1-800-FLOWERS.COM, Inc.

2007 Annual Report

BONUS

2008 Calendar

ABOUT 1-800-FLOWERS.COM, Inc.

For more than 30 years, 1-800-FLOWERS.COM Inc. – "Your Florist of Choice®" – has been providing customers around the world with the freshest flowers and finest selection of plants, gift baskets, gourmet foods, confections and plush stuffed animals perfect for every occasion. Customers can "call, click or come in" to shop 1-800-FLOWERS.COM 24/7 at 1-800-356-9377 or www.1800flowers.com.

The 1-800-FLOWERS.COM collection of brands also includes home decor and children's gifts from Plow & Hearth® (1-800-627-1712 or www.plowandhearth.com), Problem Solvers® (www.problemsolvers.com), Wind & Weather® (www.windandweather.com), HearthSong® (www.hearthsong.com) and Magic Cabin® (www.magiccabin.com); gourmet gifts including popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); exceptional cookies and baked gifts from Cheryl&Co.® (1-800-443-8124 or www.cherylandco.com); premium chocolates and confections from Fannie May Confections Brands® (www.fanniemay.com and www.harrylondon.com); gourmet foods from GreatFood.com® (www.greatfood.com); wine gifts from Ambrosia.com (www.ambrosia.com); gift baskets from 1-800-BASKETS.COM® (www.1800baskets.com) and the BloomNet® international floral wire service, which provides quality products and diverse services to a select network of florists. 1-800-FLOWERS.COM, Inc. stock is traded on the NASDAQ Global Select Market under ticker symbol FLWS.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

A number of statements contained in this report, other than statements of historical fact, 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 achieve cost-efficient growth; its ability to maintain and enhance its online shopping web sites to attract customers; its ability to successfully introduce new products and product categories; its ability to maintain and enhance profit margins for its various products; its ability to provide timely fulfillment of customer orders; its ability to cost effectively acquire and retain customers; its ability to continue growing revenues; its ability to compete against existing and new competitors; its ability to integrate and manage its various brands; its ability to manage expenses associated with necessary general and administrative and technology investments; its ability to cost effectively manage inventories; its ability to improve its bottom line results; its ability to leverage its operating infrastructure; its ability to achieve its stated results guidance for fiscal 2008 and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. For a more detailed description of these and other risk factors, please refer to the Company's SEC filings including the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company expressly disclaims any intent or obligation to update any of the forward looking statements made in this report or in any of its SEC filings except as may be otherwise stated by the Company.

FINANCIAL HIGHLIGHTS

	Years Ended				
	JULY 1, **2007**	JULY 2, **2006**	JULY 3, **2005**	JUNE 27, **2004**	JUNE 29, **2003**
	(in millions, except percentages and per share data)				
Total Net Revenues	$912.6	$781.7	$670.7	$604.0	$565.6
Gross Profit Margin	43.0%	41.7%	41.1%	41.9%	42.6%
Operating Expense Ratio	37.2%	38.8%	37.2%	35.8%	37.8%
EBITDA(1)	$ 57.4	$ 26.7	$ 26.4	$ 36.4	$ 27.5
EPS (GAAP)	$ 0.26	$ 0.05	$ 0.12	$ 0.60(2)	$ 0.18

(1) Earnings Before Interest, Taxes, Depreciation and Amortization; excludes accounting for effect of stock-based compensation; a reconciliation of EBITDA to net income is included as part of the enclosed Financial Section.

(2) For the year ended June 27, 2004, EPS included a net income tax benefit of $19.2 million, or $0.28 per share and was prior to the adoption of FASB 123R.

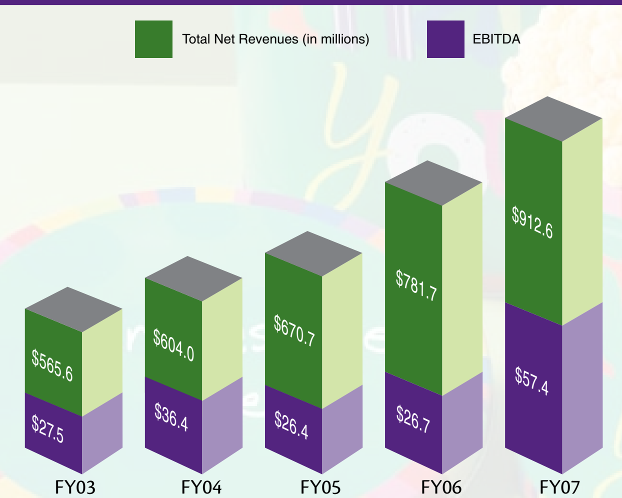
FISCAL 2007 ACHIEVEMENTS

- Grew EPS 420 percent to $0.26 per diluted share
- Grew EBITDA(1) 115 percent to $57.4 million
- Grew Revenues 16.7 percent, or $130.9 million, to $912.6 million
- Increased Gross Profit Margin 130 basis points to 43 percent
- Reduced Operating Expense Ratio 160 basis points to 37.2 percent

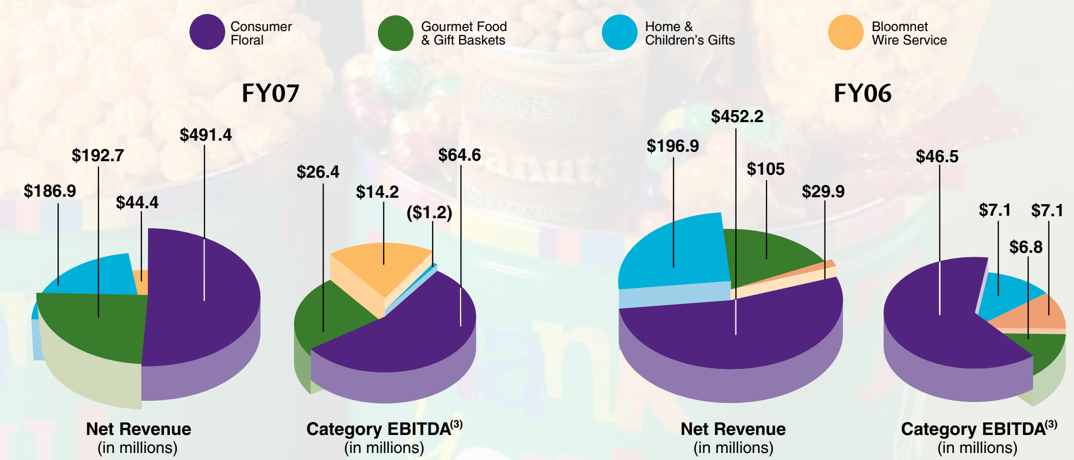
FINANCIAL REPORT INSERT

See inside rear-cover pocket.

TOTAL REVENUES



CATEGORY RESULTS



(3) The Company defines Category EBITDA as earnings before interest, taxes, depreciation and amortization and before allocation of corporate overhead expenses.

Fiscal 2007 was a very good year for our company; one in which we achieved strong top- and bottom-line results representing significant returns on the investments that we made in fiscal years 2005 and 2006. We are very pleased to have delivered on the guidance that we provided a year ago which called for solid revenue growth and increases in EBITDA and EPS of more than 100 percent. To recap, for the year we:

- Grew revenues approximately 17 percent, or $131 million, to $913 million,
- Increased Gross Profit Margin 130 basis points to 43 percent, and
- Improved Operating Expense Ratio 160 basis points to 37.2 percent.

