect that foreign currency exchange rate fluctuations have on period-to-period comparability given the volatility in foreign currency exchange markets. To present this information for historical periods, current period net sales for entities reporting in currencies other than the U.S. Dollar are translated into U.S. Dollars at the average monthly exchange rates in effect during the corresponding period of the prior fiscal year, rather than at the actual average monthly exchange rate in effect during the current period of the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

The Company provides net sales adjusted for constant currency, acquisitions and divestitures and certain other items, as applicable in each case, to understand the growth rate of net sales excluding the impact of such items. The Company's management believes net sales adjusted for such items are useful to investors because it enables them to better understand the growth of our business from period-to-period.

The Company defines EBITDA as net income (a GAAP measure) before income taxes, net interest expense, depreciation and amortization, equity in earnings of equity method investees, stock based compensation expense and unrealized currency gains. Adjusted EBITDA is defined as EBITDA before acquisition-related expenses, including integration and restructuring charges, and other non-recurring items. The Company's management believes that these presentations provide useful information to management, analysts and investors regarding certain additional financial and business trends relating to its results of operations and financial condition. In addition, management uses these measures for reviewing the financial results of the Company as well as a component of performance-based executive compensation.

# Today's Agenda

| | |
|---|---|
| I Opening Remarks | Irwin D. Simon |
| II U.S. Review | Gary W. Tickle |
| III 2QFY18 Financial Results | James M. Langrock |
| IV Q&A | |

# Opening Remarks

# Irwin D. Simon

Founder, President, Chief Executive Officer and Chairman of the Board

# Remain Committed to Four-Point Strategic Plan

1 Invest in Top Brands and Capabilities to Grow Globally

2 Deliver on Project Terra Cost Savings

3 Enhanced Leadership Team to Deliver Strategic Plan

4 Capital Allocation – Return to Shareholders

# We Have Leading Natural and Organic, Better-For-You Brands

Brands that are positioned as the #1 or #2 in their respective categories.

| U.S. | Rest of World | U.K. | Hain Pure Protein |
| --- | --- | --- | --- |

Source: United States: Category Rank: SPINS; MULO + C; 12 WE 12/31/17; United Kingdom: IRI, Total UK Outlets, Value Sales 52 W/E 12/09/17'Kantar 52 W/E 12/31/17; IRI Grocery Outlets 52 W/E 12/13/17.

# 2QFY18 Overview

- Worldwide net sales grew to $775 million, a 5% increase, or an increase of 2% on a constant currency basis, compared to the prior year period

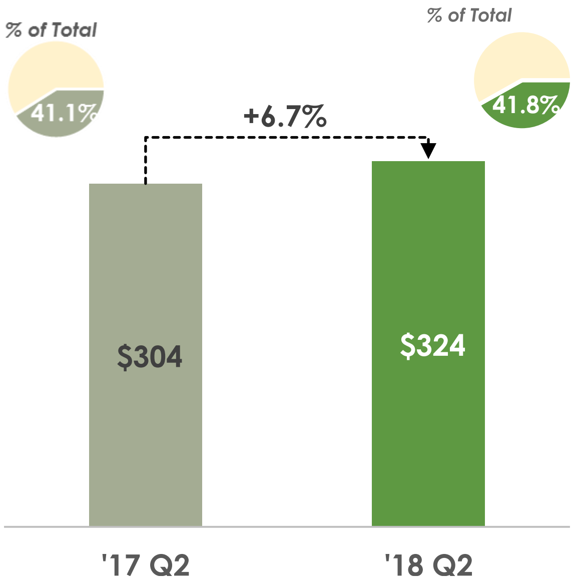
- EBITDA of $61 million; Adjusted EBITDA increased 19% to $83 million from $70 million for the prior year period

- Reported EPS of $0.45; adjusted EPS of $0.41 compared to $0.32 for the prior year period

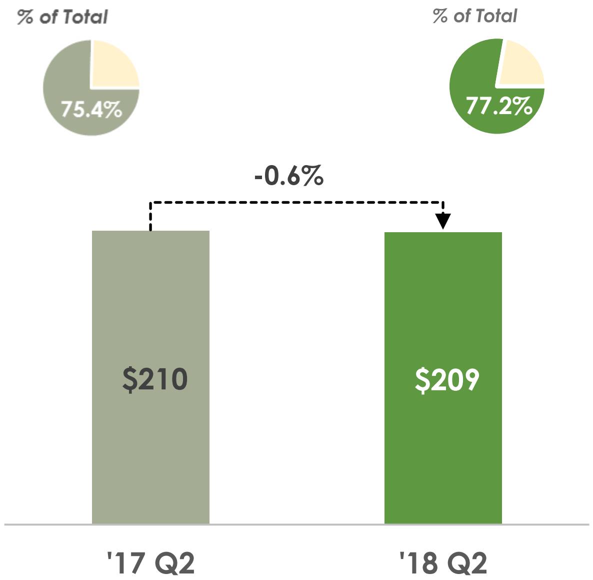
***We continue to evaluate all opportunities to build upon our platforms and strengths, eliminate complexity and enhance our margin structure, including accretive acquisitions and non-core divestitures***

# 2QFY18 Top Brands Results

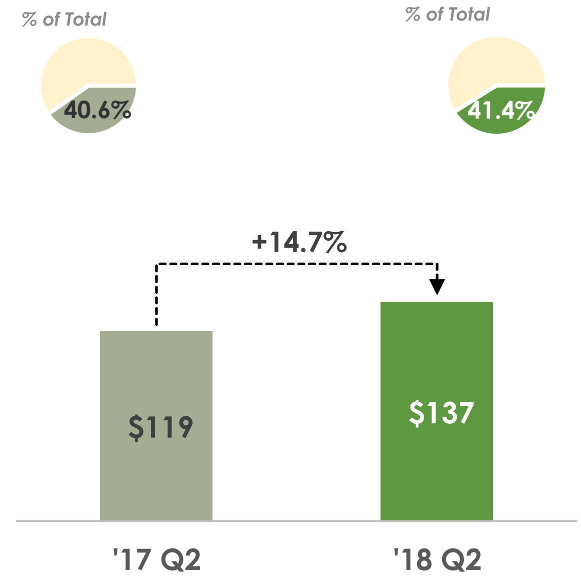
## Net Sales (WW – Top 10 Brands)




