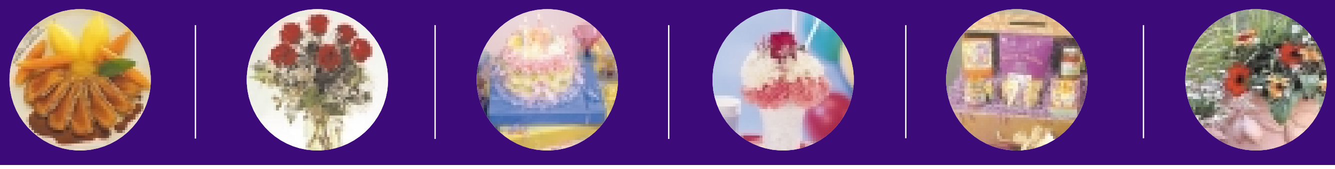
Thoughtful Gifting



Focused Growth

1-800-flowers.com℠

2000 Annual Report

About the Company

With one of the most recognized brands in multi-channel retailing, 1-800-FLOWERS.COM has become the *trusted guide to gifting*℠ for our customers. The Company provides a broad range of thoughtful gift products including flowers, gourmet foods, candies, gift baskets and other unique gifts to customers around the world. The Company utilizes a "360 degree," multi-channel approach to providing convenient customer access to its product offerings through: its website on the Internet (www.1800flowers.com), by calling 1-800-FLOWERS® (1-800-356-9377) 24 hours a day, its catalogs, or by visiting one of its Company-operated or franchised stores.

The Company's gift product line is complemented by the merchandise sold through its subsidiaries which include Plow & Hearth, a direct marketer (catalog: 1-800-627-1712; and web: www.plowhearth.com) of home decor and garden merchandise and GREATFOOD.COM (www.greatfood.com), an online retailer of gourmet food products.

1-800-FLOWERS.COM has strategic online relationships with America Online, Yahoo!, MSN, and NBCi, among others. ClicksGuide.com, an online service that rates and reviews e-commerce sites, has named the Company's website the number one gift site on the Internet. The Company's Class A Common Stock is listed on the NASDAQ National Market under the symbol "FLWS."

Leveragable Assets

- **Powerful Brand Name**
  - A well known family of brands: 1-800-Flowers.com℠; Plow & Hearth®; American Country Home℠; GREATFOOD.COM®
  - Dominance in retail floral market; leveragable in "thoughtful" gift categories
- **Scalable Technology and Fulfillment Infrastructure**
  - Web retailing experience since 1992
  - Peak order-taking and fulfillment capacity (at 300,000 orders per day and growing)
  - State-of-the-art customer service (24x7 live agents and keyboard-to-keyboard chat)
- **Key Relationships**
  - Extensive portal relationships (AOL, Yahoo!, MSN, NBCi, and others)
  - Thousands of vendors
  - More than 30,000 online affiliates
  - Growing corporate gifting channel
- **Solid Balance Sheet**
  - $100 million+ at fiscal 2000 year end
  - Virtually no long-term debt
- **Strong Gross Margins**
- **Growing Customer Database in Excess of 9 Million**
- **Experienced Retail Management Team**

Special Note Regarding Forward Looking Statements

A number of statements contained in this report are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the applicable statements. These risks and uncertainties include, but are not limited to: the Company's ability to maintain and enhance its online shopping Web sites, its telephonic network and its retail stores to attract customers; its ability to successfully introduce new products and product categories; its ability to execute its contracts and maintain good relations with key third party vendors; its reliance on third party vendors for a significant portion of its order fulfillment; its ability to cost effectively acquire and retain customers; its reliance on third parties for a portion of its online customer traffic; its ability to continue growing revenues; its ability to maintain gross margins; its ability to attain positive EBITDA; and its ability to maintain its position as an industry leader in its retail business sectors. For a more detailed description of these and other risk factors, please refer to the Company's Securities and Exchange Commission filings on Forms 8-K and 10-Q and its Annual Report on Form 10-K.

Contents

Financial Highlights

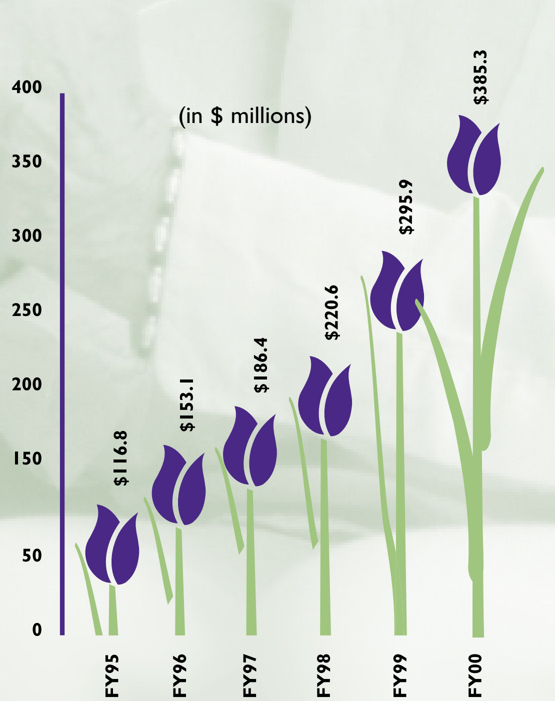
	Years Ended				
	July 2, 2000	June 27, 1999	June 28, 1998	June 29, 1997	June 30, 1996
	(in thousands, except percentages and customer data)				
Total Net Revenues	$385,250	$295,873	$220,592	$186,430	$153,128
Telephonic Revenues	230,221	203,885	161,874	145,295	127,920
Online Revenues	119,019	52,886	26,748	16,092	9,936
Retail/Fulfillment Revenues	36,010	39,102	31,970	25,043	15,272
Non-floral Revenues as % of Total Virtual* Revenues	33%	26%	8%	2%	3%
Gross Profit	147,757	116,176	83,626	71,352	60,308
Gross Profit Margin Percentage	38.4%	39.3%	37.9%	38.3%	39.4%
Customer Base (millions)	9.3	6.8	5.0	n/a	n/a

*(*Virtual revenues include combined net online and telephonic revenues)*

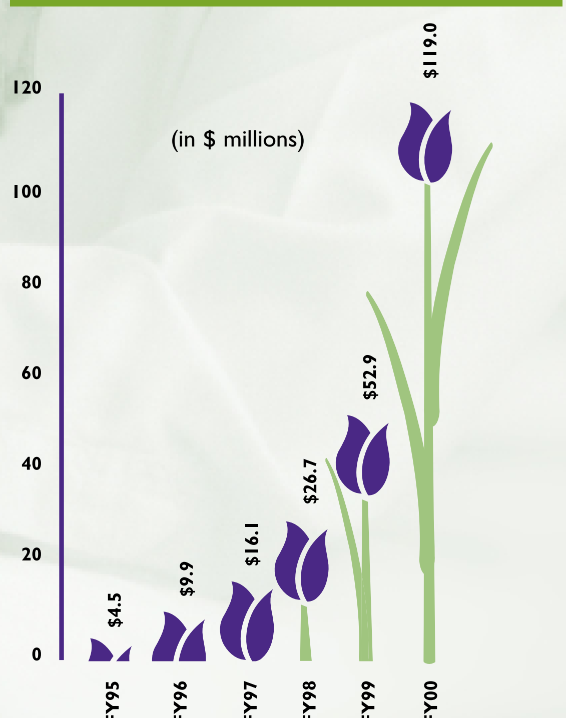
Fiscal 2000 Achievements

- Increased total revenues 30 percent to record $385 million
- Increased online revenues 125 percent to $119 million
- Cost effectively acquired 2.7 million new customers
  - Customer acquisition costs among lowest in our retail sector
  - 9.3 million total customer base at fiscal year end
- Successfully expanded thoughtful gift offering
  - Increased non-floral revenues more than 50%
  - represented 33% of total virtual revenues
- Completed IPO, becoming a publicly traded company
  - Raised sufficient capital to achieve business plan goals with ample cash cushion

Total Revenues

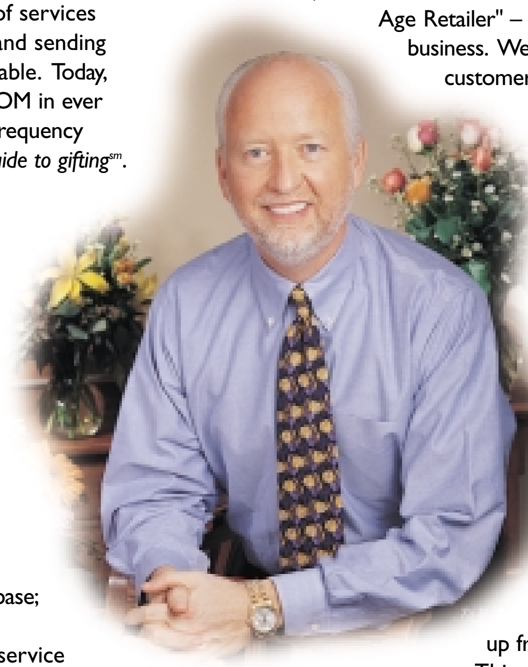


Rapid Online Revenue Growth



To Our Shareholders

Fiscal 2000 was an exciting year for 1-800-FLOWERS.COM, one in which we achieved a number of important goals, including continued strong revenue growth that has helped establish our Company as a leading provider of floral products and thoughtful gifts, both online and in traditional retail channels. Since our Company's inception, our goal has been to help our customers connect with all of the important people in their lives. We accomplish this by providing a broad selection of thoughtful gifts for all occasions as well as a suite of services designed to make the task of selecting and sending those gifts convenient, personal and reliable. Today, customers come to 1-800-FLOWERS.COM in ever increasing numbers and with increasing frequency because we have become their *trusted guide to gifting*[sm].



Key Strategic Achievements

This past fiscal year represented the second year of our aggressive plan to build our business by leveraging the assets and experience we have acquired over the past 24 years as a successful retail operation. In so doing, I believe we have positioned our company as a leader in the "new" retail economy, both today and for the future.

During the year we set out to:

- further build our brand;
- cost effectively increase our customer base;
- expand our product offerings;
- expand our fulfillment and customer service infrastructure;
- enhance our technology platform;
- extend and add to our business relationships; and
- become a publicly traded company, which we did to raise capital in support of our aggressive growth plan, create a currency and provide a way for everyone in our company to have an equity participation in our long-term growth.

I am very pleased to report that we successfully accomplished all of these objectives and did so while recording significantly better-than-anticipated revenue growth and lower-than-anticipated operating costs. We were able to do so this because we have a proven business model, one that has successfully evolved throughout our history.

360 Degree "Next Age Retailer"

1-800-FLOWERS.COM has always been a company that embraces new technologies and business innovations – such as "800" numbers when they became a new phenomenon and, since 1992, on the Internet, where we were one of the very first retail merchants. We did not adopt these innovations to be "trendy" or just for the sake of change, but to enhance our relationship with our customers. In doing so, we have evolved into what some industry pundits are calling a "Next Age Retailer" – a retail company with a 360 degree approach to its business. We provide convenient, multi-channel access for our customers wherever, whenever and however they wish to access our services – whether it be from their desktop computer, on a cell phone in a taxi heading to the airport, through catalogs, by walking into any of our retail stores and, eventually, via the new web appliances and wireless technologies currently under development.

Accelerated Revenue Growth

Total net revenues for fiscal 2000 grew 30.2 percent to $385.3 million compared with revenues of $295.9 million in fiscal 1999. This continued, strong growth was fueled by the accelerated growth of our online business where we achieved revenues of $119.0 million, an increase of 125.0 percent compared with $52.9 million in the prior year. Online revenues in fiscal 2000 represented 30.9 percent of total net revenues, up from 17.9 percent of total net revenues in the prior year. This growth illustrates the successful positioning of 1-800-FLOWERS.COM as a leading source for thoughtful gifts on the Internet during a period of rapidly growing customer acceptance of online shopping. Worth noting is the fact that during fiscal 2000, our telephonic sales increased a very healthy 12.9 percent to $230.2 million compared with $203.9 million in fiscal 1999. Overall, our combined "virtual businesses" – telephone and online – increased 36.0 percent to $349.2 million compared with $256.8 million in fiscal 1999.

Leveragable Assets

Through our May 1999 private placement and our August 1999 IPO, we believe we raised more than sufficient capital to achieve our business plan. Thus, at fiscal year-end, our balance sheet boasted cash and cash equivalents of more than $110 million – a solid position that gives us significant leverage and flexibility going forward.

We have been able to invest effectively to grow our business primarily because of the unique collection of leveragable assets that we have assembled during our many years of operation.