Best in Class

The blue-ribbon icon that you will find throughout the pages of this year's annual report is used to highlight the kind of "Best in Class" performance that we are always striving to achieve in all aspects of our business. Reinforcing this strategic imperative are our Seeds of Success:

- *BE CONSTRUCTIVE. Make and solicit positive, constructive suggestions every day.*
- *BE POSITIVE. Teach others to have fun and celebrate success each day. Use positive language and reduce negative language*
- *BE PROMPT. Do it now... Answer it now... Fix it now...*
- *BE OUTCOME FOCUSED. Find positive lessons in every adverse situation. Use the past only for positive lessons.*
- *BE REFLECTIVE. Look for important positive lessons. What could you have done to make something better?*
- *BE RELENTLESS IN SEEKING POSITIVE INCREMENTAL IMPROVEMENT EVERY DAY!*

We believe that adhering to these concepts will help us enhance our performance-driven culture – a culture that can build long-term value for all "stakeholders" including our customers, associates, business partners, vendors and investors.

As a result, EBITDA (excluding stock-based compensation expense) increased 115 percent to more than $57 million, and EPS grew 420 percent to $0.26 per share. These results illustrate the substantial leverage we are driving in our operating platform as well as the strength of our brands and marketing programs in attracting a significant number of new customers each year while concurrently deepening the relationships that we have with our millions of existing customers.

Most important, these results were driven by strong performance in our key business categories – Consumer Floral, BloomNet® Wire Service and Gourmet Food and Gift Baskets. This, combined with contributions from our enterprise-wide business process improvement initiatives, more than offset the weaker performance of our Home and Children's Gifts category.

Strong Customer Metrics and ECV

A key element in growing our business, both top- and bottom-line, is our ability to leverage our operating platform and assets across all of our brands and businesses. Among our most unique and important assets are the relationships we have with our more than 25 million existing customers and our ability to cost efficiently attract millions of new customers each year. In terms of customer metrics for fiscal 2007:

- We attracted approximately 3.5 million new customers. The large majority of these customers came to us online, through our flagship 1-800-FLOWERS.COM brand. Importantly, we believe the strength of the 1-800-FLOWERS.COM brand provides a distinct advantage in customer acquisition cost compared with most e-commerce and direct marketing competitors.
- More than 6.5 million e-commerce customers placed orders with us, with repeat customers representing 48 percent of the total, up from 46 percent last year. This reflects the success of our efforts to deepen our relationships with our customers as their trusted resource helping them express themselves and connect with the important people in their lives.

One of our most important initiatives in this area last year was the development of what we call ECV, or Enterprise Customer Value, which promotes cross-brand marketing and merchandising efforts across our entire platform. During the year we created an enterprise-wide customer database and began using sophisticated software tools to build highly targeted, cross-brand customer "models." These models significantly enhance the effectiveness of our email and direct marketing programs and have proved very effective in helping us introduce 1-800-FLOWERS.COM customers to our Gourmet Food and Gift Basket brands, including Cheryl&Co.® bakery gifts, Fannie May® and Harry London® chocolates, The Popcorn Factory® and our new 1-800-BASKETS.COM® brand. As a result of these efforts we are seeing improvements in all of our customer metrics, including repeat rate, average order value, response and conversion rates.

Leveraging the Enterprise Platform

In fiscal 2007 we began reporting specific results and operating metrics for our four business categories: Consumer Floral, the BloomNet wire service, Gourmet Food and Gift Baskets and Home and Children's Gifts. The brands within each of these business categories leverage our enterprise operating platform and assets to reduce operating costs while driving both revenue growth and profitability. This "shared services" concept, including centralized human resources, IT, Legal, Finance and Customer Service, among others, enables our brand managers to focus the majority of their efforts on growing their brands and deepening the relationships with their customers.

Throughout the year, the business process improvement initiatives that we implemented beginning in the second half of fiscal 2006 began to pay off with significant cost savings. This was achieved by leveraging our growing scale to consolidate costs and significantly improve operating efficiencies. These savings and efficiencies – which can be seen in both gross margin and operating expense improvements – have been "institutionalized" so that they are part of our ongoing operations in fiscal 2008 and the future. Importantly, these programs are still in their early stages and we see significant opportunities for further operating efficiencies going forward. In terms of our business categories:

Consumer Floral – *Expanding the Competitive Gap*

During fiscal 2007, we grew our core 1-800-FLOWERS.COM floral category nearly nine percent to more than $490 million. Importantly, this growth significantly outpaced that of our closest floral competitors and, coming on the largest base of business in the industry, allowed us to further expand our market leadership position.

During fiscal 2007 we saw strong customer response to our enhanced merchandise offerings, particularly extensions of our signature products such as the hugely successful Happy Hour Collection and its offspring – the Happy Hour Minis. This positive response, combined with our successful efforts to increase order add-on rates and rationalize underperforming skus, enabled us to increase average order value and drive higher gross profit margins.

Continuing these efforts, we recently announced our most exciting partnership to date – teaming up with Martha Stewart Living Omnimedia, Inc., to create an exclusive co-branded floral, plant and gift basket program called *Martha Stewart for 1-800-Flowers.com*SM. The program will launch in the spring of 2008 leveraging the best of both brands – lifestyle icon Martha Stewart's unparalleled design talent with our company's deepening relationships with our millions of customers and our unique same-day, any-day distribution capabilities.

BloomNet – *Changing the Wire Service Industry*
Launched in January 2005, the BloomNet wire service emerged from its investment phase at the end of last year and began providing strong top and bottom-line contributions in fiscal 2007. For the year, revenues increased approximately 50 percent to more than $44 million and category contribution margin grew nearly 100 percent to more than $14 million. These results illustrate the tremendous success of BloomNet's "market disrupter" strategy which has enabled us to gain market share by providing florists with a superior value proposition. This includes BloomNet's unique tiered pricing structure in which florists' fees are tied directly to the volume of orders they receive from BloomNet. In addition, BloomNet has developed a best-in-class suite of products and services designed to help florists grow their businesses profitably. Examples of these, introduced in fiscal 2007, include the BloomNet Floral Selection Guide, Website Hosting service, a comprehensive technology platform for retail store management and the industry's first and only digital florist directory, the BloomNet Directory Online.

Florists throughout the country have enthusiastically embraced the BloomNet value proposition. As a result, the BloomNet team has created what we believe is the very best quality network in the industry – and did it ahead of our original plan. As such, last year we began to shift our focus from growing the network to deepening our relationship with our existing members… helping them not just survive in a contracting marketplace, but to thrive. Toward this end, during fiscal 2007, BloomNet began to capture a growing share of the order volume sent between florists. When combined with the 1-800-FLOWERS.COM order volume, BloomNet florists are now uniquely positioned to benefit from our industry leading growth in order volume.

Gourmet Food and Gift Baskets – *Delicious Results*
During fiscal 2007 our Gourmet Food and Gift Baskets business grew more than 80 percent, or nearly $90 million, to $193 million. This growth included a strong contribution from our Fannie May Confections business, acquired in April, 2006. Combined with our Cheryl & Co. bakery gifts, novelty food gifts from The Popcorn Factory and our recently relaunched 1-800-BASKETS.COM business, we have quickly become one of the leading players in this fast growing gift category. Our customers continue to tell us – through their buying patterns and market surveys– that gourmet food gifts are an excellent way to help them connect with the important people in their lives for a broad range of celebratory occasions. Recent industry research indicates that this category represents more than $5 billion in annual sales with solid double-digit growth and strong profit margins. Importantly, the category is largely fragmented, with few large, dominant players. Through a combination of internal development and strategic acquisitions, we believe we are positioned to become the leading provider of gourmet food gifts for our customers.

Home and Children's Gifts – *Restructured and Refocused*
Fiscal 2007 performance in this category was significantly below our expectations. Revenues for the year declined 5 percent to $187 million. More important, category contribution margin declined more than 100 percent to a loss of $1.2 million compared with fiscal 2006. These results reflect both macro market conditions related to the weak housing sector as well as our own internal missteps in both creative and merchandising as we attempted to expand the category with the introduction of two new stand-alone titles.

During the year we took aggressive steps to address the weak performance in this category. Beginning in January, we changed senior management and initiated a comprehensive review of the business. Since that time, we have made progress in implementing changes that are beginning to provide benefits in the form of improved customer response rates and lower operating costs. Among these efforts:

- We strengthened the management team, particularly in the areas of Creative and Merchandising.
- We revised catalog circulation and marketing programs, and
- We stepped up product development and sourcing efforts with a focus on unique, proprietary products and adjusted promotional pricing strategies to enhance gross margins.