## Net Sales (U.S. – Top 11 Brands)

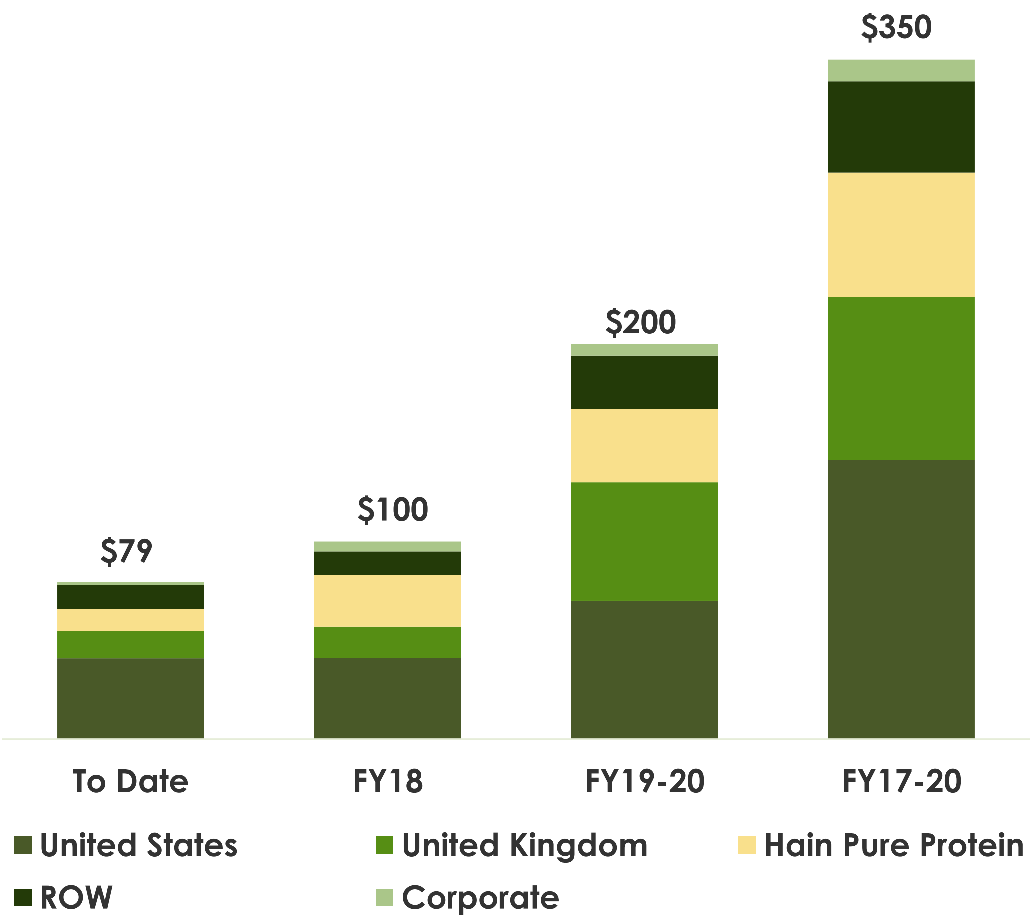



## Net Sales (Intl. – Top 10 Brands)




$ in millions

# Project Terra: Results & Targets by Segment




- Recently started working with Alix Partners, a leading consulting firm that specializes in implementing cost savings
- Alix Partners is supporting our efforts to accelerate and amplify procurement-related savings by consolidating resources around direct product costs such as ingredients, packaging and co-manufacturers
- We are also addressing general and administrative costs across our operations as we execute on our $350 million in Project Terra cost savings through 2020

$ in millions

# Focus on Strategic Value Enhancing Initiatives

- Exploring strategic divestiture for Hain Pure Protein business
- Fresh, organic and antibiotic-free protein category remains strong
  - 2QFY18 net sales increased 15% for Plainville Farms®,17% for FreeBird® and 7% for Empire® Kosher brands as compared to the prior year period
- Highly attractive business with very good growth potential, but non-core to our go-forward strategy
- Opportunity to enhance shareholder value as we position Hain Celestial for future growth

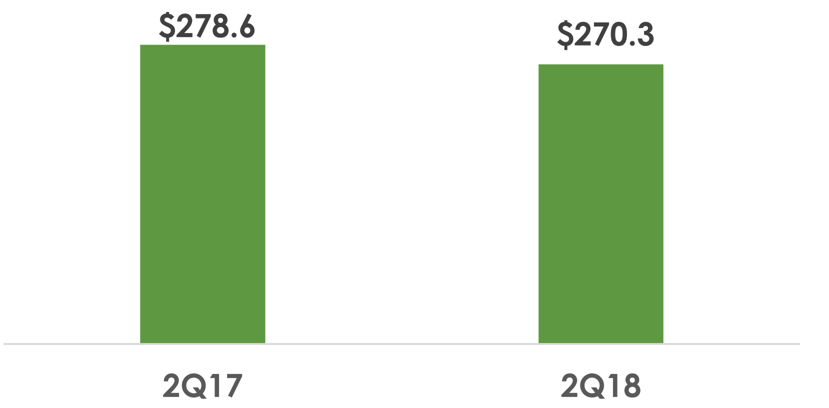
# U.S. Review

## Gary W. Tickle

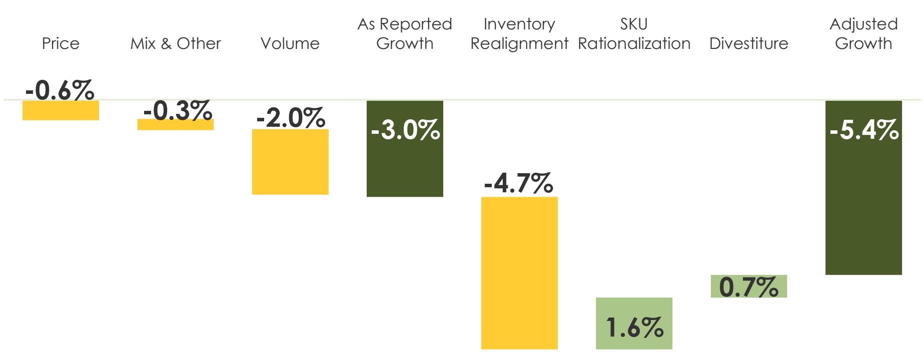
Chief Executive Officer
Hain Celestial North America

# U.S. Segment: Net Sales Trend

## Net Sales




## Adjusted Net Sales YoY Change Reconciliation



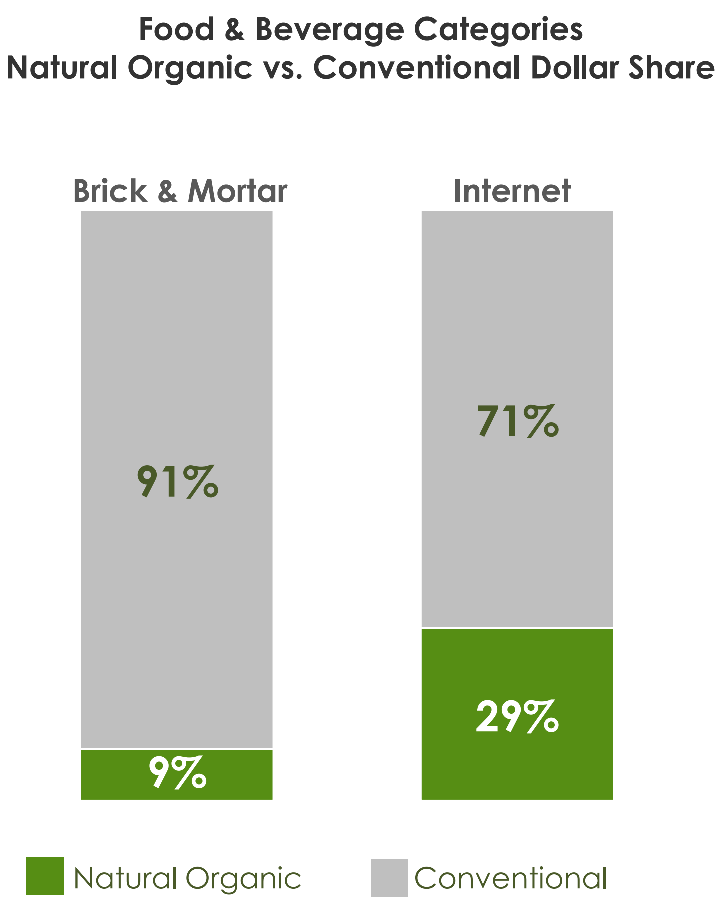

- 2QFY18 U.S. net sales decreased 3%, or 5% adjusted for SKU rationalization, the Rosetto® divestiture and inventory realignment
- Net top-line brand headwinds of ~$15 million
  - Sensible Portions® decreased mid-teens
  - Spectrum® decreased low double-digits
  - Rudi's Organic Bakery® decreased double-digits
  - Mid-single digit decrease from service-related issues in personal care, soups and broths
- Low-single digit net sales shift in promotional calendar for certain platform brands like snacks and tea