These assets include:

- Our highly recognized and trusted family of brand names;
- Our large and growing customer database;
- Our proven hybrid fulfillment system – including same day delivery capabilities;
- Our reliable and scalable technology infrastructure;
- Our strong relationships with our marketing partners, thousands of vendors, more than 30,000 members of our online affiliate network, and a growing list of industry-leading corporate business partners;
- Our experienced retail management team;
- Our strong gross margins and solid balance sheet.

Cost-effective Customer Acquisition

Another characteristic that differentiates 1-800-FLOWERS.COM from many retail companies is our disciplined, cost effective approach to customer acquisition. During fiscal 2000 – the highest marketing spending year in our business plan – our customer acquisition cost increased from our historical range of approximately $17-$18 to approximately $23.00 – a level we believe is still among the lowest in the retail sector, online or off. Importantly, we are already seeing customer acquisition costs declining and we anticipate returning to our historical levels during fiscal 2001 as we utilize the leverage provided by our strong brand name as well as enhanced marketing knowledge and capabilities.

A significant portion of the marketing expenses incurred during fiscal 2000 can be directly attributed to our successful online efforts. During the year, we effectively executed our strategy regarding portal deals, including traffic building, brand reinforcement and competitive blocking. The strength of our brand can be seen in the more than 70 percent of our online orders derived from customers who come directly to our URLs, up from approximately 40 percent a year ago. This was accomplished during a period of intense spending by online start-up companies fueled with inexpensive capital from both the private and public sectors.

For fiscal 2001, we anticipate our total marketing expenses, both in terms of actual dollars as well as a percent of total revenues, will decline significantly. What's more, we expect to achieve these cost reductions without impacting our growth plans which include again acquiring more than 2.5 million new customers.

Expanded Gift Offering = Year-round Retailer

While we continue to build on our dominant position in the floral business – both online and off – we believe the successful expansion of our thoughtful gift offering has increased our value to our customers. As a result, our customers are beginning to make more frequent purchases of both non-floral and floral products. Because our customers have come to embrace 1-800-FLOWERS.COM as their *trusted guide to gifting*, we now derive an increasing portion of our sales from non-floral products – approximately 33 percent in fiscal 2000 and 40 percent anticipated in fiscal 2001. As a result, 1-800-FLOWERS.COM is unlike many retail companies who rely on the calendar fourth quarter holiday shopping period for the majority of their annual sales. We now have not one, but two very strong revenue quarters – our traditional Spring quarter, which includes Mother's Day, Easter, Father's Day and graduations, among others, and the increasingly important calendar fourth quarter holiday shopping period.

Profitable Experience

We believe the investments we have made, and continue to make, in our technology platform, our fulfillment system, our product and service offerings and our operating infrastructure, will provide increasingly strong returns, both over the relative short-term as well as the long-term. Based on the benefits from these investments that we are already beginning to experience, we have a high degree of confidence in our ability to attain our stated goal of positive EBITDA in the fourth quarter of fiscal 2001 and for full fiscal year 2002.

By doing what we have always done best – embracing new business innovations and technologies that can help us enhance our relationships with our customers – we believe 1-800-FLOWERS.COM has become a model for the "Next Age" retail company. Our proven business model continues to evolve, providing us with increasing leverage and excellent opportunities to grow our return on invested capital and thereby help build shareholder value. We thank all of our customers, investors, associates, vendors and business partners for their support.

Sincerely,

Jim

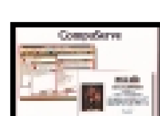
Jim McCann
Chairman and CEO

1976
Purchase of first retail florist shop in NYC

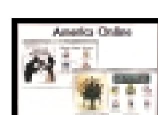
1976–85
Expansion to 14 retail stores

800·FLOWERS®

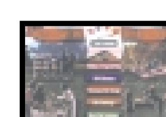
1986
Acquisition of "800-FLOWERS" number and adoption as brand



1992
Entry onto Internet via CompuServe



1994
Move to AOL as their exclusive florist



1995
Launch of 1-800-FLOWERS website

Plow & Hearth®
Products For Country Living

1998
Acquisition of Plow & Hearth

FLWS NASDAQ LISTED

1999
Renamed company 1-800-FLOWERS.COM; IPO on NASDAQ; expansion of product line into "thoughtful gift" categories

2000
Acquisition of GREATFOOD.COM; launch of expanded gift strategy

Expanding | Our Product | Offering

Changing The Way People Buy Gifts

Since inception, 1-800-FLOWERS.COM has been helping people make connections with all of the important people in their lives. Whether it's for a celebration of love or friendship, recognition of a business or personal accomplishment or an expression of condolence, flowers have always been the universal gift of sentiment and the cornerstone of the Company's product offerings.

The annual domestic market for flowers and floral gifts is estimated at more than $15 billion (source: Society of American Florists) with a growth rate of approximately five percent per year. This is a large and fragmented market, with thousands of individual retail florists throughout the country. From our origins as a single flower shop in Manhattan, New York, 1-800-FLOWERS.COM has revolutionized the floral industry by providing customers with a level of convenience and consistency previously unavailable in the marketplace. As a result, the Company has emerged as an industry leader and the 1-800-FLOWERS.COM brand name has come to represent a *trusted guide to gifting* for our customers.

Gifts For All Occasions

While flowers remain our signature offering – particularly around such traditionally floral holidays as Valentine's Day, Mother's Day and Easter – customers have been increasingly turning to 1-800-FLOWERS.COM for more of their gift-giving occasions. In surveys we've conducted with our customers, they have consistently told us that they would like to buy a broader range of gift products from a company whose brand they have come to trust. As a telephonic direct marketer and retail store operator, 1-800-FLOWERS.COM has always offered a mix of gift products in addition to flowers and plants. Historically, however, the limitations inherent in a telephonic operation and the inventory requirements associated with "brick-and-mortar" stores had limited the scope of any product expansion.

The Internet changed all that. In fact, 1-800-FLOWERS.COM was literally a company just waiting for the World Wide Web. Online retailing has allowed us to offer our customers an extensive array of gift ideas presented in a virtual shopping environment in which they can see the items they plan to send. Our typical online customer spends an average of eight+ minutes shopping the site during their first visit – a testament to the broad range of gifts available.

More Gift Choices

Today, customers are coming to 1-800-FLOWERS.COM for an ever widening collection of thoughtful gifts, including holiday specific as well as everyday occasion gifts. A visitor to our website will find choices ranging from floral arrangements, plants, gift baskets and plush toys to home accessories and gourmet treats such as imported cheeses, caviar and even giftable "surf and turf" dinners from our GREATFOOD.COM® brand.

To continually keep our product selection fresh and exciting, we are always adding new gifts. For example, during fiscal 2000 we successfully launched our own branded line of Fleur de Chocolate™ candies, selling more than 30,000 one-pound boxes in just a few short months. Our new "specialty boutiques" category offers great giftware and beautiful jewelry, while our "sweet shoppe" boasts a vast selection of delectables such as cheesecakes and chocolates from all over the world.

In addition to our extensive gift offering, the 1-800-FLOWERS.COM℠ brand is complemented by the merchandise sold under our family of brands, including Plow & Hearth, a direct marketer of home decor and garden merchandise. Plow & Hearth sells a broad range of "country lifestyle" products through its signature catalogs, including Plow & Hearth® and American Country Home℠, as well as its fast growing website (www.plowhearth.com).

Merchant Partners

Another avenue of product expansion for 1-800-FLOWERS.COM is our merchant partner program, launched at the start of fiscal 2001. Because of our collection of leveragable assets, 1-800-FLOWERS.COM has become an increasingly attractive partner for a variety of established companies that have product offerings in categories in which our customers have indicated an interest.

The merchant partner program allows us to cost efficiently add product categories while minimizing our operating risk and capital investment. Our merchant partners are responsible for all inventory investment and management as well as for handling order fulfillment. They also support necessary investments in technology integration and provide merchandising

expertise for their specific product categories. In return, we provide them with access to our millions of customers, our award-winning website, our robust technology platform and our superior customer service capabilities.

Since the start of fiscal 2001, we have signed merchant partner agreements with Finlay Jewelry – a billion dollar provider of jewelry products to department stores throughout the country – and Lenox Collections, the venerable manufacturer of fine giftware and collectibles. Going forward, we anticipate adding new merchant partners in a variety of thoughtful gift categories.

Extending | Our Market | Reach

Making Connections

In today's fast moving world, people are finding it increasingly difficult to maintain their personal connections with all the people who are important in their lives. The incredible mobility of our society often separates families, friends and business acquaintances. As a result, people need to find new ways to express their thoughts and feelings. 1-800-FLOWERS.COM is focused on providing the convenience and confidence that our customers need to act on their thoughtfulness.

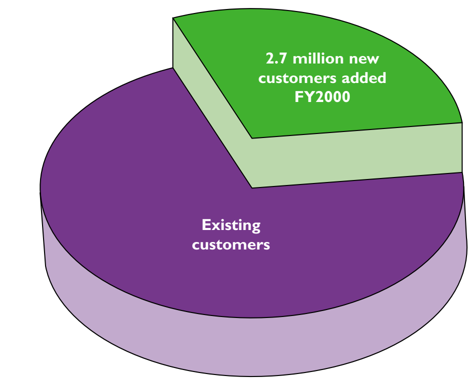
We have always embraced new technologies that can help us provide added convenience for our customers. Our name literally tells our story. While toll-free "800" telephone numbers may be commonplace today, at one time they represented an untested new technology – just as the Internet was only a few short years ago. The development of the 1-800-FLOWERS.COM business model has been an evolutionary process, incorporating the newest and most advanced technologies where they can be used to enhance convenient customer access. Meanwhile, we've continued to nurture all of our existing methods of customer access.

Leveraging Our Brands 360 Degrees

Indeed, our approach to reaching customers is well-rounded, encompassing not only the power of the Internet, but also a variety of convenient customer access channels – from our namesake toll-free 800 telephone number, to catalogs and retail stores. Our "Next Age" multi-channel retail model enables us to keep the 1-800-FLOWERS.COM℠ brand name in front of customers, making it easy for them to associate our name with thoughtful giving and making it convenient for them to purchase the perfect gift for the people they care about. In fiscal 2000, our multi-channel marketing approach proved more successful than ever before in our history, as we added a record 2.7 million new customers to our database, growing our total number of customers to more than 9.3 million. We also expanded our Corporate Gifting Program, firmly establishing 1-800-FLOWERS.COM as a leading site for business to business gift giving for some of America's leading corporations, including IBM, American Express, MCI Worldcom, Sears, and American Airlines.

While the expansion of our customer base has been impressive and will continue to be part of our future growth plan, our strategy also involves carefully coordinating the different aspects of our retailing model so that each aspect complements the others. Much of this is accomplished with specifically themed marketing vehicles that coincide with some of the busiest gifting seasons of the year: Thanksgiving and Christmas holidays in late Fall and early Winter and Mother's Day in Spring. Our website product offering during those times reflects gifts that are selected to target customer gifting needs for each respective seasonal occasion. Similarly, the design of our Plow & Hearth and American Country Home catalogs, as well as our retail stores, feature seasonal themes, thereby tying all of our marketing vehicles together to deliver one cohesive message.

Growing Customer Base



9.3 Million Total Customer Database

Addressing An Increasingly Wireless World

Embracing new technologies has always been an important element of the 1-800-FLOWERS.COM business model. While extending our market reach through our core access channels – online, telephonic, direct marketing and retail store – we've also recognized the potential of the new computer "appliances" and mobile web-access technologies that are being developed. Eventually, these wireless devices will give consumers the freedom to visit online stores such as ours from almost anywhere the consumer happens to be – whether it's driving on a backroad in Southern California or camping on a mountaintop in Northern Vermont – all without the traditional restrictions of hardline modem hookups.

As with other components of the 1-800-FLOWERS.COM multi-channel model, next generation wireless technologies will be integrated seamlessly within our overall customer access strategy. Perhaps the best way of describing it all is with the following analogy: the 1-800-FLOWERS.COM website can be viewed as our fully-stocked and beautifully merchandised gift department store with a broad range of thoughtful gift products and a superior shopping experience; our telephone access is our convenience

Proven "Hybrid" Fulfillment Resources

store for quick, easy access when a customer knows just what they are looking for and needs to act quickly from wherever they may be; and soon we'll be adding a "drive-thru window" in the form of the wireless web appliances and communications devices that are now being developed – again always stressing convenient customer access when, where and how the customer prefers.

Same-day, Next-day, Any-day

1-800-FLOWERS.COM has developed a market-proven fulfillment infrastructure that allows us to deliver customer orders with speed and efficiency few companies can match. In fact, we're proud to say that getting products "from here to there" is one of the things that we believe we do as well, or perhaps better, than anyone else in the retail sector – including both online and traditional brick and mortar retailers.