During fiscal 2008, we believe the changes we have made will enable us to operate this business profitably on our plan for flat revenues.

Looking Ahead – *Building Momentum*
As we look ahead into fiscal 2008 and beyond, we plan to build on the momentum that we have created. For fiscal 2008 we anticipate continued strong revenue growth in our key business categories – Consumer Floral, BloomNet Wire Service and Gourmet Food and Gift Baskets. This will be somewhat offset by the planned flat revenues in our Home and Children's Gifts business that we mentioned earlier in this letter. As a result, we anticipate organic revenue growth for the year in a range of 7-to-9 percent.

Also during the year, we expect to achieve further improvements in gross profit margin and operating expense ratio through a combination of sourcing, product mix and ongoing business process improvement initiatives. Combined with the anticipated revenue growth, we expect this to result in EBITDA growth of 20-to-25 percent and EPS growth of 30-to-35 percent for the year.

Longer term, we see our growth paths in terms of both "symmetrical" and "asymmetrical" opportunities. We will continue to grow symmetrically in our three key business categories by:

- Leveraging our operating platform and collection of unique assets,
- Birthing new businesses and product-line extensions, such as the tremendously successful BloomNet wire service, and
- Expanding our offerings through strategic acquisitions

We will also continue to explore asymmetrical growth opportunities – constantly researching, testing and, when appropriate, embracing new technologies, new social trends and new ways of looking at our existing businesses so that we can extend our position as a leading e-commerce company. This focus is, frankly, part of our "DNA" and a key to our future success.

We believe that the combination of symmetrical and asymmetrical growth strategies, along with leveraging our operating model and assets to reduce costs and enhance profitability, will enable us to build long-term shareholder value. We thank all of our stakeholders for their continued support.

Sincerely,

Jim

Jim McCann
Chairman and CEO

Chris

Chris McCann
President

1-800-FLOWERS.COM'S

Integrated Marketing

Strategy is boosting

brand exposure

and expanding

sales growth

January/2008

December/2007

S	M	T	W	T	F	S
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2	3	4	5	6	7	8
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23	24	25	26	27	28	29
30	31					

February/2008

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24	25	26	27	28	29	

During fiscal 2007, 1-800-FLOWERS.COM utilized its diverse integrated marketing capabilities to successfully launch an exciting new collection of “Happy Hour” floral products. The Company’s integrated promotional strategy encompassed both on-line and off-line marketing communication channels including banner ads, website features, e-mail, search, radio, out-of-home advertising, public relations, direct mail and retail. This integrated approach has resulted in significantly increased exposure of 1-800-flowers.com® branded products as well as improved customer conversion and repeat metrics.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30	31	1 *New Year’s Day*	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21 *Martin Luther King Jr.’s Birthday (observed)*	22	23	24	25	26
27	28	29	30	31	1	2

Striving for Customer

Service Excellence

results in the prestigious

"Call Center of the Year"

Award

Best in Class Customer Service

February/2008

January/2008

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27	28	29	30	31		

March/2008

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23	24	25	26	27	28	29
30	31					

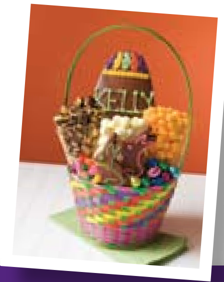
1-800-FLOWERS.COM has been recognized for its customer service excellence numerous times by industry associations. Among the most prestigious honors received was being named "Call Center of the Year" by the International Customer Management Institute (ICMI). Each year, the award cites the very best call centers within ICMI's worldwide membership community. The responsiveness, knowledge and commitment of 1-800-FLOWERS.COM'S Best in Class customer service professionals play a pivotal role in fostering customer satisfaction, resulting in a high degree of repeat business.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27	28	29	30	31	1	2 Groundhog Day
3	4	5	6	7	8	9
10	11	12	13	14 Valentine's Day	15	16
17	18 Presidents' Day	19	20	21	22	23
24	25	26	27	28	29	1

The innovative BloomNet guide is both a comprehensive training package and an essential marketing tool for retail florists

Best in Class BloomNet® Floral Selection Guide

March/2008



February/2008						
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24	25	26	27	28	29	

April/2008						
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20	21	22	23	24	25	26
27	28	29	30			

BloomNet is a preferred wire service provider offering products and services to a select network of professional retail florists. In fiscal 2007, BloomNet introduced "expressions *of flowers*™," one of the industry's most innovative floral selection guides – containing more than 250 forward-trending arrangements. Each of the arrangements can be easily recreated by BloomNet florists, satisfying a wide array of customer needs. Also included in the guide are many tips and insights. The new guide has quickly become an essential marketing tool for BloomNet's high quality member florists.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
24	25	26	27	28	29	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17 *St. Patrick's Day*	18	19	20 *First Day of Spring*	21	22
23 *Easter* / 30	24 / 31	25	26	27	28	29

Fresh Rewards®

Loyalty Program

attracts high value

customers at efficient

marketing cost

April/2008

March/2008

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30	31					

May/2008

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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

As a way of rewarding loyal customers and to stimulate everyday gifting, 1-800-FLOWERS.COM created "Fresh Rewards®" – the only loyalty program in the e-commerce floral category. Members make purchases and earn points toward gift certificates. More than one million customers, including a significant number of first-time buyers, have signed up to be Fresh Rewards members. Key business benefits of the program include improved customer metrics: higher average purchases, higher repeat rates, higher retention and more purchases across the Company's broad range of products and brands.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30	31	1 *April Fools Day*	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19 *Passover Begins at Sunset*
20	21 *Administrative Professionals' Week Begins*	22	23 *Administrative Professionals' Day*	24	25	26
27	28	29	30	1	2	3

BloomNet's online directory is the industry's first, enabling instant access to the best-qualified florists

Best in Class BloomNet® Digital Directory

April/2008

S	M	T	W	T	F	S
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6	7	8	9	10	11	12
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20	21	22	23	24	25	26
27	28	29	30			

June/2008

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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May/2008

With the introduction of the floral industry's first digital directory, the BloomNet wire service has made it more convenient than ever for BloomNet member florists to find the right floral shop to fulfill their customer orders. Using the intuitive digital directory, BloomNet florists can search and locate order-fulfilling florists by zip code, city, state, floral specialties and several other criteria. After reviewing qualifications and selecting the best-matched florist for their customer, the BloomNet florist simply clicks and sends the order through the secure web-based "BloomLink" network. And, since it's another BloomNet shop filling the order, they can be confident of the highest quality in the floral industry.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27	28	29	30	1	2 National Bring Your Mom to Work Day	3
4	5 Cinco de Mayo	6	7	8	9	10
11 Mother's Day	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26 Memorial Day (Observed)	27	28	29	30	31

Fueling growth by “talenting up,” 1-800-FLOWERS.COM helps its most important resource – its people – make the most of their careers

Best in Class Professional Development

June/2008

May/2008

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

July/2008

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

1-800-FLOWERS.COM's innovative "Fresh University" is an internal educational arm providing professional and personal development for all of the Company's associates, enterprise-wide. The program's curriculum focuses on building teamwork and teaching leadership skills that associates can utilize in advancing their careers. The curriculum also offers courses and workshops in several other key areas including sales, conflict resolution and computer training. Since the program's inception, thousands of associates have received more than 35,000 hours of instruction.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	13	14 *Flag Day*
15 *Father's Day*	16	17	18	19	20	21 *First Day of Summer*
22	23	24	25	26	27	28
29	30	1	2	3	4	5

Leading-edge order processing is supported by state-of-the-art customer service centers