$ in millions

# U.S. Segment: Top 11 Brands

- Six of the Top 11 brands generated an increase in net sales for the U.S. segment
- Both Celestial Seasonings® and Alba Botanica® net sales increased double digits
- MaraNatha® net sales increased high single digits
- Earth's Best® net sales increased high-single digits
- Terra® and Garden of Eatin' ® net sales increased low single digits

# Consumer Purchases Shifting to Alternate Channels



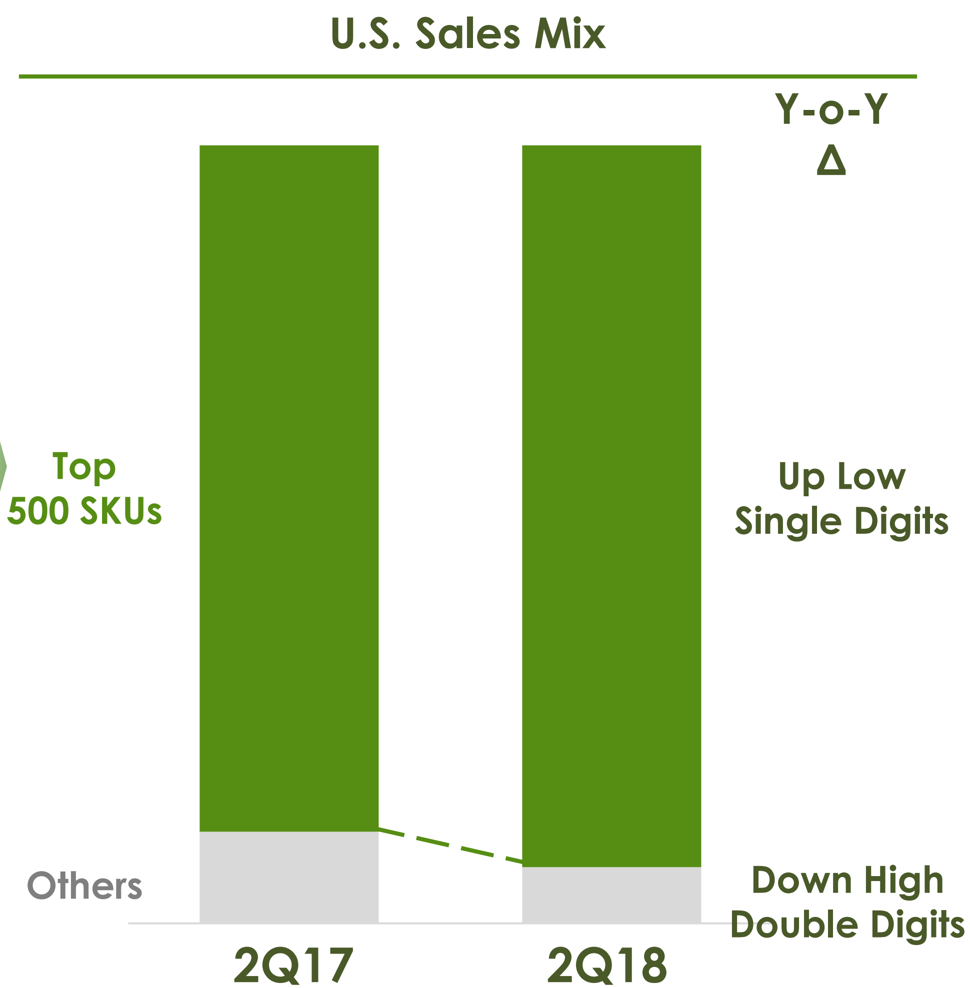

- Today Natural Products' Share is **3X Greater Online** vs. Brick & Mortar Stores
- Traditional Retailers are increasingly making more consumer products widely available via **e-commerce**
- IRI and Nielsen estimate that the Internet will be a **top 3** sales channel for consumer product companies **by 2025**
- HAIN is **increasing its investment** in online channel; dedicated programs, new selling methods online



*Source: SPINSscan Consumer Insights powered by IRI Shopper Network, Total United States, All Outlets, CY 2016*

# Ongoing SKU Rationalization Reflects Evolution of Consumer Purchasing

- We are focused on **brand building** to **drive growth** in our **core portfolio**…
- …while **simplifying** our **business** and **driving out cost**
- As part of this **strategy**, we are intentionally **rationalizing overly-complex** and **low-margin SKUs**
- In the **near-term, run-off** of these **SKUs** will **hamper overall U.S. growth**
- As these **SKUs** become a **smaller % of revenue**, we believe it will result in a **higher quality portfolio, better margins** and **enhanced growth**

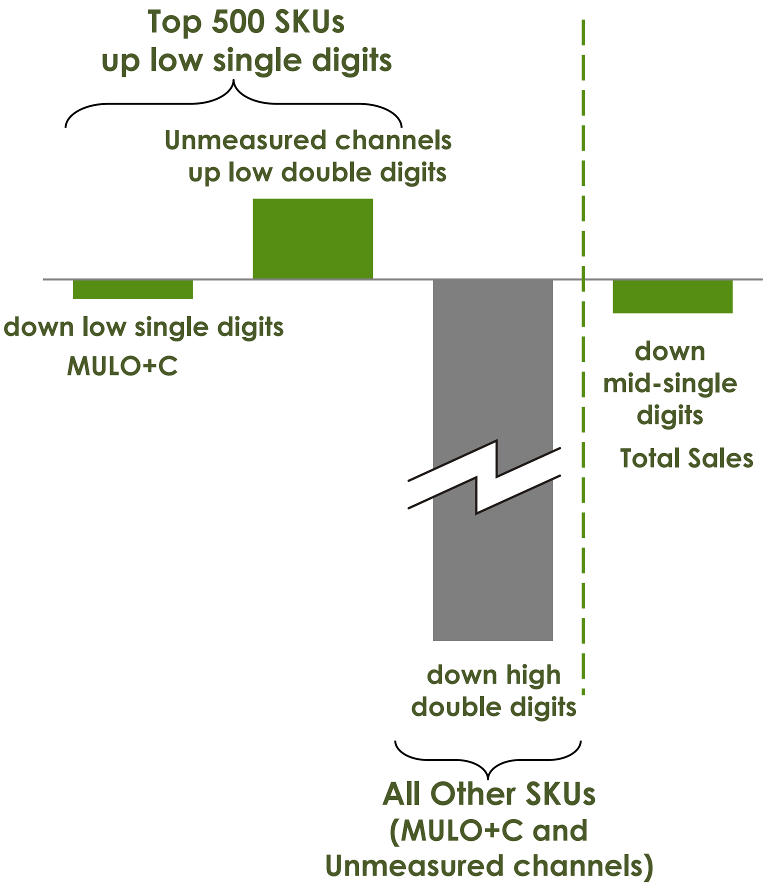





12-weeks ending 12-31-17. YoY Consumption Growth $mm.