Key to our fulfillment architecture is our innovative "hybrid" model which includes our "BloomNet®" network of florists, our company owned distribution centers, and brand name vendors who ship directly. Most of these entities are connected by our advanced "BloomLink®" communications system, an Internet-based "extranet" through which orders and related information are transmitted.

BloomNet Florist Network

At the core of the hybrid fulfillment model is our unique BloomNet® network of approximately 1,500 florists, including independent local florists as well as our company-owned and franchise stores. These BloomNet shops fulfill a majority of our fresh-cut floral, same day delivery orders throughout the country. Our mutually beneficial relationship with these floral retailers is longstanding – in many cases 10 years or more. 1-800-FLOWERS.COM is an important and growing part of these florists' businesses, representing a significant portion of their total annual revenue. In addition, because of the large and growing order volume that we generate for our partners, they gain considerable buying power for all of their product inventory, thus helping them improve the profitability of their businesses and ensuring the highest quality and service for 1-800 FLOWERS.COM customers.

State-of-the-Art Distribution Centers

The second element of our hybrid fulfillment model is our collection of company-owned, state-of-the-art distribution facilities. Our primary "brown-box" distribution center is a 300,000 square foot facility located in Madison, Virginia. This facility is managed by our Plow & Hearth subsidiary and has been expanded several times in recent years to accommodate the strong growth of both 1-800-FLOWERS.COM and Plow & Hearth branded product sales. The facility utilizes the very latest warehouse management system technologies and has ample space available for future expansion.

More than 1.2 million packages were shipped from the Madison facility in fiscal 2000, up from 800,000 in the prior year. We anticipate that shipments will surpass 1.7 million packages in FY 2001. Complementing the Madison distribution center are several smaller "satellite" fulfillment centers – each ten to fifteen thousand square feet – designed specifically for in market product deliveries. These facilities supplement the BloomNet network, particularly in high volume markets. In addition, we are making the

most of our assets and retail expertise by increasingly utilizing many of our company owned retail stores as mini-distribution centers, with 1-800-FLOWERS.COM branded vans making deliveries on a local basis.

Vendor Direct Program

Part three of our hybrid fulfillment model is our carefully selected network of industry leading brand name vendors who fulfill 1-800-FLOWERS.COM orders in a variety of non-floral product lines. These vendors fulfill orders direct from their own warehouses, allowing us to offer our customers some of the very best gift products available without incurring added inventory expenses. Each vendor is connected via the BloomLink extranet, and orders are electronically communicated for rapid fulfillment. Top quality and unique gift products, such as gourmet foods, candles, plush stuffed animals and even Adirondack chairs for dad on Father's Day, are shipped directly from the vendor to the consumer.

1-800-FLOWERS.COM branded packaging leverages our name while furthering the confidence and knowledge among our customers that they can look to us for all of their gift needs.

Focus On Service

Whether customers come to 1-800-FLOWERS.COM via their computer, their telephone or in one of our retail stores, we know that they expect the very best customer service experience. Online shoppers, because of the relative newness of the medium and because it provides multiple contact points (e.g., email and chat) often require even more customer service "touches" than traditional shoppers. As a 360 degree retailer, with the advantage of our

telephone-based customer relationship expertise, 1-800-FLOWERS.COM is uniquely positioned to provide superior and highly scalable customer service. Among the many initiatives we implemented during fiscal 2000 to further expand our capabilities in this key area is a full-scale computer telephony integration (CTI) platform. This advanced technology package contains a suite of applications for all of our service centers and is built on a highly scalable architecture to accommodate our growing customer needs. The system's features allow us to more quickly direct customer calls to skilled and knowledgeable sales and service agents who can then speak on a one-to-one basis utilizing pop-up screens that provide customer-specific information such as ordering history.

Using the advanced CTI technology, our customer service associates and our customers can browse our website together, allowing us to address and respond to customer requests virtually immediately.

In addition to our advanced telephonic customer service resources, we are now utilizing enhanced online customer service tools that put the focus on personalization. For instance, gift reminder services – something we traditionally did telephonically – are now available to our customers via email. We also offer our customers the convenience and personalized communication of keyboard-to-keyboard chat – a technology we actually helped develop in response to customer needs – as well as product specific search tools to assist customers in making the perfect gifting choices.

Connecting With Our Customers

Scaling Up For Peak Periods

The ability to scale up our customer service capacity during peak selling periods such as Mother's Day, Easter, Christmas and Valentine's Day is as much an art as it is a science. During these busy periods we often triple our average service associate count from approximately 1,000 to 3,000 representatives. This scaling effort requires extraordinary coordination between hiring, training and scheduling and represents a legacy skill that few retailers can emulate. Our ability to successfully scale up our customer service capacity ensures that 1-800-FLOWERS.COM customers will receive consistent, dependable customer service – particularly important when they are searching for just the right gift for that special someone in their lives.

Selected Financial Data

1-800-FLOWERS.COM, Inc. and Subsidiaries

The following tables summarize the Company's consolidated statement of operations and balance sheet data. The Company disposed of Floral Works, Inc. in January 2000, acquired GreatFood.com, Inc. and TheGift.com, Inc. in November 1999 and acquired The Plow & Hearth, Inc. in April 1998. The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition and up through the date of disposition. You should read this information together with the discussion in "Management's Discussion and Analysis of Financial Condition and Result of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this Annual Report.

	Years Ended				
	July 2, 2000	June 27, 1999	June 28, 1998	June 29, 1997	June 30, 1996
			(in thousands, except per share data)		
Consolidated Statement of Operations Data:					
Net revenues:					
Telephonic	**$230,221**	$203,885	$161,874	$145,295	$127,920
Online	**119,019**	52,886	26,748	16,092	9,936
Retail/fulfillment	**36,010**	39,102	31,970	25,043	15,272
Total net revenues	**385,250**	295,873	220,592	186,430	153,128
Gross profit	**147,757**	116,176	83,626	71,352	60,308
Operating (loss) income	**(75,581)**	(8,171)	6,415	6,852	2,702
Net (loss) income	**(66,830)**	(6,846)	5,074	4,387	1,297
Net (loss) income applicable to common stockholders	**$(66,830)**	$(12,061)	$ 3,466	$ 2,925	$ 268
Net (loss) income per common share applicable to common stockholders:					
Basic	**$ (1.10)**	$ (0.27)	$ 0.08	$ 0.07	$ 0.01
Diluted	**$ (1.10)**	$ (0.27)	$ 0.07	$ 0.06	$ 0.01

	As of				
	July 2, 2000	June 27, 1999	June 28, 1998	June 29, 1997	June 30, 1996
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and equivalents	**$111,624**	$ 99,183	$ 8,873	$ 11,443	$ 6,639
Working capital (deficit)	**82,129**	85,619	1,950	1,975	(2,452)
Total assets	**224,641**	182,355	81,746	44,130	36,884
Long-term liabilities	**12,947**	37,766	35,359	9,456	17,804
Redeemable class C common stock	**—**	—	17,692	16,084	14,622
Total stockholders' equity (deficit)	**158,918**	109,003	672	(2,670)	(5,615)

Overview

1-800-FLOWERS.COM, Inc. is a leading multi-channel source of thoughtful gift products, offering an extensive array of fresh-cut flowers, plants, gift baskets, gourmet foods, home décor and garden merchandise and other unique products. With one of the most recognized brands in retailing and a history of successfully integrating technologies and business innovations, the Company has evolved into a "next age" retailer providing convenient, multi-channel access for customers via the Internet, telephone, catalogs and retail stores.

1-800-FLOWERS.COM offers thousands of stock keeping units ("SKUs") including flowers, plants, specialty gifts, gourmet foods, gift baskets, garden accessories, and home décor items. The Company's product offering reflects a carefully selected assortment of high quality merchandise chosen for its unique "thoughtful gifting" qualities which accommodate customer needs in celebrating a special occasion or conveying a personal sentiment. Many products are available for same-day or overnight delivery and all come with the Company's 100% satisfaction guarantee. In addition to the Company's selection of thoughtful gifts, the Company's product line is further complemented by its subsidiaries which include Plow & Hearth, a direct marketer (catalog and web: www.plowhearth.com) of home décor and garden products, and GreatFood.com (www.greatfood.com) the #1 online destination (*Time* magazine 12/99) for gourmet food products.

A majority of the Company's floral and floral-related gift products are fulfilled through one of approximately 1,500 fulfillment centers, including the BloomNet network of independent florists and the Company's owned or franchised stores. The Company transmits its orders either through BloomLink, its proprietary Internet-based electronic communication system, or the communication system of a third-party. Remittance to the fulfilling florist is processed either through a third-party wire service that reconciles and effects payments between sending and fulfilling florists, called a clearinghouse, or is directly paid by the Company. Consistent with industry practice, the Company remits 80% of the value of the merchandise sold to a wire service for settlement with the fulfilling florist. It is customary for the wire service to retain a 7%-9% fee for its services. Additionally, when settling directly with the fulfilling florist, the Company remits between 71% and 74% of the value of the merchandise sold. It is also industry practice for the clearinghouse to credit back to the originating florist a rebate for payments processed through the clearinghouse.

The Company's home and garden merchandise and non-floral related gift products and gourmet foods are shipped by the Company, members of BloomNet or third parties directly to the customer. The Company ships non-floral gift items by Federal Express, United Parcel Service, United States Postal Service or other common carriers. Most of the Company's home and garden products are fulfilled from its Madison, Virginia fulfillment center.

The Company's retail fulfillment operations primarily consist of 39 owned and 83 franchised stores. Retail fulfillment revenues also include revenues attributable to the Company's Floral Works wholesale floral subsidiary (through the date of its disposition in January 2000), fees paid to the Company by members of its BloomNet network and royalties, fees and sublease rent paid to the Company by its franchised stores. Company owned stores serve as local points of fulfillment and enable the Company to test new products and marketing programs. As such, a majority of the revenues derived from Company owned stores represent fulfillment of its floral orders and are eliminated as intercompany revenues.

The Company expects to incur losses for the foreseeable future as a result of the significant operating and capital expenditures required to achieve its objectives. However, the Company expects to achieve positive Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA") for the fourth quarter of fiscal 2001 and full year of fiscal 2002. No assurances can be made that positive EBITDA can be achieved on this schedule or at all. In order to achieve and maintain profitability, the Company will need to generate revenues significantly above historical levels. The Company's prospects for achieving profitability must be considered in light of the risks, uncertainties, expenses, and difficulties encountered by companies in the rapidly evolving market of online commerce.

Results of Operations

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal year 2000, which ended July 2, 2000 consisted of 53 weeks, while fiscal years 1999 and 1998, which ended on June 27, 1999 and June 28, 1998, respectively, consisted of 52 weeks. As such, a portion of the increase in the Company's fiscal year 2000 revenues, and associated variable expenses, was attributable to the additional week of activity during the period.

Net Revenues

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
Net Revenues:			*(in thousands)*		
Telephonic	**$230,221**	12.9%	$203,885	26.0%	$161,874
Online	**119,019**	125.0%	52,886	97.7%	26,748
Retail/fulfillment	**36,010**	(7.9%)	39,102	22.3%	31,970
	$385,250	30.2%	$295,873	34.1%	$220,592

Net revenues consist primarily of the selling price of merchandise and service and shipping charges, net of returns and credits. Growth in both telephonic and online revenues during the years ended July 2, 2000 and June 27, 1999 was due to an increase in order volume and average net revenue per order as a result of increased marketing spending, an increase in repeat purchases from existing customers, and the Company's continued expansion into non-floral products, including a broad range of items such as online greeting cards, candies and gourmet items, as well as unique gifts for the home and garden. Non-floral gift products accounted for 29.6%, 21.4% and 5.3% of total merchandise sold during the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively. During the fiscal years ended July 2, 2000 and June 27, 1999, the Company added approximately 2.7 million and 2.2 million new customers, respectively, bringing its cumulative customer accounts, at July 2, 2000, to over 9.3 million, 2.2 million of which have transacted business either through the *1-800-flowers.com* Web site or one of its affiliated portal partners. In addition, online revenue growth continues to be driven by increased traffic coming directly to the Companys' URL's ("Universal Resource Locators"), which accounted for 69.0%, 45.9% and 37.1% of total online orders during the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively. The continued growth of telephonic revenues demonstrates the benefits of providing customers with multiple channel access to products and services. Additionally, a large component of the growth in the telephonic revenues during the year ended June 27, 1999 was attributable to the Company's April 1998 acquisition of Plow & Hearth.

Revenue derived from the Company's GreatFood.com subsidiary, which is included in the Company's results of operations since it was acquired on November 24, 1999, was not material in relation to consolidated revenue for the year ended July 2, 2000.