Best in Class Technology

July/2008

June/2008

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

August/2008

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

As a pioneer and leader in the e-commerce market, 1-800-FLOWERS.COM employs cutting edge technology anchored by a proprietary order processing system. The Company's scalable and redundant technology supports the high volume of transactions processed through online and telephonic sales channels and provides robust reliability during peak demand periods. Furthermore, the Company's content-rich website (www.1800flowers.com) is continually updated and incorporates the most advanced search and personalization capabilities. The site is also supported by state-of-the-art customer service centers featuring keyboard-to-keyboard chat messaging, "click-to-talk" capability and e-mail.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29	30	1	2	3	4 Independence Day	5
6	7	8	9	10	11	12
13	14 Bastille Day	15	16	17	18	19
20	21	22	23	24	25	26
27 Parents' Day	28	29	30	31	1	2

Distinctive packaging and personalization capabilities convey the perfect sentiment for any gifting occasion

Best in Class Gift Packaging

August/2008

July/2008

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

September/2008

S	M	T	W	T	F	S
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Two of our most exciting gourmet food gift brands, Cheryl&Co.® and The Popcorn Factory®, offer an expansive choice of packaging possibilities designed to convey almost any gifting sentiment. Cheryl&Co. baked gifts are available in special configurations as well as with elegant satin ribbons that can be customized for specific occasions and recipients. To enhance presentation and protect peak freshness, Cheryl&Co. cookies are individually wrapped. The Popcorn Factory's collectible tins are famous for their beautiful seasonal graphics. Now tins can also be customized with recipient names, personal messages, company logos and just about anything else the customer has in mind, including the latest innovation, uploadable photographs for personalized gift cards.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27	28	29	30	31	1	2
3	4	5	6	7	8	9
10	11 *National Friendship Week Begins*	12	13	14	15	16
17	18	19	20	21	22	23
24 / 31	25	26	27	28	29	30

"Giving back"

is a priority for

the Company,

exemplified by two

programs benefiting

veterans and

students

Best in Class Community Involvement

September/2008

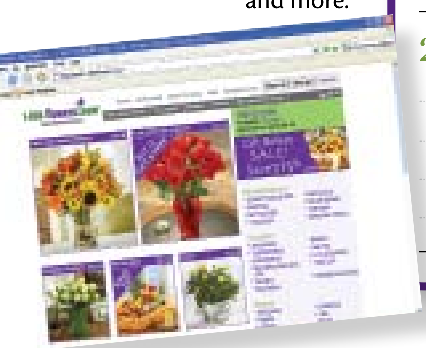
August/2008

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

October/2008

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Working directly with the armed services and local government, 1-800-FLOWERS.COM has initiated a program that provides military veterans and their family members with business-skills training designed to ease their entry into the private sector economy. The Company's Military Assistance Plan offers training in resume writing, computer skills, job-interview techniques and sales strategies, among other courses. The Company also offers a rapidly expanding Executive Intern Program that gives hundreds of college students from around the country an opportunity to gain hands-on experience in such areas as developing marketing programs, merchandising, information technology, and more.



Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
31	1 *Labor Day*	2	3	4	5	6
7 *Grandparent's Day*	8	9	10	11 *Patriot Day*	12	13
14	15	16	17	18	19	20
21	22 *First Day of Fall*	23	24	25	26	27
28	29 *Rosh Hashanah Begins at Sunset*	30	1	2	3	4

Thoughtful gift ideas,

backed by

unparalleled

service, make

1-800-FLOWERS.COM

a trusted business

gift-giving expert

Best in Class Business Gift Services

October/2008

September/2008

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

November/2008

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

For more than 30 years, 1-800-FLOWERS.COM has helped businesses thank their clients, celebrate success and reward team members. The Company delivers a unique proposition: a broad range of options not offered by other gift vendors, enabling customers to send distinctly different gifts on various occasions. Among the most popular business gifts are gourmet food and gift basket items from The Popcorn Factory®, Cheryl&Co.® and 1-800-BASKETS.COM®. Each product can be customized to include company logos, recipient names, or special business messages.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28	29	30	1	2	3	4
5	6	7	8 *Yom Kippur Begins at Sunset*	9	10	11
12 *National Children's Day*	13 *Columbus Day (Observed)*	14	15	16 *National Bosses' Day*	17	18 *Sweetest Day*
19	20	21	22	23	24	25
26	27	28	29	30	31 *Halloween*	1

Unique floral arrangements and gifts are the "signature" of 1-800-FLOWERS.COM

Best in Class Merchandising

November/2008

October/2008

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

December/2008

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

1-800-FLOWERS.COM constantly strives to bring product innovation to the floral marketplace. During fiscal 2007, the Company's highly successful "Happy Hour" collection featuring beautiful bouquets in whimsical giant cocktail glasses led to the birth of the new "Minis" – pint-sized versions of the Happy Hour collection great for everyday connective occasions. Also new to the floral category is the "Fields of the World" collection, combining unique and often exclusive floral varieties sourced directly by the Company from farms around the world. 1-800-FLOWERS.COM also offers exclusively-designed containers and vases, along with hand crafted arrangements from expert floral designers such as Preston Bailey, Jane Carroll, Julie Mulligan and Jane Packer.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	29	30	31	1
2	3	4 *Election Day*	5	6	7	8
9	10	11 *Veteran's Day*	12	13	14	15
16	17	18	19	20	21	22
23 / 30	24	25	26	27 *Thanksgiving Day*	28	29

The Company's expanded Home Agent network adds flexibility for peak holiday periods and increases the already award winning quality of its customer service

Best in Class Home Agent Network

December/2008

November/2008

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

January/2009

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

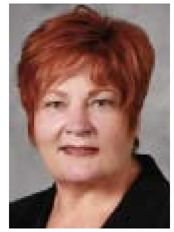
To fulfill the increased staffing requirements of busy selling periods such as Valentine's Day, Mother's Day and Christmas, 1-800-FLOWERS.COM has developed a highly flexible and responsive Home Agent Network. Utilizing sophisticated call routing technologies, the Company is able to quickly and efficiently scale up its number of home-based customer service agents as well as its infrastructure to meet peak holiday demands. The expanding Home Agent Network has also increased customer satisfaction and repeat business by making agents more readily available to customers.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21 *Hanukkah Begins at Sunset* *First Day of Winter*	22	23	24	25 *Christmas Day*	26 *First Day of Kwanzaa*	27
28	29	30	31	1	2	3

BOARD OF DIRECTORS

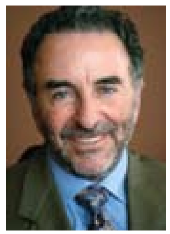
James F. McCann
Chairman and Chief
Executive Officer
1-800-FLOWERS.COM

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



Jan Murley
Consultant,
Consumer & Retail Practice
Kohlberg, Kravis, Roberts & Co.

Jeffrey C. Walker
Chairman & CEO
CCMP Capital Advisors, LLC



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Chairman & CEO
Direct Insite, Inc.

Leonard J. Elmore
Senior Counsel
LeBoeuf, Lamb,
Green and MacRae, LLP

John J. Conefry
Vice Chairman
Astoria Financial Corporation

Lawrence V. Calcano
Principal
Calcano Capital Advisors

CORPORATE OFFICERS

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

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

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

Gerard M. Gallagher
Senior Vice President of Business Affairs,
General Counsel and Corporate Secretary
1-800-FLOWERS.COM

Stephen Bozzo
Senior Vice President,
Chief Information Officer
1-800-FLOWERS.COM

Monica L. Woo
President, Consumer Floral Brand
1-800-FLOWERS.COM

Timothy J. Hopkins
President
Madison Brands
1-800-FLOWERS.COM

David Taiclet
Chief Executive Officer
Fannie May Confections Brands, Inc.

Fiscal Year 2007

Financial Report

1-800-FLOWERS.COM, Inc.

Selected Financial Data

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

The following tables summarize the Company's consolidated statement of income and balance sheet data. The Company acquired Fannie May Confections Brands, Inc. in May 2006, Wind & Weather in October 2005, Cheryl & Co. in March 2005 and The Winetasting Network in November 2004. The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. This information should be read together with the discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes to those statements included elsewhere in this Annual Report.