# 2QFY18 U.S. Consumption Trends

## Net Sales Growth – Last 12 Weeks[1]




## How We View Our Business…

- **Top 500 SKUs are 93% of consumption sales**
  - MULO+C down low single digits as volume shifts to new channels
  - Unmeasured channels up low double digits
- All Other SKUs down high double digits due to SKU rationalization initiatives

(1) 12-weeks ending 12-31-17. YoY Consumption Growth $mm.

# U.S. Segment: Outlook for 2HFY18

- Continued **execution** against our **strategic plan** for **growth**
  - Focused on **investing** in our **Top 11 brands**
  - On-going momentum of **top 500 SKUs** across total sales channels, especially non-measured channels
- Stronger promotional calendar in 2HFY18 vs. 2HFY17 with expanded distribution on core SKUs, particularly in MaraNatha®, Sensible Portions®, and Earth's Best®
- Expanded club programming for personal care in the fourth quarter of fiscal 2018
- Significantly enhanced plan on e-commerce expansion

# 2QFY18 Financial Results

## James M. Langrock

Executive Vice President and Chief Financial Officer

# 2QFY18 Consolidated Financial Results

| | 2QFY18 | 2QFY17 | YoY Change (%) |
|---|---|---|---|
| Net Sales | $ 775.2 | $ 740.0 | 4.8% |
| Adjusted Growth | | | 0.8% |
| Gross Profit | $ 144.3 | $ 138.4 | 4.2% |
| Gross Margin | 18.6% | 18.7% | -10 bps |
| Adjusted Gross Profit | $ 156.7 | $ 139.1 | 12.6% |
| Adjusted Gross Margin | 20.2% | 18.8% | 140 bps |
| EBITDA | $ 61.0 | $ 59.6 | 2.3% |
| Adjusted EBITDA | $ 82.7 | $ 69.5 | 19.0% |
| Reported EPS | $ 0.45 | $ 0.26 | 73.1% |
| Adjusted EPS | $ 0.41 | $ 0.32 | 28.1% |

- Net sales of $775 million, a 5% increase, or an increase of ~1% when adjusted for constant currency, acquisitions and divestitures and certain other items
- Gross profit of $144M or 18.6% as a percentage of net sales; Adjusted gross profit of $157M or 20.2% as a percentage of net sales, driven by operating efficiencies in the U.K., improved profitability for HPP and Project Terra cost savings, partially offset by commodity inflation, higher freight costs and unfavorable mix
- EBITDA of $61M; Adjusted EBITDA of $83M



$ in millions except for per share amounts. *Please refer to the Appendix for a reconciliation to GAAP to Non-GAAP financial measures.

# 2QFY18 Adjusted Net Sales Growth Reconciliation

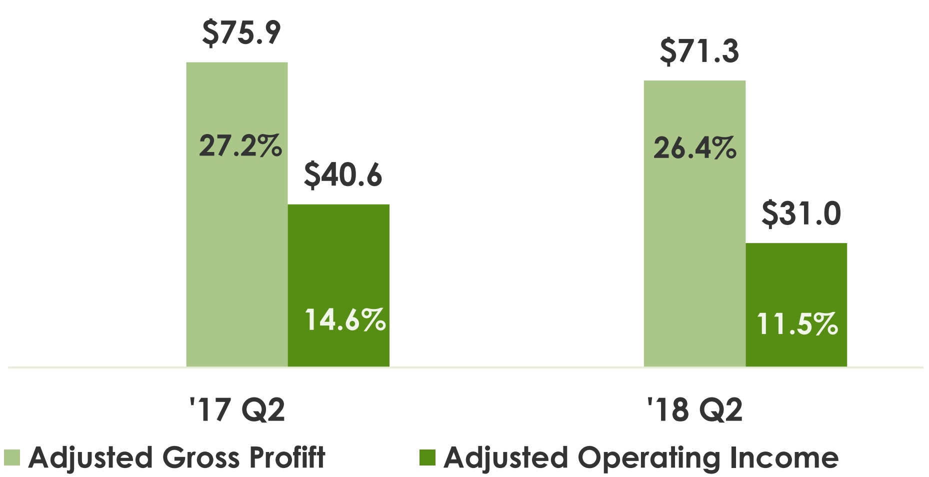
| | As Reported Growth | FX effect | Acquisitions | Divestiture & Other | SKU Rationalization | Inventory Realignment | Adjusted Growth |
|---|---|---|---|---|---|---|---|
| US | -3.0% | -- | -- | 0.7% | 1.6% | -4.7% | -5.4% |
| UK | 12.2% | -7.1% | -1.9% | 1.6% | -- | -- | 4.8% |
| HPP | 3.9% | -- | -- | -- | -- | -- | 3.9% |
| Rest Of World | 12.1% | -6.4% | -0.2% | -- | -- | -- | 5.5% |
| **Hain Consolidated** | **4.8%** | **-2.9%** | **-0.6%** | **0.8%** | **0.6%** | **-1.9%** | **0.8%** |

- **U.S.** - growth driven by Celestial Seasonings®, Earth's Best®, MaraNatha®, Arrowhead Mills® and Alba Botanica® was offset by declines from Sensible Portions®, Spectrum®, SKU Rationalization and lapping of the prior year inventory realignment
- **U.K.** - growth driven by Linda McCartney's®, Hartley's®, Ella's Kitchen®, Cully & Sully® and Tilda® brands
- **HPP** - growth driven by Plainville Farms®, FreeBird® and Empire® Kosher brands
- **ROW** - growth driven by Europe's Natumi® and Joya® brands and private label business and in Canada by Yves Veggie Cuisine®, Sensible Portions® and Live Clean® brands