The decrease in retail/fulfillment revenues during the year ended July 2, 2000 in comparison to the year ended June 27, 1999 was due to a $5.1 million reduction in floral wholesale net revenue as a result of the Company's divestiture of Floral Works in January 2000, offset by an increase in retail net revenue due to growth in the number of owned retail stores from 36 at June 27, 1999 to 39 at July 2, 2000, and an increase in same store sales. The increase in retail/fulfillment revenues during the year ended June 27, 1999, in comparison to the year ended June 28, 1998, was primarily due to the growth in the number of owned retail stores from 23 to 36.

In accordance with the Company's redeployment plan discussed below, the Company does not expect to materially increase the number of owned retail stores in the foreseeable future.

Gross Profit

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
			(in thousands)		
Gross Profit	**$147,757**	27.2%	$116,176	38.9%	$83,626
Gross Margin %	**38.4%**		39.3%		37.9%

Gross profit consists primarily of net revenues less cost of revenues which consist primarily of florist fulfillment costs (fees paid to wire services that serve as clearinghouses for floral orders, net of rebates), the cost of floral and non-floral merchandise sold from inventory or through third parties, and the associated costs of inbound freight and outbound shipping. Additionally, cost of revenues includes labor and facility costs related to direct-to-consumer operations and to properties that are sublet to the Company's franchisees. During the years ended July 2, 2000 and June 27, 1999, gross profit increased as a result of increased sales volume and average net revenue per order. Gross margin percentage during the year ended July 2, 2000 declined 0.9 percentage points in comparison to the prior year due to certain introductory product pricing, including promotions related to the successful launch of the Company's exclusive line of "Fleur de Chocolate" branded Belgian candies, a higher credit and replacement rate on floral orders during the Valentine's and Mother's Day holidays to increase customer satisfaction and loyalty, and an increase in the average merchandise sales price on florist fulfilled orders which, while generating higher absolute gross profit dollars, results in a lower gross margin percentage since the Company's fixed service charge is spread over a higher sales price. The gross margin percentage increase during June 27, 1999 was primarily attributable to the April 1998 acquisition of Plow & Hearth, whose product line carries a higher margin than floral products.

Marketing and Sales Expense

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
	(in thousands)				
Marketing and sales	**$161,075**	74.8%	$92,147	66.3%	$55,417
Percentage of net revenues	**41.8%**		31.1%		25.1%

Marketing and sales expense consists primarily of advertising and promotional expenditures, catalog costs, fees paid to establish and maintain strategic relationships with Internet portal companies, costs associated with retail stores, customer service center and fulfillment center operations and the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities. The increases in marketing and sales expense during the years ended July 2, 2000 and June 27, 1999 were primarily attributable to higher discretionary spending in traditional media advertising, relationship and direct marketing, additions to the Company's marketing and merchandising staff, as well as additional sales personnel in support of order fulfillment and customer service activities, and additional online portal expenses as a result of the Company's expanded agreement with America Online, contract renewal with Excite and Microsoft Network and new agreements with Snap.com and Yahoo!. In addition, in June 2000, in connection with management's plan to reduce costs and improve operating efficiencies, the Company recorded a redeployment charge of approximately $2.1 million. The principal reasons for the charge include the closure of certain retail stores in connection with the Company's strategic redeployment of its retail network of direct fulfillment centers and the relocation of certain customer service centers, enabling the Company to meet increasing call volume requirements, while reducing costs per call. The redeployment will be completed in phases during fiscal year 2001. The major components of the redeployment charge include the estimated provision for the present value of future lease obligations and related facility shut down costs in the amount of approximately $1.0 million (charged to marketing and sales expense), and the estimated unrecoverable book value of abandoned fixtures, equipment and leasehold improvements in the amount of approximately $1.1 million (charged to depreciation and amortization-see below). In addition to the above, a significant portion of the increase during the year ended June 27, 1999 was due to incremental catalog printing and circulation expenditures resulting from Plow & Hearth.

In order to continue to execute its business plan, in future periods, the Company expects to continue to invest significantly in its marketing and sales efforts to continue to acquire new customers, while also leveraging its already significant customer base through cost effective, customer retention initiatives. Such spending will be within the context of the Company's overall marketing plan which is continually evaluated and revised to reflect the results of the Company's market research, which seeks to determine the most cost efficient use of the Company's marketing dollars. Such evaluation includes the ongoing review of the Company's strategic relationships with its internet portal partners to ensure that such relationships continue to generate cost-effective incremental volume.

Technology and Development Expense

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
	(in thousands)				
Technology and development	**$16,809**	108.4%	$8,067	349.7%	$1,794
Percentage of net revenues	**4.4%**		2.7%		0.8%

Technology and development expense consists primarily of expenditures incurred by the Company to maintain, monitor and manage the Company's Web site, including design, content development and third-party hosting, as well as maintenance, support, and licensing costs pertaining to its associated order entry, customer service, fulfillment and database systems. The increase in technology and development expense during the years ended July 2, 2000 and June 27, 1999 was primarily attributable to development costs incurred to enhance the content and functionality of the Company's Web site and transaction processing systems, and additional payroll, recruiting and related expenses associated with the staffing of the technology department to accommodate the Company's growth. During the years ended July 2, 2000 and June 27, 1999, the Company expended $35.3 million and $16.2 million on technology and development, of which $18.5 million and $8.1 million have been capitalized, respectively. The Company believes that continued investment in technology and development is critical to attaining its strategic objectives and, as a result, technology and development costs are expected to continue to increase in comparison to prior years, particularly in the areas of Web site development and database management.

General and Administrative Expenses

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
	(in thousands)				
General and administrative	**$28,975**	84.0%	$15,748	(0.5%)	$15,832
Percentage of net revenues	**7.5%**		5.3%		7.2%

General and administrative expense consists of payroll and other expenses in support of the Company's executive, finance and accounting, legal, human resources and other administrative functions, as well as professional fees and other general corporate expenses. The increase in general and administrative expenses during the year ended July 2, 2000 was the result of costs associated with additions to the management team and administrative increases associated with operating as a public company. In addition, $3.1 million of the increase during the year ended July 2, 2000 was attributable to the effect of the management put liability associated with the Plow & Hearth acquisition. During the year ended July 2, 2000, the Company recorded a charge of $1.5 million to increase the liability in accordance with the acquisition valuation formula contained in the Plow & Hearth stockholders' agreement between the Company, Plow & Hearth and Plow & Hearth management shareholders. Conversely, in accordance with the agreement, during the year ended June 27, 1999, the Company recorded a benefit of $1.6 million to reduce the related liability. The Company believes that its current general and administrative infrastructure is sufficient to support existing requirements and, as such, while increasing in absolute dollars, general and administrative expenses should, on a seasonally adjusted basis, begin to decline as a percentage of net revenues in fiscal year 2001.

Depreciation and Amortization

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
	(in thousands)				
Depreciation and amortization	**$16,479**	96.5%	$8,385	101.2%	$4,168
Percentage of net revenues	**4.3%**		2.8%		1.9%

Increases in depreciation and amortization expense during the years ended July 2, 2000 and June 27, 1999 resulted from additional capital expenditures in short-lived information systems hardware and software, as well as amortization of goodwill resulting from the Company's acquisitions of GreatFood.com and TheGift.com in November 2000 and Plow & Hearth in April 1998. In addition, for the year ended July 2, 2000, as described further above, the Company recorded a one-time charge of approximately $1.1 million, included within depreciation and amortization, to reserve for the estimated unrecoverable book value of abandoned fixtures, equipment and leasehold improvements associated with the Company's redeployment plan. The Company expects that depreciation and amortization will continue to increase in fiscal year 2001 due to recent expenditures on short-lived information systems hardware and software and the full-year impact of the amortization of goodwill related to the Company's acquisitions of GreatFood.com and TheGift.com.

Other Income (Expense)

	Years Ended				
	July 2, 2000	% Change	June 27, 1999	% Change	June 28, 1998
	(in thousands)				
Interest income	**$ 8,645**	508.8%	$ 1,420	10.1%	$1,290
Interest expense	**(1,444)**	(44.7%)	(2,610)	121.8%	(1,177)
Other, net	**221**	3,057.1%	7	99.5%	1,541

Other income (expense) consists primarily of interest earned on the cash proceeds from the Company's IPO in August 1999 and private placement of preferred stock in May 1999, offset by interest expense attributable to the Company's mortgage notes, capital leases, credit facility, and promissory notes issued to sellers in certain acquisitions. The Company's credit facility, including a term loan ($18.0 million) and line of credit ($3.0 million) was repaid with the proceeds of the Company's IPO in August 1999, while certain seller financed acquisition obligations ($2.5 million) associated with the Company's franchise operations were repaid in November 1999. During the year ended June 28, 1998, the Company recorded other income net, of approximately $1.7 million, consisting primarily of a $1.5 million dividend from a minority investment.

Income Taxes

For the years ended July 2, 2000 and the June 27, 1999, the Company incurred a loss that provided a tax benefit of $1.3 million and $2.7 million, respectively. For the year ended July 2, 2000, the effective tax rate differed from the combined U.S. statutory tax rate as a result of providing a full valuation allowance on that portion of the Company's deferred tax assets, consisting primarily of net operating loss carryforwards, that exceeded the amount of recoverable income taxes due to allowable carryback claims, because of the uncertainty regarding its realizability. For the year ended June 27, 1999, the effective tax rate differed from the combined U.S. statutory tax rate primarily as a result of the non-deductibility of certain goodwill amortization and the provision of a valuation allowance on state tax benefits. For the year ended June 28, 1998, the Company provided for taxes of $3.2 million at an effective rate of 39.4%.

Liquidity and Capital Resources

At July 2, 2000, the Company had working capital of $82.1 million, including cash and equivalents of $111.6 million, compared to working capital of $85.6 million, including cash and equivalents of $99.2 million at June 27, 1999.

Net cash used in operating activities of $34.4 million for the year ended July 2, 2000 was principally attributable to net losses, reduced by non-cash charges of depreciation and amortization and working capital changes comprised primarily of increases in accounts payable and accrued expenses, offset by increases in inventory associated with the Company's expansion into non-floral product lines, and other assets resulting from increases of deferred catalog costs.

Net cash used in investing activities of $45.7 million for the year ended July 2, 2000 consisted primarily of capital expenditures and the acquisitions of GreatFood.com and all of the remaining outstanding shares of common stock and stock options from the minority shareholders of the Company's Plow & Hearth subsidiary, partially offset by the sale of the Company's floral wholesale subsidiary, Floral Works, in January 2000.

Net cash provided by financing activities of $92.5 million for the year ended July 2, 2000 resulted from the net proceeds from the issuance of Class A common stock in the Company's IPO, less repayments of amounts outstanding under the Company's credit facilities, seller financed acquisition obligations and capital lease obligations.

The Company's material capital commitments consist of:

- obligations outstanding under capital and operating leases as well as commercial notes related to obligations arising from, and collateralized by, the construction of the Company's warehousing/fulfillment facility in Madison, Virginia.
- online marketing agreements with America Online, Inc. ("AOL"). On September 1, 2000, the Company entered into a new five year, $22.1 million interactive marketing agreement with AOL that effectively extends and enhances the term of the Company's previous agreement with AOL for an additional two years, through August 2005. Under the terms of the new agreement, the Company will continue as the exclusive marketer of fresh-cut flowers across six AOL properties including AOL, AOL.com, CompuServe, Netscape Netcenter, Digital City and ICQ and receive increased promotions across several of the AOL properties.

At July 2, 2000, the Company's significant known commitments for the subsequent twelve months totaled approximately $26.5 million and were comprised of fees related to online marketing agreements (including the new AOL agreement), co-marketing fees related to airline frequent flier programs, expenses under its operating leases, interest expense and the current portion of long term debt and capital lease obligations.

The Company intends to continue to invest heavily to support its growth strategy. These investments include continued advertising and marketing programs designed to enhance the Company's brand name recognition with customers, continued expansion of its product lines to include a broad variety of specialty gift and gourmet items, and the further development of its Web site operating infrastructure. The Company believes that current cash and equivalents will be sufficient to meet these anticipated cash needs for at least the next twelve months. However, any projection of future cash needs and cash flows are subject to substantial uncertainty. If current cash and cash that may be generated from operations are insufficient to satisfy the Company's liquidity requirements, the Company may seek to sell additional equity or debt securities or to obtain lines of credit, in addition to the $5.7 million credit line currently available. The sale of additional equity or convertible debt securities could result in additional dilution to the Company's stockholders. In addition, the Company will, from time to time, consider the acquisition of or investment in complementary businesses, products, services and technologies, which might impact the Company's liquidity requirements or cause the Company to issue additional equity or debt securities. There can be no assurance that financing will be available in amounts or on terms acceptable to the Company, if at all.

Recently Issued Accounting Pronouncements

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin No. 101*, Revenue Recognition in Financial Statements* ("SAB No. 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. Management believes that the provision of SAB No. 101 will not impact the Company's revenue recognition policies.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, which is required to be adopted in years beginning after June 15, 2000. Because of the Company's minimal use of derivatives, management does not anticipate that the adoption of the new Statement will have a significant effect on earnings or the consolidated financial position of the Company.