	Years Ended (1)				
	July 1, 2007	July 2, 2006	July 3, 2005	June 27, 2004	June 29, 2003
	(in thousands, except per share data)				
Consolidated Statement of Income Data:					
Net revenues:					
E-commerce (telephonic/online)	**$749,238**	$706,001	$620,831	$570,509	$536,349
Other (retail/wholesale)	**163,360**	75,740	49,848	33,469	29,269
Total net revenues	**912,598**	781,741	670,679	603,978	565,618
Cost of revenues	**520,132**	456,097	395,028	351,111	324,565
Gross profit	**392,466**	325,644	275,651	252,867	241,053
Operating expenses:					
Marketing and sales	**262,303**	239,573	198,935	172,251	170,013
Technology and development	**21,316**	19,819	14,757	13,799	13,937
General and administrative	**56,017**	43,978	35,572	30,415	29,593
Depreciation and amortization	**17,837**	15,765	14,489	14,992	15,389
Total operating expenses	**357,473**	319,135	263,753	231,457	228,932
Operating income	**34,993**	6,509	11,898	21,410	12,121
Other income (expense), net	**(5,984)**	(141)	1,349	320	117
Income before income taxes	**29,009**	6,368	13,247	21,730	12,238
Income tax expense (benefit)	**11,891**	3,181	5,398	(19,174)	—
Net income	**$ 17,118**	$ 3,187	$ 7,849	$ 40,904	$ 12,238
Net income per common share:					
Basic	**$ 0.27**	$ 0.05	$ 0.12	$ 0.62	$ 0.19
Diluted	**$ 0.26**	$ 0.05	$ 0.12	$ 0.60	$ 0.18
Shares used in the calculation of net income per common share:					
Basic	**63,786**	65,100	66,038	65,959	65,566
Diluted	**65,526**	66,429	67,402	68,165	67,670

Note (1): The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years ended July 1, 2007, July 2, 2006, June 27, 2004 and June 29, 2003 consisted of 52 weeks, while the fiscal year ended July 3, 2005 consisted of 53 weeks.

Note (2): Effective July 4, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective application method. The impact of the adoption, which reduced net income per common share by $0.05 for both of the fiscal years ended July 1, 2007 and July 2, 2006, is described in further detail in Note 2 of the Company's Annual Financial Statements.

	As of				
	July 1, 2007	July 2, 2006	July 3, 2005	June 27, 2004	June 29, 2003
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and equivalents and short-term investments	**$ 16,087**	$ 24,599	$ 46,608	$103,374	$ 61,218
Working capital	**51,419**	44,250	44,739	83,704	26,875
Investments-non current	**—**	—	—	8,260	19,471
Total assets	**352,507**	346,634	251,952	261,552	214,796
Long-term liabilities	**78,911**	79,221	5,281	8,874	12,820
Total stockholders' equity	**201,031**	193,183	186,334	186,390	137,288

Overview

For more than 30 years, 1-800-FLOWERS.COM, Inc. – "Your Florist of Choice®" - has been providing customers around the world with the freshest flowers and finest selection of plants, gift baskets, gourmet foods and confections, and plush stuffed animals perfect for every occasion. 1-800-FLOWERS.COM® offers the best of both worlds: exquisite, florist-designed arrangements individually created by some of the nation's top floral artists and hand-delivered the same day, and spectacular flowers delivered through its "Fresh From Our Growers(TM)" program.

Customers can "call, click or come in" to shop 1-800-FLOWERS.COM 24 hours a day, 7 days a week via the phone or Internet (1-800-356-9377 or www.1800flowers.com) or by visiting a Company-operated or franchised store. Sales and Service Specialists are available 24/7, and fast and reliable delivery is offered same day, any day. As always, 100 percent satisfaction and freshness is guaranteed. The 1-800-FLOWERS.COM collection of brands also includes home decor and children's gifts from Plow & Hearth® (1-800-627-1712 or www.plowandhearth.com); Wind & Weather® (www.windandweather.com), HearthSong® (www.hearthsong.com) and Magic Cabin® (www.magiccabin.com); gourmet gifts including popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); exceptional cookies and baked gifts from Cheryl&Co. ® (1-800-443-8124 or wwwcherylandco.com); premium chocolates and confections from Fannie May Confections Brands (www.fanniemay.com); gourmet foods from GreatFood.com® (www.greatfood.com); wine gifts from Ambrosia.com (www.ambrosiawine.com); gift baskets from 1-800-BASKETS.COM® (www.1800baskets.com) and the BloomNet® international floral wire service, which provides quality products and diverse services to a select network of florists.

1-800-FLOWERS.COM, Inc. stock is traded on the NASDAQ market under ticker symbol FLWS.

Category Information

During the first quarter of fiscal 2007, the Company segmented its organization to improve execution and customer focus and to align its resources to meet the demands of the markets it serves. The following table presents the contribution of net revenues, gross profit and "EBITDA" (earnings before interest, taxes, depreciation and amortization) from each of the Company's business categories.

Net Revenues

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Net revenues:					
1-800-Flowers.com Consumer Floral	**$491,404**	8.7%	$452,188	7.2%	$422,012
BloomNet Wire Service	**44,379**	48.5%	29,884	37.2%	21,784
Gourmet Food & Gift Baskets	**192,698**	83.5%	105,002	93.5%	54,263
Home & Children's Gifts	**186,948**	(5.1%)	196,919	14.3%	172,317
Corporate(*)	**1,652**	19.0%	1,388	(25.5%)	1,863
Intercompany eliminations	**(4,483)**	(23.2%)	(3,640)	(133.3%)	(1,560)
Total net revenues	**$912,598**	16.7%	$781,741	16.6%	$670,679

Gross Profit

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Gross profit:					
1-800-Flowers.com Consumer Floral	**$192,921**	13.2%	$170,352	6.8%	$159,553
	39.3%		37.7%		37.8%
BloomNet Wire Service	**24,844**	55.4%	15,989	35.6%	11,795
	56.0%		53.5%		54.1%
Gourmet Food & Gift Baskets	**88,207**	85.9%	47,442	99.3%	23,806
	45.8%		45.2%		43.9%
Home & Children's Gifts	**85,899**	(6.2%)	91,555	14.8%	79,728
	45.9%		46.5%		46.3%
Corporate(*)	**764**	38.7%	551	(31.6%)	806
	46.2%		39.7%		43.3%
Intercompany eliminations	**(169)**		(245)		(37)
Total gross profit	**$392,466**	20.5%	$325,644	18.1%	$275,651
	43.0%		41.7%		41.1%

EBITDA (**)

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Category Contribution Margin:					
1-800-Flowers.com Consumer Floral	**$64,580**	38.8%	$46,518	(1.1%)	$47,039
BloomNet Wire Service	**14,169**	99.4%	7,106	20.2%	5,912
Gourmet Food & Gift Baskets	**26,377**	286.4%	6,827	790.1%	767
Home & Children's Gifts	**(1,215)**	(117.0%)	7,134	5.8%	6,741
Category Contribution Margin Subtotal	**103,911**	53.7%	67,585	11.8%	60,459
Corporate(*)	**(51,081)**	(12.7%)	(45,311)	(33.0%)	(34,072)
EBITDA	**$52,830**	137.2%	$22,274	(15.6%)	$26,387

(*) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among other items, Information Technology, Human Resources, Accounting and Finance, Legal, Executive and Customer Service Center functions, as well as Stock-Based Compensation. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions, other than those of the Customer Service Center, which are allocated directly to the above categories based upon usage, are included within corporate expenses as they are not directly allocable to a specific category.