# 2QFY18 U.S. Segment Results

## Net Sales

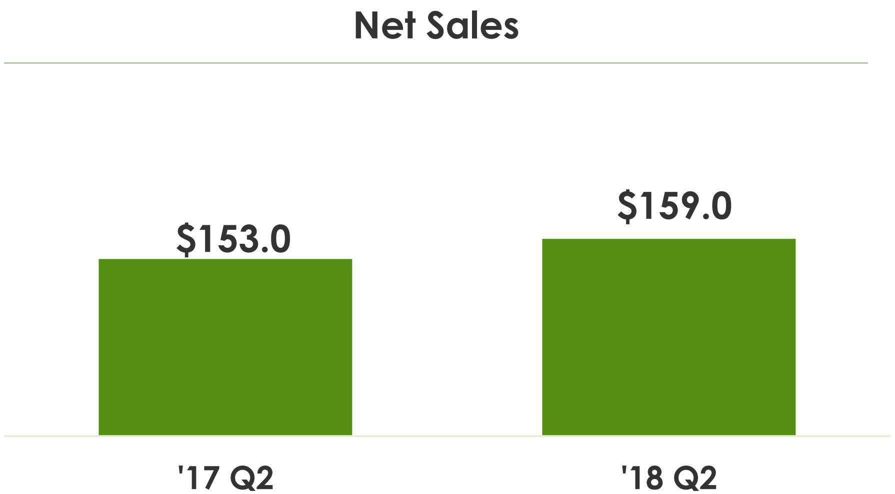

## Adjusted Gross Profit and Operating Income*

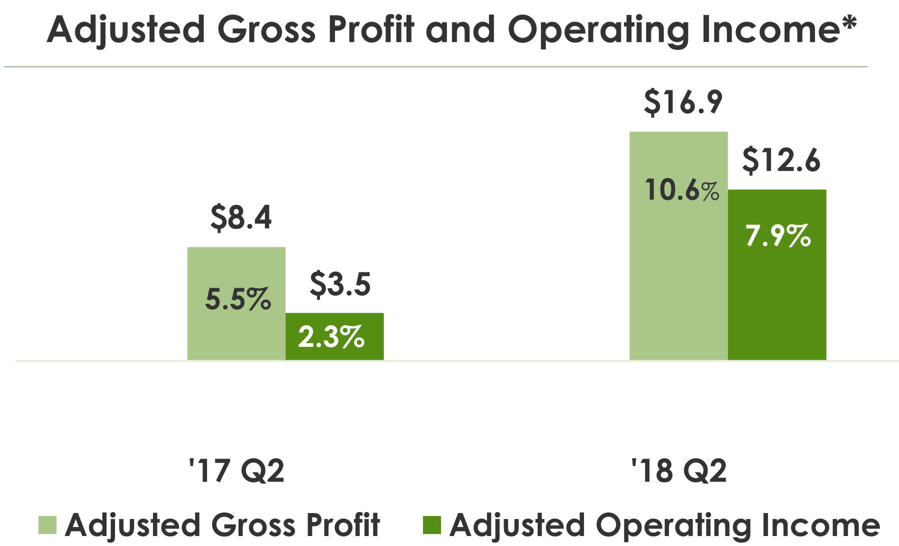



- Net sales decreased 3%, or 5% when adjusted for acquisitions and divestitures and certain other items, from growth of Celestial Seasonings®, Earth's Best®, Alba Botanica® and other brands, offset by Sensible Portions®, Spectrum®, SKUs outside of the top 500 including rationalization and the lapping of the prior year inventory realignment
- Adjusted gross margin declined 85 basis points YoY, driven by commodity inflation, unfavorable mix and higher freight costs, partially offset by Project Terra savings
- 2QFY18 $5M of planned increase in consumer engagement investment
- Invested $1.6M to build out internal Sales and Marketing capabilities. New broker model saves $5M annually starting in 3Q18

$ in millions. *Refer to the Appendix for a reconciliation to GAAP to Non-GAAP financial measures including Gross Profit to Adjusted Gross Profit/Margin and Operating Income to Adjusted Operating Income/Margin

# 2QFY18 HPP Segment Results

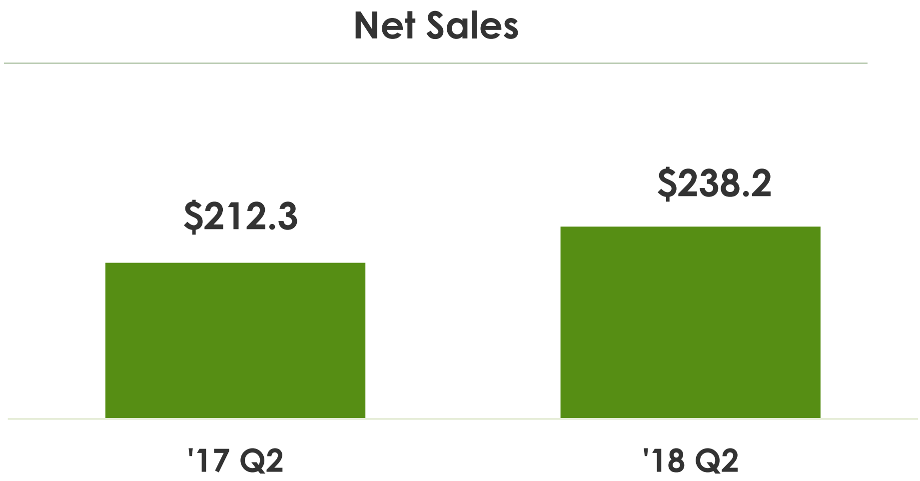


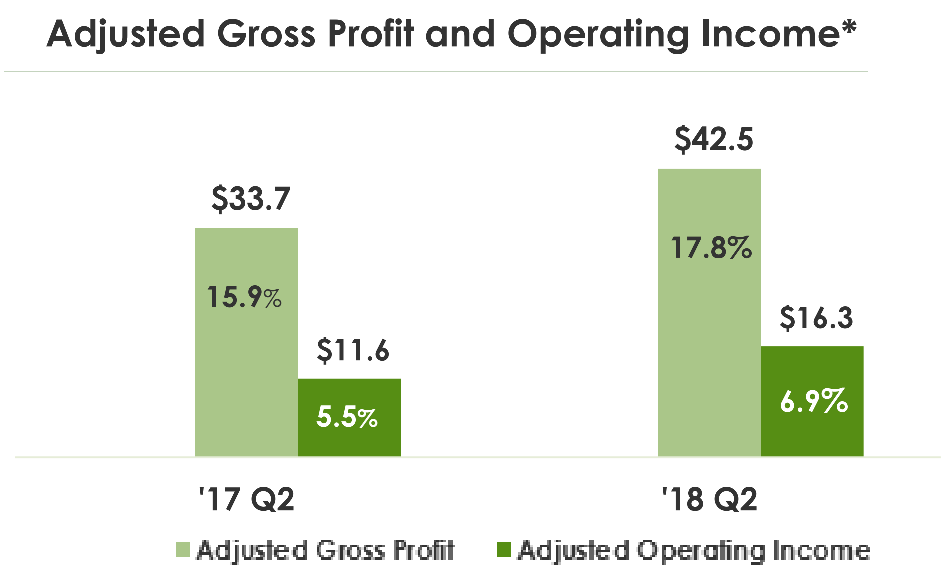




- Net sales increased ~4%
- Growth driven by Plainville Farms®, FreeBird® and Empire® Kosher brands
- Both adjusted gross profit and adjusted operating income improved YoY by ~$9 million on operating efficiencies and Project Terra savings
- Strategic shift of our poultry products from antibiotic-free to organic

$ in millions. *Refer to the Appendix for a reconciliation to GAAP to Non-GAAP financial measures including Gross Profit to Adjusted Gross Profit/Margin and Operating Income to Adjusted Operating Income/Margin