Cautionary Note Regarding Forward-Looking Statements

Certain of the matters and subject areas discussed in this Annual Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical information provided herein are forward-looking statements and may contain information about financial results, economic conditions, trends and known uncertainties based on the Company's current expectations, assumptions, estimates and projections about its business and the Company's industry. These forward-looking statements involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of several factors, as more fully described under the caption "Risk Factors that May Affect Future Results" and elsewhere in this Annual Report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. The forward-looking statements made in this Annual Report relate only to events as of the date on which the statements are made. The Company undertakes no obligation to publicly update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Quantitative and Qualitative Disclosures About Market Risk

The Company's earnings and cash flows are subject to fluctuations due to changes in interest rates primarily from its investment of available cash balances in money market funds with portfolios of investment grade corporate and U.S. government securities and, secondarily, its long-term debt arrangements. Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2000 and 1999. The Company believes this unaudited information has been prepared substantially on the same basis as the annual audited consolidated financial statements and all necessary adjustments, consisting of only normal recurring adjustments, have been included in the amounts stated below to present fairly the Company's results of operations. The operating results for any quarter are not necessarily indicative of the operating results for any future period.

	Three Months Ended							
	July 2, 2000	Mar. 26, 2000	Dec. 26, 1999	Sept. 26, 1999	June 27, 1999	Mar. 28 1999	Dec. 27, 1998	Sept.27, 1998
	(in thousands)							
Net revenues:								
Telephonic	**$ 67,731**	$ 47,249	$ 77,618	$ 37,623	$57,640	$43,903	$ 67,972	$ 34,370
Online	**47,494**	30,051	29,703	11,771	22,638	13,219	10,771	6,258
Retail fulfillment	**8,062**	7,745	11,487	8,716	11,927	10,168	10,061	6,946
Total net revenues	**123,287**	85,045	118,808	58,110	92,205	67,290	88,804	47,574
Cost of revenues	**75,607**	54,143	71,216	36,527	55,959	42,098	51,847	29,793
Gross Profit	**47,680**	30,902	47,592	21,583	36,246	25,192	36,957	17,781
Operating expenses:								
Marketing and sales	**45,088**	36,789	52,802	26,396	24,943	19,684	33,065	14,455
Technology and development	**4,810**	4,097	3,833	4,069	2,860	2,273	1,807	1,127
General and administrative	**7,025**	6,773	7,249	7,928	5,220	4,907	3,273	2,348
Depreciation and amortization	**6,277**	4,487	3,422	2,293	2,342	2,157	2,015	1,871
Total operating expenses	**63,200**	52,146	67,306	40,686	35,365	29,021	40,160	19,801
Operating (loss) income	**(15,520)**	(21,244)	(19,714)	(19,103)	881	(3,829)	(3,203)	(2,020)
Other income (expense), net	**2,191**	1,711	1,954	1,609	(162)	(378)	(623)	(227)
Income tax benefit (provision)	**420**	268	249	349	(211)	1,178	1,071	677
Net (loss) income	**$(12,909)**	$(19,265)	$(17,511)	$(17,145)	$ 508	$ (3,029)	$ (2,755)	$ (1,570)

The Company's quarterly results may experience seasonal fluctuations. Historically, revenues have been highest in the fourth fiscal quarter, due to a number of major floral gifting occasions, including Mother's Day, Secretaries' Week and Easter. Due to the Company's expansion into gift, home, gourmet and related products, sales volume generated during the Thanksgiving and Christmas holidays has increased significantly from historical levels, and as such, in the future, the Company expects its second fiscal quarter revenues to represent a larger proportion of its total revenues.

Consolidated Balance Sheets

1-800-FLOWERS.COM and Subsidiaries

(in thousands, except share data)

	July 2, 2000	June 27, 1999
Assets		
Current Assets:		
Cash and equivalents	**$111,624**	$ 99,183
Receivables, net	**8,382**	9,284
Inventories	**10,569**	7,496
Prepaid and other	**4,330**	3,738
Deferred tax assets	**—**	1,504
Total current assets	**134,905**	121,205
Property, plant and equipment at cost, net	**40,854**	27,525
Capitalized investment in leases	**965**	1,452
Goodwill and investment in licences, net of accumulated amortization of $8,797 and $3,636 in 2000 and 1999, respectively	**38,040**	25,077
Other assets	**9,877**	7,096
Total assets	**$224,641**	$182,355
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 50,937**	$ 28,939
Current maturities of long-term debt and obligations under capital leases	**1,839**	6,647
Total current liabilities	**52,776**	35,586
Long-term debt and obligations under capital leases	**9,441**	27,457
Deferred tax liabilities	**—**	183
Management put liability	**—**	6,300
Other liabilities	**3,506**	3,826
Total liabilities	**65,723**	73,352
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000 shares authorized, none issued in 2000 and 1,128 shares issued and outstanding in 1999, respectively, stated at liquidation value	**—**	117,573
Class A common stock, $.01 par value, 200,000 shares authorized, 26,362 and 4,100 shares issued in 2000 and 1999, respectively	**264**	41
Class B common stock, $.01 par value, 200,000 shares authorized, 43,142 and 45,579 shares issued in 2000 and 1999, respectively	**432**	456
Additional paid-in capital	**239,475**	6,038
Retained deficit	**(77,357)**	(10,527)
Deferred compensation	**(788)**	(1,470)
Treasury stock, at cost – 53 Class A and 5,280 Class B shares	**(3,108)**	(3,108)
Total stockholders' equity	**158,918**	109,003
Total liabilities and stockholders' equity	**$224,641**	$182,355

See accompanying notes.

Consolidated Statements of Operations

1-800-FLOWERS.COM and Subsidiaries

(in thousands, except per share data)

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
Net revenues	**$385,250**	$295,873	$220,592
Cost of revenues	**237,493**	179,697	136,966
Gross profit	**147,757**	116,176	83,626
Operating expenses:			
Marketing and sales	**161,075**	92,147	55,417
Technology and development	**16,809**	8,067	1,794
General and administrative	**28,975**	15,748	15,832
Depreciation and amortization	**16,479**	8,385	4,168
Total operating expenses	**223,338**	124,347	77,211
Operating (loss) income	**(75,581)**	(8,171)	6,415
Other income (expense):			
Interest income	**8,645**	1,420	1,290
Interest expense	**(1,444)**	(2,610)	(1,177)
Other, net	**221**	7	1,541
Total other income (expense)	**7,422**	(1,183)	1,654
(Loss) income before income taxes and minority interests	**(68,159)**	(9,354)	8,069
Benefit (provision) for income taxes	**1,286**	2,715	(3,181)
(Loss) income before minority interests	**(66,873)**	(6,639)	4,888
Minority interests in operations of consolidated subsidiaries	**43**	(207)	186
Net (loss) income	**(66,830)**	(6,846)	5,074
Redeemable Class C common stock dividends	**—**	(5,215)	(1,608)
Net (loss) income applicable to common stockholders	**$ (66,830)**	$ (12,061)	$ 3,466
Net (loss) income per common share applicable to common stockholders:			
Basic	**$ (1.10)**	$ (0.27)	$ 0.08
Diluted	**$ (1.10)**	$ (0.27)	$ 0.07
Shares used in the calculation of net (loss) income per common share applicable to common stockholders:			
Basic	**60,889**	44,035	44,120
Diluted	**60,889**	44,035	46,610

See accompanying notes.

Consolidated Statements of Stockholders' Equity (Deficit)

1-800-FLOWERS.COM and Subsidiaries

Years ended July 2, 2000, June 27, 1999 and June 28, 1998 (in thousands)

	Preferred Stock		Common Stock Class A		Common Stock Class B		Accumulated Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Deferred Compensation	Treasury Stock		Total Stockholders Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount					Shares	Amount	
Balance at June 29, 1997	—	$ —	481	$ 5	48,850	$ 488	$ 1,739	$ 5	$ (1,932)	$ —	5,192	$ (2,975)	$ (2,670)
Accrual of Redeemable Class C common stock dividends	—	—	—	—	—	—	—	—	(1,608)	—	—	—	(1608)
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	—	141	(133)	(133)
Comprehensive income:													
Net income	—	—	—	—	—	—	—	—	5,074	—	—	—	5,074
Unrealized gain on marketable securities	—	—	—	—	—	—	—	9	—	—	—	—	9
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	5,083
Balance as of June 28, 1998	—	—	481	5	48,850	488	1,739	14	1,534	—	5,333	(3,108)	672
Accrual of Redeemable Class C common stock dividends	—	—	—	—	—	—	—	—	(1,584)	—	—	—	(1,584)
Employee stock options	—	—	—	—	—	—	1,680	—	—	(1,680)	—	—	—
Amortization of deferred compensation	—	—	—	—	—	—	—	—	—	210	—	—	210
Issuance of Series A preferred stock	1,128	117,573	—	—	—	—	(1,008)	—	—	—	—	—	116,565
Issuance of Class A common stock in connection with redemption of Class C common stock	—	—	263	3	—	—	2,744	—	(2,747)	—	—	—	—
Issuance of Class B common stock in connection with redemption of Class C common stock	—	—	—	—	85	1	883	—	(884)	—	—	—	—
Conversion of Class B common stock into Class A common stock	—	—	3,837	38	(3,837)	(38)	—	—	—	—	—	—	—
Conversion of Class A common stock into Class B common stock	—	—	(481)	(5)	481	5	—	—	—	—	—	—	—
Comprehensive loss:													
Net loss	—	—	—	—	—	—	—	—	(6,846)	—	—	—	(6,846)
Unrealized loss on marketable securities	—	—	—	—	—	—	—	(14)	—	—	—	—	(14)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	(6,860)
Balance at June 27, 1999	1,128	117,573	4,100	41	45,579	456	6,038	—	(10,527)	(1,470)	5,333	$ (3,108)	109,003
Exercise of stock options and warrants	—	—	2,432	25	—	—	98	—	—	—	—	—	123
Forfeiture of employee stock options	—	—	—	—	—	—	(315)	—	—	315	—	—	—
Amortization of deferred compensation	—	—	—	—	—	—	—	—	—	367	—	—	367
Conversion of preferred stock into Class A common stock	(1,128)	(117,573)	11,276	113	—	—	117,460	—	—	—	—	—	—
Issuance of common stock in connection with Initial Public Offering, net of issuance costs of $11,236	—	—	6,000	60	—	—	114,704	—	—	—	—	—	114,764
Conversion of Class B common stock into Class A common stock	—	—	2,437	24	(2,437)	(24)	—	—	—	—	—	—	—
Issuance of shares of common stock in connection with the acquisition of TheGift.com	—	—	117	1	—	—	1,490	—	—	—	—	—	1,491
Comprehensive loss:													
Net loss	—	—	—	—	—	—	—	—	(66,830)	—	—	—	(66,830)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	(66,830)
Balance at July 2, 2000	**—**	**$ —**	**26,362**	**$ 264**	**43,142**	**$ 432**	**$239,475**	**$ —**	**$ (77,357)**	**$ (788)**	**5,333**	**$ (3,108)**	**$158,918**

See accompanying notes.

Consolidated Statements of Cash Flows

1-800-FLOWERS.COM and Subsidiaries

(in thousands)

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
Operating activities:			
Net (loss) income	**$ (66,830)**	$ (6,846)	$ 5,074
Reconciliation of net (loss) income to net cash (used in) provided by operations:			
Depreciation and amortization	**16,479**	8,385	4,168
Deferred income taxes	**1,321**	(1,016)	265
Management put liability	**1,451**	(1,631)	1,631
Bad debt expense	**221**	444	383
Minority interests	**(43)**	207	(186)
Amortization of deferred compensation	**367**	210	—
Loss on disposal of equipment and other	**560**	364	313
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**(838)**	(1,296)	(1,908)
Inventories	**(3,574)**	(2,525)	(373)
Prepaid and other	**166**	(2,712)	732
Accounts payable and accrued expenses	**20,663**	4,203	1,265
Other assets	**(4,699)**	(3,787)	(1,821)
Other liabilities	**344**	715	(43)
Net cash (used in) provided by operating activities	**(34,412)**	(5,285)	9,500
Investing activities:			
Acquisitions, net cash of acquired	**(25,515)**	—	(15,206)
Capital expenditures, net of non-cash expenditures – $1,445, $3,009 and $561, for fiscal 2000, 1999 and 1998 respectively	**(21,901)**	(11,960)	(10,302)
Purchases of investments	**(1,000)**	—	(4,050)
Proceeds from sales of investments	**15**	5,419	3,754
Proceeds from sale of business	**2,488**	—	—
Notes receivable, net	**222**	178	341
Net cash used in investing activities	**(45,691)**	(6,363)	(25,463)
Financing activities:			
Redemption of Class C common stock	**—**	(4,347)	—
Proceeds from issuance of preferred stock, net	**—**	101,636	—
Proceeds from issuance of common stock, net	**115,899**	—	—
Payment of deferred offering costs	**—**	(1,019)	—
Proceeds from bank borrowings	**21,717**	35,402	15,500
Repayment of notes payable and bank borrowings	**(43,568)**	(28,075)	(326)
Payment of capital lease obligations	**(1,504)**	(1,639)	(1,648)
Acquisition of treasury stock	**—**	—	(133)
Net cash provided by financing activities	**92,544**	101,958	13,393
Net change in cash and equivalents	**12,441**	90,310	(2,570)
Cash and equivalents:			
Beginning of year	**99,183**	8,873	11,443
End of year	**$111,624**	$ 99,183	$ 8,873

Supplemental Cash Flow Information:
-Interest paid amounted to $1,457, $2,723 and $879 for the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively.
-The Company received tax refunds of approximately $472 for the year ended July 2, 2000 and paid income taxes, net of refunds, of approximately $400 and $2,930 for the years ended June 27, 1999 and June 28, 1998, respectively.