(**) Performance is measured based on category contribution margin or category EBITDA, reflecting only the direct controllable revenue and operating expenses of the categories. As such, management's measure of profitability for these categories does not include the effect of corporate overhead, described above, nor does it include depreciation and amortization, other income (net), and income taxes. Management utilizes EBITDA as a performance measurement tool because it considers such information a meaningful supplemental measure of its performance and believes it is frequently used by the investment community in the evaluation of companies with comparable market capitalization. The Company also uses EBITDA as one of the factors used to determine the total amount of bonuses available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA (with additional adjustments) to measure compliance with covenants such as interest coverage and debt incurrence. EBITDA is also used by the Company to evaluate and price potential acquisition candidates. EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of these limitations are: (a) EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debts; and (c) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Reconciliation of Net Income to EBITDA:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
	(in thousands)		
Net income	**$17,118**	$ 3,187	$ 7,849
Add:			
Interest expense	**7,390**	1,407	481
Depreciation and amortization	**17,837**	15,765	14,489
Income tax expense	**11,891**	3,181	5,398
Less:			
Interest income	**1,381**	1,260	1,690
Other income (expense)	**25**	6	140
EBITDA	**$52,830**	$22,274	$26,387

Results of Operations

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2007 and 2006, which ended on July 1, 2007 and July 2, 2006, respectively, consisted of 52 weeks, while fiscal year 2005, which ended on July 3, 2005, consisted of 53 weeks.

Net Revenues

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Net Revenues:					
E-Commerce	**$749,238**	6.1%	$706,001	13.7%	$620,831
Other	**163,360**	115.7%	75,740	51.9%	49,848
	$912,598	16.7%	$781,741	16.6%	$670,679

Net revenues consist primarily of the selling price of the merchandise, service or outbound shipping charges, less discounts, returns and credits.

The Company's revenue growth of 16.7% during the fiscal year ended July 1, 2007 was due to a combination of organic growth, as well as the acquisitions of Fannie May Confections Brands, a manufacturer and retailer of premium chocolates and other confections, acquired on May 1, 2006 and Wind & Weather, a direct marketer of weather-themed gifts, acquired on October 31, 2005. Organic revenue growth, including post acquisition growth of the aforementioned acquisitions, adjusted for the disposition of certain Company owned floral retail stores, during fiscal 2007 was approximately 8%, reflecting: (i) the Company's strong brand name recognition, (ii) continued leveraging of its existing customer base, and (iii) cost effective spending on its marketing and selling programs, designed to improve customer acquisition and accelerate top-line growth.

The Company's revenue growth of 16.6% during the fiscal year ended July 2, 2006 was due to a combination of organic growth, as well as the acquisitions of Cheryl & Co., acquired on March 28, 2005, Wind & Weather, acquired on October 31, 2005, and Fannie May Confections Brands, acquired on May 1, 2006. Organic revenue growth, including post acquisition growth of the aforementioned acquisitions, during fiscal 2006 was approximately 10%, adjusted for the additional week of sales during fiscal 2005 which consisted of 53 weeks, compared to fiscal 2006 which consisted of 52 weeks.

The Company fulfilled approximately 11,635,000, 11,315,000 and 10,213,000 orders through its e-commerce (combined online and telephonic) sales channel during the fiscal years ended July 1, 2007, July 2, 2006, and July 3, 2005, respectively, representing increases of 2.8% and 10.8% over the respective prior fiscal years. The Company's e-commerce (combined online and telephonic) sales channel average order value increased 3.2% to $64.37 during fiscal 2007, and 2.6% to $62.39 during fiscal 2006, as a result of increased service and shipping charges (in line with industry norms) to partially offset the impact of increased fuel costs passed on from freight carriers.

Other revenues for the fiscal years ended July 1, 2007 and July 2, 2006, increased in comparison to the same periods of the prior year, primarily as a result of the retail/wholesale contribution of Fannie May Confections Brands, as well as the continued membership growth and wholesale floral product and service offerings from the Company's BloomNet Wire Service category. Additionally, during fiscal 2006, other revenues increased from the retail/wholesale contribution of Cheryl & Co.

The 1-800-Flowers.com Consumer Floral category includes the 1-800-Flowers brand operations which derives revenue from the sale of consumer floral products through its e-commerce sales channels (telephonic and online sales) and company-owned and operated retail floral stores, as well as royalties from its franchise operations. Net revenues during the fiscal years ended July 1, 2007 and July 2, 2006, increased by 8.7% and 7.2% over the respective prior year periods, primarily from a combination of increased average order value and order volumes from its e-commerce sales channel, offset in part by lower retail sales from its company-owned floral stores due to the planned transition of Company stores to franchise ownership.

The BloomNet Wire Service category includes revenues from membership fees as well as other service offerings to florists. Net revenues during the fiscal years ended July 1, 2007 and July 2, 2006 increased by 48.5% and 37.2% over the respective prior year periods, primarily as a result of increased florist membership, expanded product and service offerings, pricing initiatives and an increase in wholesale floral product sales.

The Gourmet Food & Gift Basket category includes the operations of the Cheryl & Co., Fannie May Confections Brands, The Popcorn Factory and The Winetasting Network brands. Revenue is derived from the sale of cookies, baked gifts, premium chocolates and confections, gourmet popcorn and wine gifts through its E-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Cheryl & Co. and Fannie May Confections brands, as well as wholesale operations. Net revenue during the fiscal year ended July 1, 2007 increased by 83.5% over the prior year period, as a result of the contribution of Fannie May Confections Brands, which was acquired in May 2006, and strong organic growth within the Cheryl & Co. Net revenue during the fiscal year ended July 2, 2006 increased by 93.5% over the prior year period, as a result of the contribution of Cheryl & Co., which was acquired in March 2005, and strong organic growth within The Popcorn Factory brand.

The Home & Children's Gifts category includes revenues from the Plow & Hearth, Wind & Weather, Problem Solvers, Madison Place, HearthSong and Magic Cabin brands. Revenue is derived from the sale of home decor and children's gifts through its e-commerce sales channels (telephonic and online sales) or company-owned and operated retail stores operated under the Plow & Hearth brand. Net revenue during the year ended July 1, 2007 decreased by 5.1% over the prior year period due to a lack of new "hit" products and an overall macro decline in customer demand within this category. During the second quarter of fiscal 2007, efforts to expand titles outside of the core Plow & Hearth brand did not attract the level of customer demand to justify the increase in marketing costs. In response to the poor results, during the third quarter of fiscal 2007, management implemented several changes to improve the performance within this category: (i) revised the aforementioned plans to expand and add titles, (ii) strengthened the management team, (iii) improved the creative look and feel of the catalogs and (iv) revised the circulation plans for all titles to place more focus on the category's existing customer base. Net revenue during the fiscal year ended July 2, 2006 increased by 14.3% over the prior year period as a result of increased average order value and order volumes from its e-commerce sales channel, including the contribution of Wind & Weather, as well as higher retail sales from the Plow & Hearth brand company-owned stores due to the addition of 3 new store locations.

Over the past several years, through a combination of organic efforts and strategic acquisitions, the Company has rapidly grown its revenues, achieving a solid base of business which is approaching $1 billion. For fiscal 2008, the Company anticipates continued strong growth in its key business categories: Consumer Floral, BloomNet Wire Service and Gourmet Food & Gift Baskets, partially offset by anticipated flat growth in its Home and Children's category. As a result, the Company anticipates organic revenue growth for the year in a range of 7-9 percent.

Gross Profit

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Gross profit	**$392,466**	20.5%	$325,644	18.1%	$275,651
Gross margin %	**43.0%**		41.7%		41.1%

Gross profit consists of net revenues less cost of revenues, which is comprised primarily of florist fulfillment costs (primarily fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs including inbound and outbound shipping charges. Additionally, cost of revenues include labor and facility costs related to direct-to-consumer merchandise operations.

Gross profit increased during the fiscal years ended July 1, 2007 and July 2, 2006, in comparison to the same periods of the prior years, primarily as a result of the revenue growth described above and an increase in gross margin percentage. Gross margin percentage increased 130 basis points and 60 basis points during the fiscal years ended July 1, 2007 and July 2, 2006, respectively, as a result of product mix and pricing initiatives as well as continued improvements in customer service, fulfillment, including improved outbound shipping rates, and merchandising programs.