# 2QFY18 U.K. Segment Results

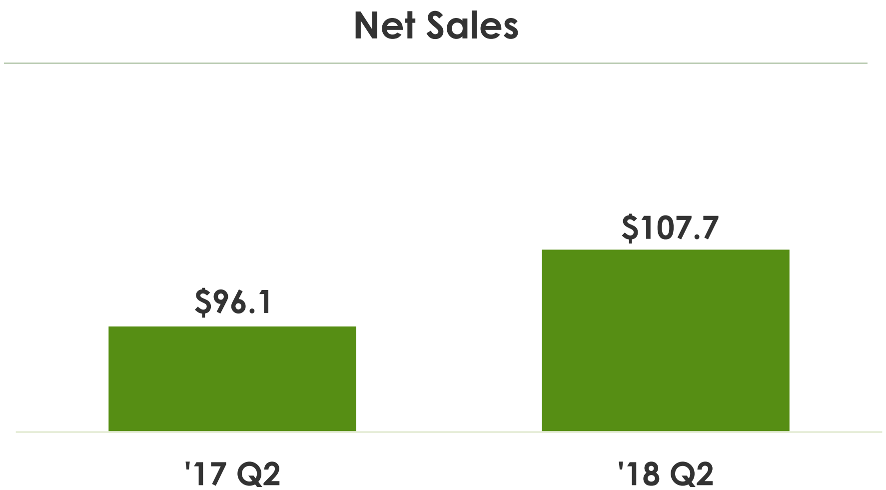


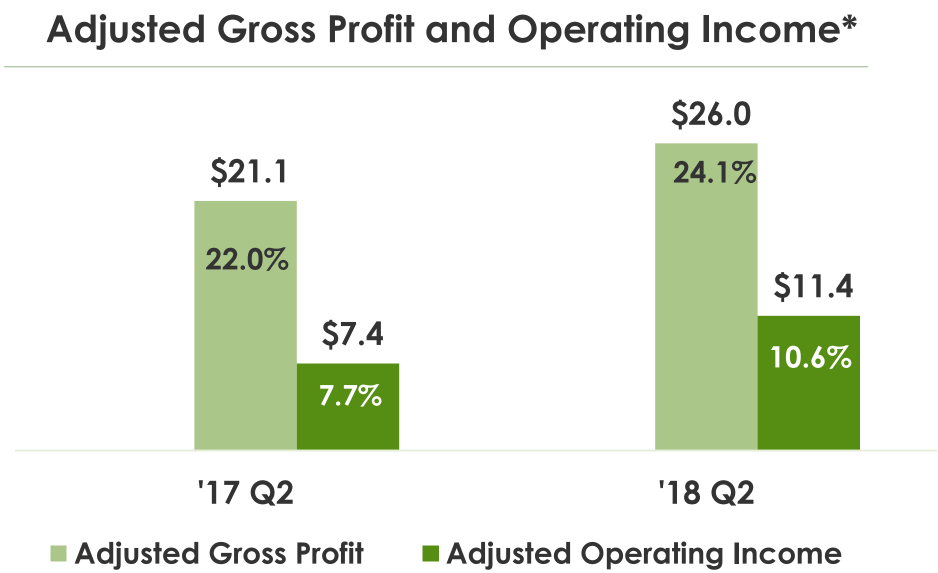




- Net sales increased 12%, or ~5% when adjusted for constant currency, and acquisitions and divestitures
- Growth driven by Linda McCartney's®, Hartley's®, Ella's Kitchen®, Cully & Sully® and Tilda® brands
- Adjusted gross margin and adjusted operating margin expanded by 200 basis points and 140 basis points, respectively; driven by net sales growth, price realization and operating efficiencies, partially offset by commodity inflation

$ in millions. *Please refer to the Appendix for a reconciliation to GAAP to Non-GAAP financial measures including Gross Profit to Adjusted Gross Profit/Margin and Operating Income to Adjusted Operating Income/Margin

# 2QFY18 ROW Segment Results

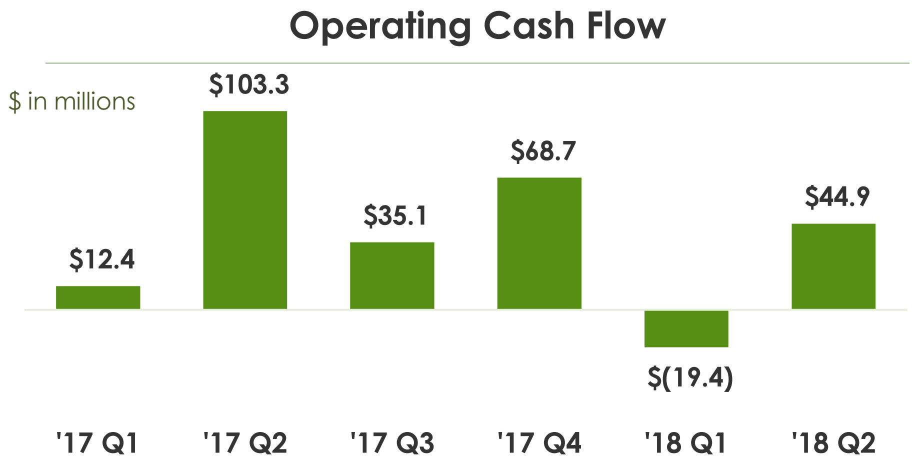


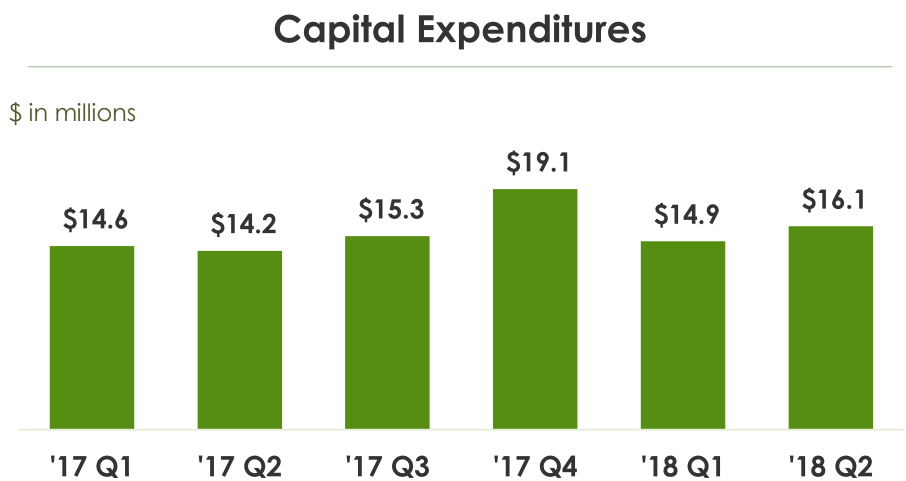




- Net sales increased 12%, or ~6% on a constant currency basis
- Growth in Europe was driven by Natumi® and Joya® brands and private label business
- Growth in Canada was driven by Yves Veggie Cuisine®, Sensible Portions®, and Live Clean® brands
- Adjusted gross profit and adjusted operating income increased by $4.9M and $4.0M, respectively, on operating efficiencies, Project Terra savings and favorable currency

$ in millions. *Refer to the Appendix for a reconciliation to GAAP to Non-GAAP financial measures including Gross Profit to Adjusted Gross Profit/Margin and Operating Income to Adjusted Operating Income/Margin

# 2QFY18 Cash Flow



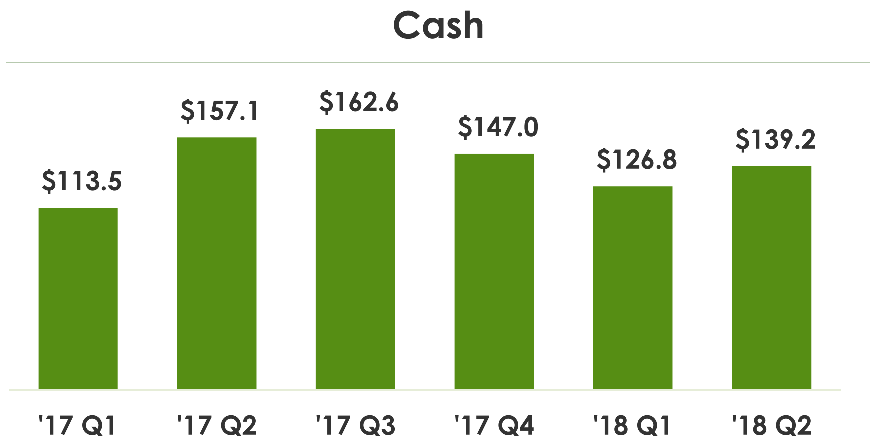




- Operating cash flow was $44.9 million
- Capital expenditures were $16.1 million
- Operating free cash flow* was $28.8 million, compared to operating free cash flow of $89.1 million in the prior year period
  - Change in operating free cash flow was primarily attributable to favorable working capital last year as compared to the current period due to the timing of inventory purchases
- For FY 2018, we anticipate cash flow from operations of $200 million to $235 million
- We expect the capital expenditures to be approximately $75 million in FY 2018