See accompanying notes.

Note 1. Description of Business

1-800-FLOWERS.COM, Inc. ("1-800-FLOWERS.COM") is a leading multi-channel source of thoughtful gift products, offering a wide array of fresh-cut flowers, plants, gift baskets, gourmet foods, and other unique products. Through its wholly-owned subsidiary, The Plow & Hearth, Inc. ("Plow & Hearth"), the Company offers an extensive mix of home and garden merchandise. The Company operates in one business segment, providing its customers with convenient, multi-channel access via the Internet, telephone, catalogs and retail stores.

Note 2. Significant Accounting Policies

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal year 2000, which ended July 2, 2000 consisted of 53 weeks, while fiscal years 1999 and 1998, which ended on June 27, 1999 and June 28, 1998, respectively, consisted of 52 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM and its wholly-owned and majority-owned subsidiaries and partnerships (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying financial statements and footnotes thereto have been retroactively adjusted for a ten-for-one stock split effected in the form of a stock dividend on July 28, 1999.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Equivalents

Cash and equivalents consist of demand deposits with banks, highly liquid money market funds, overnight repurchase agreements and commercial paper with maturities of three months or less when purchased.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method of accounting.

Depreciation and Amortization

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Amortization of assets held under capital leases is calculated using the straight-line method over the estimated useful life of the asset. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the lease terms, including renewal options expected to be exercised, or estimated useful lives of the improvements. The useful lives of property, plant and equipment are as follows:

	Life
Building	40 years
Leasehold improvements	5-20 years
Furniture, fixtures and equipment (including computer equipment, software development costs and telecommunication equipment)	3-10 years

Goodwill and Licenses

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. Amortization expense relating to goodwill is amortized on a straight-line basis over periods ranging from 3 to 20 years.

Licenses represent the fair value of franchise agreements acquired in 1-800-FLOWERS.COM's acquisition of Amalgamated Consolidated Enterprises, Inc. and are amortized on a straight-line basis over a 16 year period.

Deferred Catalog Costs

The Company capitalizes the costs of producing and distributing its catalogs. These costs are amortized in direct proportion with actual sales from the corresponding catalog over a period not to exceed 26-weeks.

Long-Lived Assets

The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. An impairment is recognized to the extent the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. Assets to be disposed of are carried at the lower of their carrying value or fair value, less costs to sell.

Fair Values of Financial Instruments

The recorded amounts of the Company's cash and equivalents, receivables, accounts payable, and accrued liabilities approximate their fair values principally because of the short-term nature of these items. The fair value of the Company's long-term obligations are estimated based on the current rates offered to the Company for obligations of similar terms and maturities. Under this method, the Company's fair value of long-term obligations was not significantly different than the stated values at July 2, 2000 and June 27, 1999.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of its holdings of cash and equivalents and accounts receivable. Cash and equivalents are deposited with high credit, quality financial institutions. Concentration of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion throughout the United States, and the fact that a substantial portion of receivables are related to balances owed by major credit card companies.

Income Taxes

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates that will be in effect when the differences are expected to reverse.

Revenue Recognition

Net revenues are generated by online, telephonic and retail fulfillment operations and primarily consist of the selling price of merchandise, net of returns and credits, and include customer service and shipping charges. Net revenues are recognized upon product shipment.

Cost of Revenues

Cost of revenues consists primarily of florist fulfillment costs (fees paid to wire services that serve as clearinghouses for floral orders, net of rebates), the cost of floral and non-floral merchandise sold from inventory or through third parties, and the associated costs of inbound freight and outbound shipping. Additionally, cost of revenues includes labor and facility costs related to direct-to-consumer operations.

Marketing and Sales

Marketing and sales expenses consist primarily of advertising and promotional expenditures, catalog costs, fees paid to strategic online partners, fulfillment (other than costs included in cost of revenues) and customer service center expenses as well as payroll and non-payroll related expenses for those areas engaged in marketing, selling and merchandising activities.

The Company expenses all advertising costs at the time the advertisement is first shown. Advertising expense (including the amortization of catalog costs of $21,839,000, 17,606,000 and $2,604,000 for the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively) was $80,538,000, $42,233,000, and $20,121,000 for the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively.

Technology and Development

Technology and development expenses consist primarily of expenses incurred by the Company to maintain, monitor and manage the Company's Web site and its associated order entry, customer service, fulfillment and database systems. Costs associated with the acquisition or development of software for internal use are recognized in accordance with Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. As such, if the software is expected to have a useful life beyond one year, development costs are capitalized and amortized over the software's useful life, typically three years. Costs associated with repair, maintenance or the development of Web site content are expensed as incurred as the useful life of such software modifications are less than one year.

Stock-Based Compensation

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*.

Recent Accounting Pronouncements

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* ("SAB No. 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. Management believes that the provision of SAB No. 101 will not impact the Company's revenue recognition policies.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, which is required to be adopted in years beginning after June 15, 2000. Because of the Company's minimal use of derivatives, management does not anticipate that the adoption of the new Statement will have a significant effect on earnings or the consolidated financial position of the Company.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform with the presentation in the current fiscal year.

Note 3. Acquisitions and Disposition

Acquisition of GreatFood.com, Inc.

Pursuant to an agreement and plan of reorganization, on November 24, 1999, the Company completed its acquisition of GreatFood.com, Inc. ("GreatFood.com"), an online retailer of specialty and gourmet food products. The purchase price of approximately $18,900,000 was funded with a portion of the net proceeds available from the Company's initial public offering ("IPO"). The acquisition has been accounted for as a purchase and, accordingly, the operating results of GreatFood.com have been included in the Company's consolidated results of operations since the date of acquisition. The excess of the purchase price over the fair market value of the net assets acquired, approximating $19,000,000, is being amortized over three years.

Acquisition of TheGift.com, Inc.

Pursuant to an agreement and plan of reorganization, on November 12, 1999, the Company completed its acquisition of TheGift.com, Inc. ("TheGift.com"), an online retailer of specialty gift products. The purchase price of approximately $1,500,000 was funded through the issuance of 117,379 shares of the Company's common stock, as determined based upon the average closing price of the Company's common stock for the five days prior to the date of acquisition. The acquisition has been accounted for as a purchase and, accordingly, the operating results of TheGift.com have been included in the Company's consolidated results of operations since the date of acquisition. The excess of the purchase price over the fair market value of the net assets acquired, approximating $1,700,000, is being amortized over three years.

Disposition of Floral Works, Inc.

On January 12, 2000, the Company completed the sale of its Floral Works, Inc. ("Floral Works") subsidiary to a private investment firm, Eaglestone Partners, and the management of Floral Works. Floral Works is a provider of wholesale floral bouquets to supermarkets and grocery store chains. The sale price of $3,100,000 approximated the Company's carrying value of the subsidiary's net assets at the time of divestiture.

The following unaudited pro forma consolidated financial information has been prepared as if the acquisitions of GreatFood.com, TheGift.com, Plow & Hearth and the sale of Floral Works had taken place at the beginning of fiscal year 1998. The following unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the results of operations in future periods or results that would have been achieved had the acquisitions of GreatFood.com, TheGift.com, Plow & Hearth and the sale of Floral Works taken place at the beginning of the periods presented.

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
	(in thousands, except per share data)		
Net revenues*	**$378,565**	$284,854	$244,854
Loss from operations	**(86,478)**	(19,116)	(1,632)
Net loss applicable to common stockholders	**(77,418)**	(22,720)	(4,808)
Net loss per common share	**$ (1.27)**	$ (0.52)	$ (0.11)

*Pre-acquisition net revenues for GreatFood.com and TheGift.com were not material to the Company's results of operations.

Acquisition of The Plow & Hearth, Inc.

In April 1998, 1-800-FLOWERS.COM acquired 88% of the issued and outstanding shares of common stock (70% of the fully diluted equity due to the existence of outstanding management stock options) of Plow & Hearth, a home and garden catalog company located in Madison, Virginia. The purchase price was $16,100,000, exclusive of the management put liability described below. Pursuant to the terms of the Plow & Hearth stockholders' agreement between the Company, Plow & Hearth and Plow & Hearth management shareholders, upon completion of the Company's IPO on August 6, 1999, the Company acquired, for cash of approximately $7,900,000, net of Plow & Hearth stock option exercise proceeds of approximately $500,000, all of the remaining outstanding shares of common stock and stock options from the minority stockholders of Plow & Hearth, thereby satisfying its obligation under the management put liability initially established under the terms of the 1998 agreement.

In accordance with the 1998 agreement, as amended, and the terms of the management put liability, each management shareholder and option holder had the right to cause Plow & Hearth to purchase its remaining minority equity interest, comprised of outstanding common stock and stock options, at a price contingent upon the operating profits of Plow & Hearth. Accordingly, the Company recorded a liability of $6,300,000, based on the value of such equity at the date of acquisition. In accordance with the valuation formula defined in the agreement, the liability was subsequently increased to $8,700,000 at June 28, 1998 and reduced to $6,300,000 at June 27, 1999. This resulted in a charge and subsequent reduction of general and administrative expenses of approximately $1,600,000 for the years ended June 28, 1998 and June 27, 1999, respectively, reflecting the change in value of the option holders' interest in Plow & Hearth, with the remaining adjustment of $800,000 increasing and subsequently reducing goodwill, reflecting the change in value of the minority holder's interest in Plow & Hearth. As of August 6, 1999, the Company's obligation under the management put liability increased to $7,900,000 based upon the valuation formula contained in the agreement. Accordingly, the $1,600,000 incremental funding required to satisfy the management put liability was recorded in the Company's fiscal year 2000 first quarter ended September 26, 1999 as general and administrative expense and goodwill in the amounts of $1,500,000 and $100,000, respectively.

The purchase price has been allocated to the assets acquired and the liabilities assumed based on fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired of $18,900,000 has been recorded as goodwill and is being amortized over 20 years.

Concurrently with the acquisition of Plow & Hearth, the

Company also acquired Plow & Hearth LP which owns the land and distribution center/office facility operated by Plow & Hearth. The $800,000 purchase price has been allocated to the assets acquired and the liabilities assumed based on fair values at the date of acquisition. The purchase price approximates the estimated fair values of the net assets acquired, including the assumption of a $2,400,000 construction loan.

Minority Ownership Interest in American Floral Services, Inc.

The Company owns a minority investment in American Floral Services, Inc. ("AFS"), a floral wire service, in the form of Class A common stock and 15% preferred stock. In fiscal year 1998, AFS repurchased, on a pro-rata basis, a portion of its then outstanding shares of Class A common stock. Accordingly, the Company recorded a gain on its investment in AFS of approximately $1,545,000, which was received and recorded as other income during the year ended June 28, 1998. In addition, during the years ended July 2, 2000, June 27, 1999 and June 28, 1998, the Company recorded $122,000, $123,000 and $123,000, respectively, of other income representing the accrual of cumulative preferred stock dividends.

Note 4. Redeployment Charge

In June 2000, in connection with management's plan to reduce costs and improve operating efficiencies, the Company recorded a redeployment charge of approximately $2,100,000. The principal actions of the charge include the closure of certain retail stores in connection with the Company's strategic redeployment of its retail network of direct fulfillment centers and the relocation of certain customer service centers, enabling the Company to meet increasing call volume requirements, while reducing costs per call. The redeployment will be completed in phases during fiscal year 2001. The major components of the redeployment charge include the estimated unrecoverable book value of abandoned fixtures, equipment and leasehold improvements in the amount of approximately $1,100,000 (charged to depreciation and amortization), and the estimated provision for the present value of future lease obligations and related facility shut down costs in the amount of approximately $1,000,000 (charged to marketing and sales expense).