The 1-800-Flowers.com Consumer Floral category gross profit for the fiscal years ended July 1, 2007 and July 2, 2006, increased by 13.2% and 6.8% over the respective prior year periods, as a result of the aforementioned increase in net revenues. During fiscal 2007, gross margin percentage increased 160 basis points to 39.3% as a result of improvements in sourcing, fulfillment logistics, including reduced outbound shipping rates, and pricing initiatives. During fiscal 2006, gross margin percentage decreased 10 basis points to 37.7% as a result of increases in carrier fuel charges.

The BloomNet Wire Service category gross profit for the fiscal years ended July 1, 2007 and July 2, 2006, increased by 55.4% and 35.6% over the respective prior year periods as a result of increases in florist membership, product and service offerings, pricing initiatives and floral wholesale product sales. Gross margin percentage increased 250 basis points to 56.0% primarily as a result of sales mix, whereas, the gross margin percentage during fiscal 2006 decreased by 60 basis points as a result of increases in carrier fuel charges on sales of floral wholesale products.

The Gourmet Food & Gift Basket category gross profit for the fiscal year ended July 1, 2007 increased by 85.9% over fiscal 2006 as a result of the incremental revenue generated by Fannie May Confections Brands and strong organic growth within the Cheryl & Co. brand, combined with an increase in gross margin percentage of 60 basis points, to 45.8%, as a result of improvements in outbound shipping rates and merchandising programs across all brands within the category. Gross profit for the fiscal year ended July 2, 2006 increased by 99.3% over fiscal 2005 as a result of the incremental revenue and higher gross margin percentage generated by Cheryl & Co., combined with the strong organic growth of The Popcorn Factory brand. As a result, during fiscal 2006, gross margin percentage increased by 130 basis points to 45.2%.

The Home & Children's Gift category gross profit for the fiscal year ended July 1, 2007 decreased by 6.2% over the respective prior year period as a result of the aforementioned decline in sales, combined with a lower gross margin percentage, which declined by 60 basis points to 45.9%, due to sales mix and markdowns to move inventory. During the year ended July 2, 2006, gross profit increased by 14.8% as a result of the aforementioned increase in revenue combined with an improvement in gross margin percentage, which increased 20 basis points to 46.5%, as a result of sourcing initiatives.

During fiscal year 2008, the Company expects that its gross margin percentage will continue to improve, primarily through: (i) growth of its higher margin business categories including Gourmet Food and Gift Baskets and BloomNet Wire Service, (ii) improved product sourcing, new product development and process improvement initiatives implemented during the fiscal 2007, (iii) continued improvements in performance of the Consumer Floral segment, and (iv) refocus on the core Home and Children's Gifts' businesses.

Marketing and Sales Expense

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
			(in thousands)		
Marketing and sales	**$262,303**	9.5%	$239,573	20.4%	$198,935
Percentage of sales	**28.7%**		30.6%		29.7%

Marketing and sales expense consists primarily of advertising and promotional expenditures, catalog costs, online portal and search costs, retail store and fulfillment operations (other than costs included in cost of revenues) and customer service center expenses, as well as the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities.

During the fiscal year ended July 1, 2007, marketing and sales expenses decreased from 30.6% to 28.7% of net revenues, reflecting improved operating leverage from a number of cost-saving initiatives and the completion of the investment phase of the Company's BloomNet Wire Service business, including the absorption of incremental personnel to expand membership, increase product and service offerings, and increase BloomNet Technologies penetration. This leverage was achieved through significant improvement within the Company's 1-800-Flowers Consumer Floral, BloomNet Wire Service and Gourmet Food & Gift Baskets categories, as efforts to grow the Home and Children's Gifts businesses through the introduction of titles outside of the core Plow & Hearth brand did not attract the necessary level of customer demand to justify the costs.

During the fiscal year ended July 2, 2006, marketing and sales expense increased as a percentage of net revenues as a result of several factors including: (i) the Company's efforts to increase new customer acquisition and accelerate top-line growth through increased marketing efforts both online and via broadcast advertising, (ii) investments required to expand its BloomNet business-to-business floral operations, (iii) incremental expenses associated with the Company's recent acquisitions, which, while contributing to revenue growth and achieving higher gross product margins, also incur higher marketing expenses, and (iv) the impact of adopting SFAS No. 123(R), "Share-Based Payment" – refer to Footnote 2 of the Company's Annual Financial Statements for further details.

During the fiscal years ended July 1, 2007 and July 2, 2006, marketing and sales expense increased over the respective prior year periods by 9.5% and 20.4% as a result of several factors, including: (i) incremental expenses associated with the acquisition of Fannie May Confections Brands in May 2006 and Cheryl & Co. in March 2005, (ii) incremental variable costs to accommodate higher sales volumes, and (iii) personnel associated with the expansion of the BloomNet Wire Service business. Additionally, as previously mentioned, fiscal 2006 was further impacted by the adoption of SFAS No. 123(R), "Share-Based Payment".

During the fiscal year ended July 1, 2007, the Company added approximately 3,464,000 new e-commerce customers, compared to 3,556,000 and 3,311,000 in fiscal 2006 and fiscal 2005, respectively. Of the 6,630,000 total customers who placed e-commerce orders during the fiscal year ended

July 1, 2007, approximately 47.7% were repeat customers, compared to 46.4% in both prior fiscal years, reflecting the Company's ongoing focus on deepening the relationship with its existing customers as their trusted source for gifts and services for all of their celebratory occasions.

During fiscal 2007, the Company focused on improving its operating expense ratio through a number of cost saving initiatives, including catalog printing and e-mail pricing improvements, as well as a review of the type, quantity and effectiveness of its marketing programs. In addition to the improved operating results expected now that the Company has completed the investment phase of its BloomNet florist business, during fiscal 2008, the Company expects that marketing and sales expense will continue to decrease as a percentage of net revenue in comparison to the prior years.

Technology and Development Expense

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Technology and development	**$21,316**	7.6%	$19,819	34.3%	$14,757
Percentage of sales	**2.3%**		2.5%		2.2%

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its web sites, including hosting, design, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems.

During the fiscal year ended July 1, 2007, technology and development expense decreased to 2.3% of net revenue, reflecting improved operating leverage, however, technology and development expense increased by 7.6% over the prior year period, as a result of the incremental expenses associated with Fannie May Confections Brands, as well as for increases in the cost of maintenance and license agreements required to support the Company's technology platform.

During the fiscal year ended July 2, 2006, technology and development expense increased to 2.5% of net revenues primarily as a result of: (i) incremental expenses associated with system improvements required by The Winetasting Network, and integration projects for Wind & Weather, which was absorbed into the Company's Madison, Virginia operations, (ii) content development for the upgrade of the Company's 1-800-Flowers.com branded website which was launched in the fourth quarter of fiscal 2006, (iii) increases in the cost of maintenance and license agreements required to support the Company's technology platform, and (iv) the impact of adopting SFAS No. 123(R), "Share-Based Payment" – refer to Footnote 2 of the Company's Annual Financial Statements for further details.

During the fiscal years ended July 1, 2007, July 2, 2006, and July 3, 2005 the Company expended $32.3 million, $33.6 million, and $24.0 million, respectively, on technology and development, of which $11.0 million, $13.8 million, and $9.2 million, respectively, has been capitalized.

The Company believes that continued investment in technology and development is critical to attaining its strategic objectives. While many of its acquisition-related integration projects are complete, as a result of incremental expenses associated with Fannie May Confections Brands, the Company expects that its spending for the fiscal 2008 will remain consistent, as a percentage of net revenues, in comparison to the prior year.

General and Administrative Expenses

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
General and administrative	**$56,017**	27.4%	$43,978	23.6%	$35,572
Percentage of sales	**6.1%**		5.6%		5.3%

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.