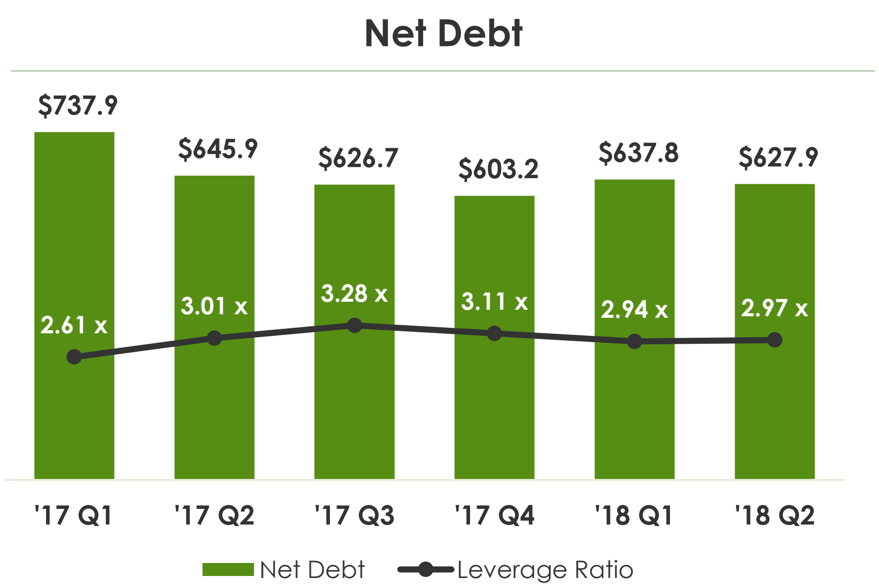


*The Company defines Operating Free Cash Flow as cash provided from or used in operating activities (a GAAP measure) less capital expenditures. The Company views operating free cash flow as an important measure because it is one factor in evaluating the amount of cash available for discretionary investments.

# 2QFY18 Balance Sheet




- At December 31, 2017 our cash balance was $139.2 million and net debt was $627.9 million, which is an $18 million improvement from the prior year period




- Our bank leverage ratio was 2.97x at the end of Q2 2018 down from 3.01x in Q2 2017

$ in millions

# Guidance

- Project Terra savings expected to be higher in second half of year

| | FY 2018 Guidance | Comments |
| --- | --- | --- |
| Net Sales ($M) | $2,967 - $3,036 | ~4% to 6% increase versus prior year |
| Adjusted EBITDA ($M) | $340 - $355 | ~24% to 29% increase versus prior year |
| Adjusted EPS | $1.64 - $1.75 | -Assumed tax rate of 26%<br>-Estimated interest and other expense of ~$25 million<br>-Estimated depreciation and amortization and stock-based compensation expense of ~$80 million |

# Q&A

# Appendix & Reconciliations

# Net Sales and Operating Income by Segment

| *(unaudited and dollars in thousands)* | United States | United Kingdom | Hain Pure Protein | Rest of World | Corporate/ Other | Total |
|---|---|---|---|---|---|---|
| **NET SALES** | | | | | | |
| Net sales - Three months ended 12/31/17 | $ 270,303 | $ 238,201 | $ 158,972 | $ 107,728 | $ - | $ 775,204 |
| Net sales - Three months ended 12/31/16 | $ 278,640 | $ 212,312 | $ 152,979 | $ 96,068 | $ - | $ 739,999 |
| % change - FY'18 net sales vs. FY'17 net sales | (3.0)% | 12.2% | 3.9% | 12.1% | | 4.8% |
| | | | | | | |
| **OPERATING INCOME** | | | | | | |
| Three months ended 12/31/17 | | | | | | |
| Operating income | $ 21,861 | $ 13,598 | $ 5,328 | $ 10,535 | $ (15,029) | $ 36,293 |
| Non-GAAP adjustments (1) | 9,109 | 2,740 | 7,287 | 866 | 5,791 | 25,793 |
| Adjusted operating income | $ 30,970 | $ 16,338 | $ 12,615 | $ 11,401 | $ (9,238) | $ 62,086 |
| Operating income margin | 8.1% | 5.7% | 3.4% | 9.8% | | 4.7% |
| Adjusted operating income margin | 11.5% | 6.9% | 7.9% | 10.6% | | 8.0% |
| | | | | | | |
| Three months ended 12/31/16 | | | | | | |
| Operating income | $ 39,928 | $ 9,321 | $ 3,541 | $ 7,477 | $ (18,867) | $ 41,400 |
| Non-GAAP adjustments (1) | 668 | 2,251 | - | (110) | 7,113 | 9,922 |
| Adjusted operating income | $ 40,596 | $ 11,572 | $ 3,541 | $ 7,367 | $ (11,754) | $ 51,322 |
| Operating income margin | 14.3% | 4.4% | 2.3% | 7.8% | | 5.6% |
| Adjusted operating income margin | 14.6% | 5.5% | 2.3% | 7.7% | | 6.9% |

(1) See accompanying table of "Reconciliation of GAAP Results to Non-GAAP Measures"

# EBITDA and Adjusted EBITDA Reconciliation

| | Three Months Ended | |
|---|---|---|
| | **12/31/2017** | **12/31/2016** |
| | *(unaudited and dollars in thousands)* | |
| Net Income | $ 47,103 | $ 27,185 |
| (Benefit)/provision for income taxes | (16,369) | 10,509 |
| Interest expense, net | 5,827 | 4,426 |
| Depreciation and amortization | 17,346 | 16,948 |
| Equity in net income of equity method investees | (194) | (38) |
| Stock based compensation expense | 4,158 | 2,531 |
| Long-lived asset impairment | 3,449 | - |
| Unrealized currency gains and losses | (287) | (1,984) |
| **EBITDA** | 61,033 | 59,577 |
| | | |
| Acquisition related expenses, restructuring, and integration charges, and other | 4,797 | 108 |
| Accounting review and remediation costs, net of insurance proceeds | 4,451 | 7,005 |
| Losses on terminated chilled desserts contract | 2,142 | - |
| U.K. and HPP start-up costs | 2,381 | - |
| Discontinuation of Round Hill Brand | 2,177 | - |
| HPP Network Distribution Redesign | 1,952 | - |
| Co-packer disruption | 1,567 | - |
| Regulated packaging change | 1,007 | - |
| Plant closure related costs | 700 | 1,804 |
| HPP Feed Formulation Test | 471 | - |
| Recall and other related costs | - | 397 |
| SKU rationalization | - | 160 |
| U.K. deferred synergies due to CMA Board decision | - | 447 |
| **Adjusted EBITDA** | $ 82,678 | $ 69,498 |