Note 5. Property, Plant and Equipment

	July 2, 2000	June 27, 1999
	(in thousands)	
Computer equipment	**$23,085**	$15,547
Software development costs	**17,222**	7,767
Telecommunication equipment	**5,798**	4,285
Leasehold improvements	**8,608**	6,363
Building and building improvements	**6,421**	5,745
Equipment	**3,427**	2,616
Furniture and fixtures	**2,684**	2,373
Land	**396**	389
	67,641	45,085
Accumulated depreciation and amortization	**26,787**	17,560
	$40,854	$27,525

Note 6. Long-Term Debt

	July 2, 2000	June 27, 1999
	(in thousands)	
Bank term loan and revolving credit line (1)	**$ —**	$21,000
Commercial notes and revolving credit line (2-5)	**6,431**	4,675
Seller financed acquisition obligations (6-7)	**295**	3,351
Obligations under capital leases (see Note 12)	**4,554**	5,078
Less current maturities of long-term debt and obligations under capital leases	**1,839**	6,647
	$9,441	$27,457

(1) In connection with the completion of its IPO in August 1999, the Company repaid $21,000,000 of bank borrowings, representing all amounts outstanding under a term loan and revolving credit line.

The following notes and credit lines relate to obligations arising from, and collateralized by, the construction and operation of the Company's warehousing/distribution facility in Madison, Virginia:

(2) $5,700,000 revolving credit line dated December 13, 1999, renewable annually, (none outstanding at July 2,

2000 and June 27, 1999) bearing interest equal to the monthly LIBOR Index plus 1.75% per annum (8.40% at July 2, 2000).

(3) $2,400,000 note dated June 13, 1997 ($2,181,000 outstanding at July 2, 2000), bearing interest at 8.19% per annum. The note is payable in 203 equal monthly installments of principal and interest commencing July 13, 1997.

(4) $1,460,000 note dated July 1, 1998 ($1,353,000 outstanding at July 2, 2000), bearing interest equal to the monthly Treasury Bill rate plus 2.1% per annum (6.45% at July 2, 2000). The note is payable in 180 equal monthly installments of principal and interest commencing November 1, 1998.

(5) $2,980,000 note dated May 12, 1999 ($2,897,000 outstanding at July 2, 2000), bearing interest at 7.61% per annum. The note is payable in 180 equal monthly installments of principal and interest commencing in October 15, 1999.

The following notes relate to seller-financed acquisition obligations, all of which have been collateralized by either the stock or assets of various subsidiaries of the Company. Seller financed acquisition obligations associated with the Company's franchise operations were repaid in November 1999 using a portion of the proceeds of the Company's IPO, while obligations associated with the Company's acquisition of its Floral Works subsidiary were assumed by the purchaser upon the Company's divestiture of this subsidiary in January 2000:

(6) $275,000 promissory note dated November 1, 1994 ($146,000 outstanding at July 2, 2000), bearing interest at 8% per annum. The note is payable in 120 equal monthly installments of principal and interest commencing December 1, 1994.

(7) $160,000 non-interest bearing promissory note dated September 30, 1999 ($149,000 outstanding at July 2, 2000). The note is payable in 8 monthly installments commencing August 31, 2001.

As of July 2, 2000, long-term debt maturities, excluding amounts relating to capital leases, are as follows (in thousands):

Year	Debt Maturities
	(in thousands)
2001	$ 309
2002	345
2003	370
2004	398
2005	404
Thereafter	4,900
	$6,726

Note 7. Income Taxes

Significant components of the benefit (provision) for income taxes are as follows:

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
		(in thousands)	
Current:			
Federal	**$ 2,607**	$ 1,699	$(2,039)
State and local	**—**	—	(877)
	2,607	1,699	$(2,916)
Deferred	**(1,321)**	1,016	(265)
	$ 1,286	$ 2,715	$(3,181)

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax benefit (expense) is as follows:

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
Tax at U.S. statutory rates	**34.0%**	34.0%	(34.0)%
State income taxes, net of federal tax benefit	**3.9**	4.3	(7.5)
Nondeductible goodwill amortization	**(2.6)**	(4.8)	(2.1)
Dividends received deduction	**—**	0.2	4.4
Change in deferred tax asset valuation	**(32.0)**	(2.8)	—
Other	**(1.4)**	(1.9)	(0.2)
	1.9%	29.0%	(39.4)%

The significant components of the Company's deferred tax assets (liabilities) are as follows:

	July 2, 2000	June 27, 1999	June 28, 1998
		(in thousands)	
Deferred tax assets:			
Net operating loss carryforwards	**$20,909**	$ 260	$ —
Accrued expenses and reserves	**3,086**	1,504	1,637
Valuation allowance	**(22,098)**	(260)	—
Deferred tax liabilities:			
Installment sales	**(70)**	(147)	(157)
Tax in excess of book depreciation	**(1,827)**	(36)	(1,175)
Net deferred tax assets	**$ —**	$ 1,321	$ 305

At July 2, 2000, the Company's U.S. federal and state net operating loss carryforwards for income tax purposes were approximately $52,300,000. If not utilized, these net operating loss carryforwards will begin to expire in fiscal year 2020.

Note 8. Capital Stock Transactions

Initial Public Offering

On August 6, 1999, the Company closed its IPO of its Class A common stock, issuing 6,000,000 shares at a price of $21.00 per share. The Company raised proceeds of approximately $114,800,000, net of underwriting discounts, commissions and other offering costs of approximately $11,200,000.

In anticipation of its IPO, the Company amended and restated its certificate of incorporation on July 7, 1999 to provide that all previously outstanding shares of Class A common stock, of which the holders were entitled to one vote per share, and Class B common stock, which contained no voting rights, convert into a new series of Class B common stock entitled to 10 votes per share. Additionally, a new series of Class A common stock was established that entitles the holders to one vote per share. Each share of new Class B common stock shall automatically convert into one share of new Class A common stock upon transfer, with limited exceptions, and at the option of the holder.

Preferred Stock and Class C Common Stock Conversion

On May 20, 1999, the Company completed a private placement of 984,493 shares of preferred stock, yielding net proceeds of $101,600,000. In connection with this private placement, and pursuant to the terms of its 1995 investment agreement with the Company's venture capital partner, the Company redeemed the Class C common stock held by the venture capital partner for approximately $14,900,000 and issued to it 263,452 shares of Class A common stock. The venture capital partner used the redemption proceeds to purchase 143,053 shares of the Company's preferred stock. Concurrent with the completion of the private placement, the Company redeemed 84,768 shares of Class C common stock owned by its Chief Executive Officer for $4,300,000 and issued him 84,768 shares of Class B common stock. During the fiscal year ended June 27, 1999, the Company recorded a dividend in the amount of $5,200,000 as a result of the issuances of common stock in exchange for the redemption of all of the outstanding Class C common stock, as well as for the accrual of the 10% cumulative dividend on the Class C common stock through the date of redemption.

In accordance with the preferred stock purchase agreement, and effective with the Company's IPO, each issued and outstanding share of preferred stock was converted into ten shares of Class A common stock, resulting in the issuance of 11,275,460 shares of Class A common stock.

Exercise of Class A Common Stock Warrant

On February 22, 2000, the Company issued 2,370,607 shares of Class A common stock, upon the exercise, for a nominal price per share, of a warrant issued to the aforementioned venture capital partner pursuant to the terms of its 1995 investment agreement.

Note 9. Stock Option Plan

In January 1997, the Company's board of directors approved 1-800-FLOWERS.COM's 1997 Stock Option Plan which authorized the granting to key employees, officers, directors and consultants of the Company options to purchase an aggregate of 5,985,440 shares of 1-800-FLOWERS.COM's Class B common stock. On July 7, 1999, the 1-800-FLOWERS.COM, Inc., 1999 Stock Incentive Plan was adopted by the Company's board of directors and approved by its stockholders. Pursuant to the terms of the plan, 9,900,000 shares of Class A common stock have been authorized for issuance, inclusive of any unissued shares from the 1997 Stock Option Plan. The shares reserved will automatically increase on the first trading day in January of each calendar year, beginning January 2, 2000, by an amount equal to 3% (1,849,000 shares) of the total number of shares of common stock outstanding on the last trading day in December in the preceding calendar year, but in no event will this annual increase exceed 2,000,000 shares. The components of the plan include a discretionary option grant program, an automatic option grant program, a stock issuance program, and a salary investment option grant program.

Options granted under the plans may be either incentive stock options or non-qualified stock options. The exercise price of an option shall be determined by the Company's board of directors or compensation committee of the board at the time of grant, provided, however, that in the case of an incentive stock option the exercise price may not be less than 100% of the fair market value of such stock at the time of the grant, or less than 110% of such fair market value in the case of options granted to a 10% owner of the Company's stock. The vesting and expiration periods of options issued under the stock option plan are determined by the Company's board of directors or compensation committee as set forth in the applicable option agreement, provided that the expiration date shall not be later than ten years from the date of grant.

In January 1999, the Company issued stock options to employees to purchase 200,000 shares of common stock at $2.00 per share, which was considered to be the fair value of the common stock at that time. Such options vested at the rate of 25% per year on the anniversary of the grant date. Soon thereafter, the Company entered into discussions with an investor to purchase shares of common stock at $10.43 per share. Accordingly, for accounting purposes, the Company used such per share value to record a deferred compensation charge of $1,680,000 associated with the January 1999 option grants, of which $367,000 and $210,000 was amortized during the years ended July 2, 2000 and June 27, 1999, respectively.

The following table summarizes activity in stock options (options in thousands):

	Years Ended					
	July 2, 2000		June 27, 1999		June 28, 1998	
	Shares Under Option	**Weighted Average Exercise Price**	Shares Under Option	Weighted Average Exercise Price	Shares Under Option	Weighted Average Exercise Price
Balance, beginning of year	**1,238**	**$ 1.73**	526	$ 1.36	428	$ 1.30
Grants	**5,099**	**10.57**	712	2.00	103	1.61
Exercises	**(61)**	**2.00**	—	—	—	—
Forfeitures	**(488)**	**13.38**	—	—	(5)	1.18
Balance, end of year	**5,788**	**8.53**	1,238	1.73	526	1.36
Weighted-average fair value of options issued during the year	**—**	**$ 6.33**	—	$ 0.90	—	$ 0.73

The following table summarizes information about stock options outstanding at July 2, 2000 (options in thousands):

Exercise Price	Options Outstanding	Options Exercisable	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$ 1.30 - 1.61	526	390	6.8 years	$ 1.36
2.00 - 2.00	598	411	8.1 years	2.00
4.50 - 4.50	2,402	—	9.8 years	4.50
6.81 - 7.88	45	—	9.7 years	7.40
10.75 - 16.00	1,336	50	9.4 years	13.34
16.43 - 21.00	881	—	9.1 years	21.00
	5,788	851		$ 8.53

At July 2, 2000, the Company has reserved approximately 12,925,000 shares of common stock for issuance under common stock option plans.

Fair Value Disclosures

Pro forma information regarding net (loss) income is required by Statement of Financial Accounting Standards No. 123, *Accounting For Stock-Based Compensation,* which also requires that the information be determined as if the Company had accounted for its stock options under the fair value method of that statement. The fair value of these options was estimated at the date of grant using the minimum value option pricing model prior to the Company's IPO, and the Black-Scholes option pricing model thereafter, with the following assumptions: risk free interest rate of 6%; no dividend yield; 70%, 0% and 0% volatility in 2000, 1999 and 1998, respectively, and a weighted-average expected life of the options of 5 years at date of grant.

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

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
	(in thousands, except per share data)		
Net (loss) income applicable to common stockholders:			
As reported	**$ (66,830)**	$ (12,061)	$ 3,466
Pro forma	**(71,766)**	(12,501)	3,438
Basic (loss) income per share applicable to common stockholders:			
As reported	**$ (1.10)**	$ (0.27)	$ 0.08
Pro forma	**(1.18)**	(0.28)	0.08
Diluted (loss) income per share applicable to common stockholders:			
As reported	**$ (1.10)**	$ (0.27)	$ 0.07
Pro forma	**(1.18)**	(0.28)	0.07

Note 10. Profit Sharing Plan

The Company has a 401(k) Profit Sharing Plan covering substantially all of its eligible employees. All full-time employees who have attained the age of 21 are eligible to participate upon completion of one year of service. Participants may elect to make voluntary contributions to the 401(k) plan in amounts not exceeding federal guidelines. On an annual basis the Company, as determined by its board of directors, may make certain discretionary contributions. Employees are vested in the Company's contributions based upon years of service. The Company made contributions of $149,000, $87,000 and $92,000 for the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively.