# Operating Free Cash Flow

| | Three Months Ended | |
|---|---|---|
| | 12/31/17 | 12/31/16 |
| | *(unaudited and dollars in thousands)* | |
| Cash flow provided by operating activities | $ 44,864 | $ 103,308 |
| Purchases of property, plant and equipment | (16,114) | (14,172) |
| Operating free cash flow | $ 28,750 | $ 89,136 |

# GAAP to Non-GAAP Reconciliation

**THE HAIN CELESTIAL GROUP, INC.**
**Reconciliation of GAAP Results to Non-GAAP Measures**
(unaudited and in thousands, except per share amounts)

| | Three Months Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 GAAP | Adjustments | 2017 Adjusted | 2016 GAAP | Adjustments | 2016 Adjusted |
| Net sales | $ 775,204 | $ - | $ 775,204 | $ 739,999 | $ - | $ 739,999 |
| Cost of sales | 630,933 | (12,396) | 618,537 | 601,606 | (693) | 600,913 |
| Gross profit | 144,271 | 12,396 | 156,667 | 138,393 | 693 | 139,086 |
| Operating expenses (a) | 98,730 | (4,148) | 94,582 | 89,880 | (2,115) | 87,765 |
| Acquisition related expenses, restructuring and integration charges | 4,797 | (4,797) | - | 108 | (108) | - |
| Accounting review and remediation costs, net of insurance proceeds | 4,451 | (4,451) | - | 7,005 | (7,005) | - |
| Operating Income | 36,293 | 25,793 | 62,086 | 41,400 | 9,921 | 51,321 |
| Interest and other expenses (income), net (b) | 5,753 | 286 | 6,039 | 3,744 | 1,984 | 5,728 |
| (Benefit)/provision for income taxes | (16,369) | 29,931 | 13,562 | 10,509 | 2,215 | 12,724 |
| Net income | 47,103 | (4,424) | 42,679 | 27,185 | 5,722 | 32,907 |
| Earnings per share - diluted | 0.45 | (0.04) | 0.41 | 0.26 | 0.05 | 0.32 |



[a] Operating expenses include amortization of acquired intangibles, selling, general, and administrative expenses and long-lived asset impairment.
[b] Interest and other expenses, net include interest and other financing expenses, net and other (income)/expense, net.

# GAAP to Non-GAAP Reconciliation (cont.)

Detail of Adjustments:

| | Three Months Ended December 31, 2017 | Three Months Ended December 31, 2016 |
|---|---|---|
| Losses on terminated chilled desserts contract | $ 2,142 | $ - |
| U.K. and HPP Start-up costs | 2,381 | - |
| Inventory costs for products discontinued or having redesigned packaging | 1,007 | 160 |
| Discontinuation of Round Hill Brand | 2,177 | - |
| Recall and other related costs | - | (110) |
| U.K. deferred synergies due to CMA Board decision | - | 179 |
| Plant closure related costs | 700 | 464 |
| Co-packer disruption | 1,567 | - |
| HPP feed formulation test | 471 | - |
| HPP network distribution redesign | 1,952 | - |
| Cost of sales | 12,396 | 693 |
| Gross profit | 12,396 | 693 |
| Plant closure related costs | - | 1,340 |
| U.K. deferred synergies due to CMA Board decision | - | 268 |
| Recall and other related costs | - | 507 |
| Stock Compensation Acceleration | 699 | - |
| Long-lived asset impairment charge associated with plant closure | 3,449 | - |
| Operating Expenses (a) | 4,148 | 2,115 |
| Acquisition related fees and expenses, integration and restructuring charges, including severance | 4,797 | 108 |
| Acquisition related expenses, restructuring and integration charges | 4,797 | 108 |
| Accounting review and remediation costs | 4,451 | 7,005 |
| Accounting review and remediation costs, net of insurance proceeds | 4,451 | 7,005 |
| Operating income | 25,793 | 9,921 |
| Unrealized currency (gains) and losses | (286) | (1,984) |
| Interest and other expenses (income), net (b) | (286) | (1,984) |
| Income tax related adjustments (c) | (29,931) | (2,215) |
| (Benefit)/provision for income taxes | (29,931) | (2,215) |
| Net income | $ (4,424) | $ 5,722 |



[a] Operating expenses include amortization of acquired intangibles, selling, general, and administrative expenses and long-lived asset impairment.
[b] Interest and other expenses, net include interest and other financing expenses, net and other (income)/expense, net.
[c] Included within the income tax related adjustments is the impact of the U.S. tax legislation enacted in December 2017. These tax law changes resulted in a net income tax benefit of $24.1 million, consisting of a $29.3 million reduction in the Company's net deferred tax liabilities as a result of the lowering of the U.S. corporate income tax rate, partially offset by an estimated $5.2 million transition tax imposed on the deemed repatriation of deferred foreign income.

# Net Sales and Adjusted Net Sales Growth

**THE HAIN CELESTIAL GROUP, INC.**
**Net Sales Growth at Constant Currency**
*(unaudited and in thousands)*

| | Hain Consolidated | United Kingdom | Rest of World |
|---|---|---|---|
| Net sales - Three months ended 12/31/17 | $ 775,204 | $ 238,201 | $ 107,728 |
| Impact of foreign currency exchange | (21,148) | (14,987) | (6,161) |
| Net sales on a constant currency basis - Three months ended 12/31/17 | $ 754,056 | $ 223,214 | $ 101,567 |
| Net sales - Three months ended 12/31/16 | $ 739,999 | $ 212,312 | $ 96,068 |
| Net sales growth on a constant currency | 1.9% | 5.1% | 5.7% |

**Net Sales Growth at Constant Currency and Adjusted for Acquisitions, Divestitures and Other**

| | Hain Consolidated | United States | United Kingdom | Rest of World |
|---|---|---|---|---|
| Net sales on a constant currency basis - Three months ended 12/31/17 | $ 754,056 | $ 270,303 | $ 223,214 | $ 101,567 |
| Net sales - Three months ended 12/31/16 | $ 739,999 | $ 278,640 | $ 212,312 | $ 96,068 |
| Acquisitions | 4,102 | - | 3,899 | 203 |
| Divestitures | (5,279) | (1,986) | (3,293) | - |
| SKU Rationalization | (4,362) | (4,362) | - | - |
| Inventory Realignment | 13,514 | 13,514 | - | - |
| Net sales on a constant currency basis adjusted for acquisitions, divestitures and other - Three months ended 12/31/16 | $ 747,974 | $ 285,806 | $ 212,918 | $ 96,271 |
| Net sales growth on a constant currency basis adjusted for acquisitions, divestitures and other | 0.8% | (5.4)% | 4.8% | 5.5% |

| | Hain Daniels | Hain Celestial Canada | Hain Celestial Europe |
|---|---|---|---|
| Net sales growth - Three months ended 12/31/17 | 11.6% | 11.2% | 14.9% |
| Impact of foreign currency exchange | (7.2)% | (5.4)% | (9.5)% |
| Impact of acquisitions | (2.6)% | 0.0% | 0.0% |
| Impact of divestitures | 2.2% | 0.0% | 0.0% |
| Net sales on a constant currency basis adjusted for acquisitions, divestitures and other - Three months ended 12/31/17 | 4.0% | 5.8% | 5.3% |