Note 11. Basic and Diluted (Loss) Income Per Share

The following sets forth the data used in the computation of basic and diluted (loss) earnings per common share:

	Years Ended		
	July 2, 2000	June 27, 1999	June 28, 1998
	(in thousands)		
Numerator:			
Net (loss) income	**$(66,830)**	$ (6,846)	$ 5,074
Redeemable Class C common stock dividends	**—**	(5,215)	(1,608)
Net (loss) income applicable to common stockholders	**$(66,830)**	$(12,061)	$ 3,466
Denominator:			
Denominator for basic (loss) income per share-weighted average common shares outstanding	**60,889**	44,035	44,120
Effect of dilutive securities:			
Employee stock options	**—**	—	120
Warrants	**—**	—	2,370
Dilutive potential common shares	**—**	—	2,490
Denominator for diluted (loss) income per share-weighted average common shares outstanding and assumed conversions	**60,889**	44,035	46,610

During the years ended July 2, 2000 and June 27, 1999, 1,127,546 shares of convertible preferred stock were excluded from the diluted loss per share computation until their associated conversion in August 1999, as their effect would have been antidilutive. During the years ended July 2, 2000 and June 27, 1999, options and warrants (prior to their exercise in February 2000) to purchase 2,060,000 and 3,322,000 shares, respectively of common stock (using the treasury method) were excluded from the diluted loss per share computation, as their effect would be antidilutive. During the years ended June 27, 1999 and June 28, 1998, 348,220 shares of common stock issued upon the conversion of Class C common stock were excluded from the diluted loss per share computation until their associated conversion/redemption in May 1999, as their inclusion would have been antidilutive.

Note 12. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various operating leases through fiscal 2009. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. Most lease agreements contain renewal options and rent escalation clauses and require the Company to pay real estate taxes, insurance, common area maintenance and operating expenses applicable to the leased properties. The Company has also entered into leases that are on a month-to-month basis.

The Company leases certain computer, telecommunication and related equipment under capital leases, which are included in property and equipment with a capitalized cost of approximately $11,489,000 and $10,124,000 at July 2, 2000 and June 27, 1999, respectively, and accumulated amortization of $8,245,000 and $6,897,000, respectively. In addition, the Company subleases land and buildings (which are leased from third parties) to certain of its franchisees. Certain of the leases, other than land leases which have been classified as operating leases, are classified as capital leases and have initial lease terms of approximately 20 years (including option periods in some cases).

As of July 2, 2000, future minimum payments under non-cancelable capital lease obligations, lease receipts due from franchisees (shown as Capitalized Investment in Leases) and operating leases with initial terms of one year or more consist of the following:

	Obligations Under Capital Leases	Capitalized Investment In Leases	Operating Leases
		(in thousands)	
2001	$ 1,852	$ 346	$ 4,772
2002	1,574	273	4,564
2003	1,052	163	4,157
2004	459	119	3,633
2005	186	53	3,039
Thereafter	69	69	2,837
Total minimum lease payments	5,192	1,023	$23,002
Less amounts representing interest	(638)	(58)	
Present value of net minimum lease payments	$ 4,554	$ 965	

At July 2, 2000, the aggregate future sublease rental income under long-term operating sub-leases for land and buildings and corresponding rental expense under long-term operating leases were as follows:

	Sublease Income	Sublease Expense
	(in thousands)	
2001	$ 2,928	$ 2,908
2002	2,296	2,283
2003	1,925	1,915
2004	1,672	1,664
2005	1,328	1,322
Thereafter	3,892	3,853
	$14,041	$13,945

In addition to the above, the Company has agreed to provide rent guarantees for leases entered into by certain franchisees with third party landlords. At July 2, 2000, the aggregate minimum rent due by franchisees guaranteed by the Company during the seven year period ending in fiscal year 2007 was approximately $420,000.

Rent expense was approximately $10,157,000, $7,692,000 and $5,637,000 for the years ended July 2, 2000, June 27, 1999 and June 28, 1998, respectively.

Online Marketing Agreements

The Company has commitments under exclusive online marketing agreements with various portal partners. Such online marketing costs are capitalized and amortized on a straight-line basis over the term of the agreements. The Company has a long-term commitment with America Online, Inc. ("AOL"), whereby the Company is required to pay a minimum of $42,000,000 over a fifty-month period commencing July 1, 1999. Through July 2, 2000, the Company paid $12,600,000 pursuant to the agreement.

On September 1, 2000, the Company entered into a new five year $22,100,000 interactive marketing agreement with AOL that effectively extends and enhances the terms of the July 1, 1999 agreement for an additional two years, through August 2005. Under the terms of the new agreement, the Company will continue as the exclusive marketer of fresh-cut flowers across six AOL properties including AOL, AOL.com, CompuServe, Netscape Netcenter, Digital City and ICQ and receive increased promotions across several AOL properties. As a result of the termination of the previous agreement, the Company will record a one-time charge of approximately $7,300,000 in its fiscal year 2001 first quarter to write-off amounts previously owed, paid and unamortized under the old agreement.

Litigation

There are various claims, lawsuits, and pending actions against the Company and its subsidiaries incident to the operations of its businesses. It is the opinion of management, after consultation with counsel, that the ultimate resolution of such claims, lawsuits and pending actions will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Report of Independent Auditors

The Board of Directors and Stockholders of
1-800-FLOWERS.COM, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries (the "Company") as of July 2, 2000 and June 27, 1999, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended July 2, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of 1-800-FLOWERS.COM, Inc. and Subsidiaries at July 2, 2000 and June 27, 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 2, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Melville, New York
August 16, 2000, except for
Note 12, Commitments and Contingencies-Online Marketing Agreements, as to which the date is September 1, 2000

Market for Common Equity and Related Stockholder Matters

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The Nasdaq National Stock Market under the symbol "FLWS." There is no established public trading market for the Company's Class B common stock. The following table sets forth the reported high and low sales prices for the Company's Class A common stock for each of the fiscal quarters during the period from August 3, 1999, the date of the Company's IPO, through July 2, 2000.

	High	Low
Year ended July 2, 2000		
August 3, 1999 – September 26, 1999	$ 23.19	$13.50
September 27, 1999 – December 26, 1999	$ 17.06	$11.75
December 27, 1999 – March 26, 2000	$ 13.00	$ 6.28
March 27, 2000 – July 2, 2000	$ 8.00	$ 4.25

Rights of Common Stock

Holders of Class A common stock generally have the same right as the holders of Class B common stock, except that holders of Class A common stock have one vote per share and holders of Class B common stock have 10 votes per share on all matters submitted to the vote of stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law. Class B common stock may be converted into Class A common stock at any time on a one-for-one basis and each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions.

Holders

As of September 25, 2000, there were approximately 93 shareholders of record of the Company's Class A common stock, although the Company believes that there is a significantly larger number of beneficial owners. As of September 25, 2000, there were approximately 24 shareholders of record of the Company's Class B common stock.

Dividend Policy

The Company has never declared or paid any cash dividends on its Class A or Class B common stock, and intends to retain future earnings, if any, to provide funds to finance the expansion of its business. As a result, the Company does not anticipate paying any cash dividends in the foreseeable future.

Company Information

Board of Directors

James F. McCann
Chairman and Chief Executive Officer
1-800-FLOWERS.COM

T. Guy Minetti
Vice Chairman
1-800-FLOWERS.COM

Christopher G. McCann
President
1-800-FLOWERS.COM

David Beirne
General Partner
Benchmark Capital
Management Co. II, L.L.C.

Lawrence V. Calcano
Managing Director
Goldman Sachs & Company

Charles R. Lax
General Partner
Softbank Capital Partners

Kevin J. O'Connor
Chairman
DoubleClick, Inc.

Jeffrey C. Walker
Managing Director
Chase Capital Partners

Corporate Officers

James F. McCann
Chairman and Chief Executive Officer
1-800-FLOWERS.COM

T. Guy Minetti
Vice Chairman
1-800-FLOWERS.COM

Christopher G. McCann
President
1-800-FLOWERS.COM

William E. Shea
Senior Vice President of Finance
and Administration, Treasurer and
Chief Financial Officer
1-800-FLOWERS.COM

Gerard M. Gallagher
Senior Vice President/General
Counsel/Secretary
1-800-FLOWERS.COM

Thomas G. Hartnett
Senior Vice President of Retail
and Fulfillment
1-800-FLOWERS.COM

Vincent J. McVeigh
Senior Vice President
1-800-FLOWERS.COM

Pamela Knox
Senior Vice President of Marketing
1-800-FLOWERS.COM

Peter G. Rice
President
Plow & Hearth

Stock Exchange Listing

NASDAQ National Market
Ticker Symbol: FLWS

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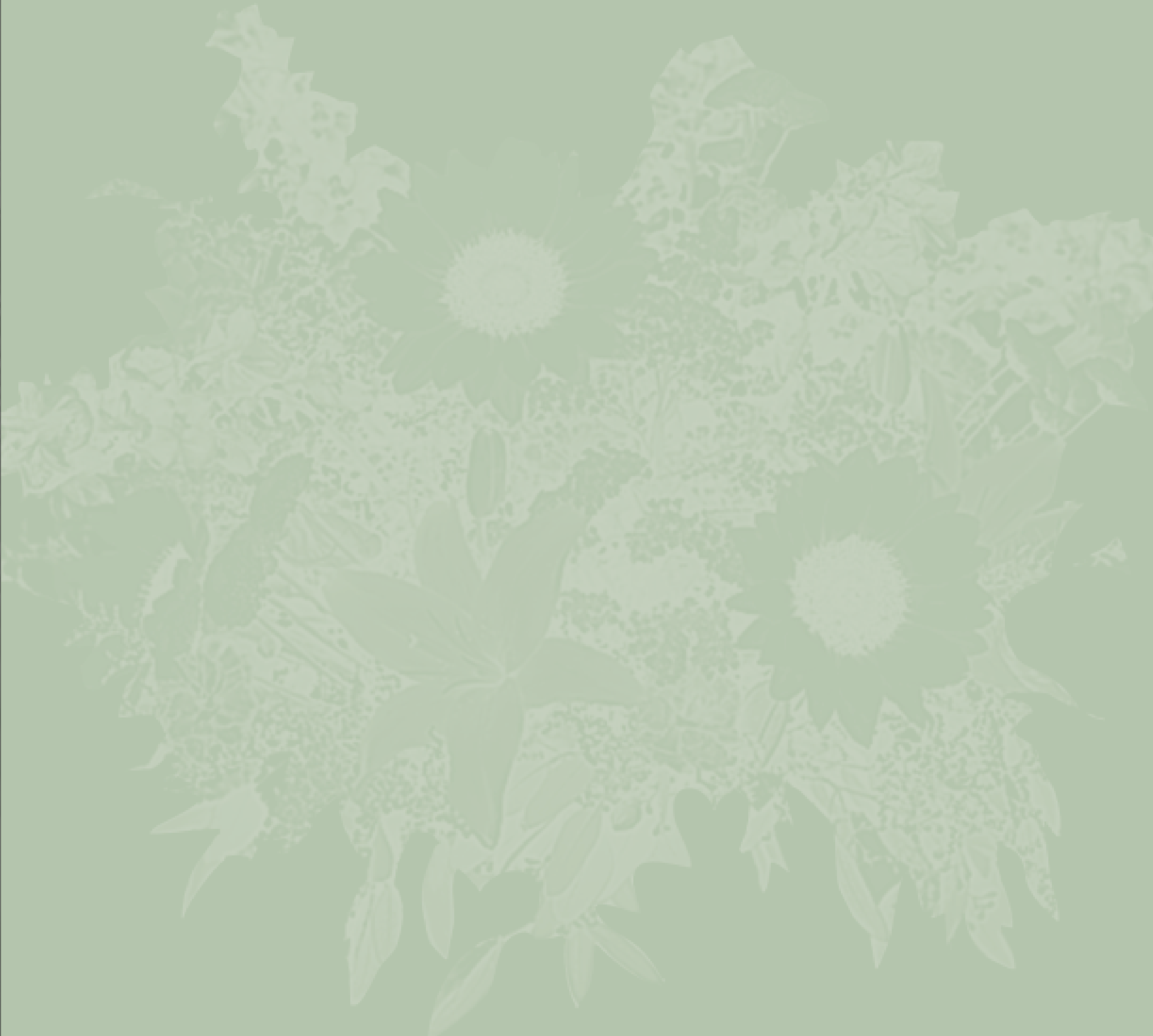
Shareholder Inquiries

Copies of the Company's reports on Forms 10-K and 10-Q as filed with the Securities and Exchange Commission and additional information about 1-800-FLOWERS.COM may be obtained without charge by calling 516-237-4714.

Information is also available via the Internet in the Investor Relations section at www.1800flowers.com, or by writing to:
Investor Relations
1-800-FLOWERS.COM
1600 Stewart Avenue
Westbury, New York 11590



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