General and administrative expense increased 27.4% and 23.6% during the fiscal years ended July 1, 2007 and July 2, 2006, respectively, and by 50 basis points and 30 basis points as a percentage of net revenues in comparison to the respective prior year periods, primarily as a result of: (i) incremental expenses associated with the acquisitions of Fannie May Confections Brands in May 2006 and Cheryl & Co. in March 2005, (ii) increased legal and professional fees, and (iii) the achievement of certain performance related bonus targets in fiscal 2007 which were not earned in the prior fiscal years. Additionally, general and administrative expense during fiscal 2006 was further impacted by incremental expenses associated with the Company's corporate headquarters relocation in December 2005, and the impact of adopting SFAS No. 123(R), "Share-Based Payment" – refer to Footnote 2 of the Company's Annual Financial Statements for further details.

Although the Company believes that its current general and administrative infrastructure is sufficient to support existing requirements and drive operating leverage, the Company expects that its general and administrative expenses as a percentage of net revenue during fiscal 2008 will remain consistent with the prior year period.

Depreciation and Amortization

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Depreciation and amortization	**$17,837**	13.1%	$15,765	8.8%	$14,489
Percentage of sales	**2.0%**		2.0%		2.2%

Depreciation and amortization expense increased by 13.1% and 8.8% during the fiscal years ended July 1, 2007 and July 2, 2006, respectively, in comparison to the prior year periods as a result of the incremental amortization expense related to the intangibles established as a result of the acquisitions of Fannie May Confections Brands and Wind & Weather in fiscal 2006 and Cheryl & Co. in fiscal 2005, as well as depreciation associated with recently completed technology projects designed to provide improved order/warehouse management functionality across the enterprise.

The Company believes that continued investment in its infrastructure, primarily in the areas of technology and development, including the improvement of the technology platforms are critical to attaining its strategic objectives. As a result of these improvements, and the increase in amortization expense associated with intangibles established as a result of recent acquisitions, the Company expects that depreciation and amortization for the fiscal 2008 will remain consistent as a percentage of net revenues in comparison to the prior year.

Other Income (Expense)

	Years Ended				
	July 1, 2007	% Change	July 2, 2006	% Change	July 3, 2005
	(in thousands)				
Interest income	**$ 1,381**	9.6%	$1,260	(25.4)%	$ 1,690
Interest expense	**(7,390)**	(425.2)%	(1,407)	(192.5)%	(481)
Other, net	**25**	316.7%	6	(95.7)%	140
	$(5,984)	(4,144.0)%	$ (141)	(110.5)%	$ 1,349

Other income (expense) consists primarily of interest income earned on the Company's investments and available cash balances, offset by interest expense, primarily attributable to the Company's long-term debt, and revolving line of credit. In order to finance the acquisition of Fannie May Confections Brands, on May 1, 2006, the Company entered into a $135.0 million secured credit facility with JPMorgan Chase Bank, N.A., as administrative agent, and a group of lenders (the "2006 Credit Facility"). The 2006 Credit Facility, as amended on October 24, 2006, currently includes an $85.0 million term loan and a $60.0 million revolving facility, which bear interest at LIBOR plus 0.625% to 1.125%, with pricing based upon the Company's leverage ratio. At closing, the Company borrowed $85.0 million of the term facility to acquire all of the outstanding capital stock of Fannie May Confections Brands, Inc.

The decrease in other income (expense) during the fiscal years ended July 1, 2007 and July 2, 2006, respectively, in comparison to prior years was the result of higher interest expense on the Company's 2006 Credit Facility. Additionally, other income (expense) during fiscal 2006 decreased as a result of lower interest income, resulting from a decrease in average cash balances, due to the acquisitions of the The Winetasting Network in November 2004, Cheryl & Co. in March 2005, Wind & Weather in November 2005, and Fannie May Confections Brands in May 2006, which was partially funded from the Company's existing cash balances, as well as the Company's stock buy-back program.

Income Taxes

During the fiscal years ended July 1, 2007, July 2, 2006 and July 3, 2005, the Company recorded income tax expense of $11.9 million, $3.2 million and $5.4 million, respectively. The Company's effective tax rate for the fiscal years ended July 1, 2007, July 2, 2006 and July 3, 2005 was 41.0%, 50.0% and 40.7%, respectively. The decrease in the effective tax rate during the fiscal year ended July 1, 2007 resulted from the dilution of the impact of stock-based compensation recognized in accordance with SFAS No. 123(R), over an increased level of income before taxes in comparison the prior fiscal year. The increase in the effective tax rate during the fiscal year ended July 2, 2006, resulted from the impact of stock-based compensation recognized in accordance with SFAS No. 123(R) which was adopted in fiscal 2006, thus resulting in an increase in the annual effective income tax rate for fiscal 2006 of approximately 8.5% from the associated book/tax differences in accounting for incentive stock options. Additionally, the Company's effective tax rate for the fiscal years ended July 1, 2007, July 2, 2006 and July 3, 2005 differed from the U.S. federal statutory rate of 35% primarily due to state income taxes, partially offset by various tax credits.

At July 1, 2007, the Company's net operating loss carryforwards were approximately $27.7 million, which, if not utilized, will begin to expire in fiscal year 2020.

Liquidity and Capital Resources

At July 1, 2007, the Company had working capital of $51.4 million, including cash and equivalents of $16.1 million, compared to working capital of $44.3 million, including cash and equivalents of $24.6 million, at July 2, 2006.

Net cash provided by operating activities of $32.3 million for the fiscal year ended July 1, 2007 was primarily attributable to net income, adjusted to add back non-cash charges for depreciation and amortization, deferred income taxes and stock-based compensation, offset in part by increases in inventory (primarily due to the strong growth in the Gourmet Food and Gift Baskets category as well as slower growth in the Home & Children's Gifts category) and receivables (due to the strong growth in the Gourmet Food and Gift Baskets category as well as the BloomNet Wire Service category).

Net cash used in investing activities of $16.7 million for the fiscal year ended July 1, 2007 was primarily attributable to capital expenditures related to the Company's technology and distribution infrastructure, offset in part by the sale of certain Company owned floral retail stores to franchise operators.

Net cash used in financing activities of $24.2 million for the fiscal year ended July 1, 2007, was primarily due to the scheduled repayments (net) of the Company's debt and bank borrowings against the Company's 2006 Credit Facility and capital lease obligations of $10.3 million, and the repurchase of 3,035,367 shares of treasury stock in the amount of $15.9 million, offset by the net proceeds received upon the exercise of employee stock options.

On May 1, 2006, the Company entered into a secured credit facility with JPMorgan Chase Bank, N.A., as administrative agent, and a group of lenders (the "2006 Credit Facility"). The 2006 Credit Facility includes an $85.0 million term loan and a $60.0 million revolving credit facility, as adjusted, which bear interest at LIBOR plus 0.625% to 1.125%, with pricing based upon the Company's leverage ratio. At closing, the Company borrowed $85.0 million of the term facility to acquire all of the outstanding capital stock of Fannie May Confections Brands, Inc. The Company is required to pay the outstanding term loan in quarterly installments, with the final installment payment due on May 1, 2012. The 2006 Credit Facility contains various conditions to borrowing, and affirmative and negative financial covenants.

The Company had historically utilized cash generated from operations to meet its cash requirements, including all operating, investing and debt repayment activities. However, due to the Company's continued expansion into non-floral products, including the acquisition of Fannie May Confections Brands, as well as its recent acquisition of $15.9 million of treasury stock, during the second half of fiscal 2007, the Company expects to borrow against its existing line of credit to fund working capital requirements related to pre-holiday manufacturing and inventory purchases. At July 1, 2007, the Company had no outstanding amounts under its revolving credit facility, but anticipates borrowing against the facility prior to the end of its first quarter. The Company anticipates that such borrowings will peak during its fiscal second quarter, before being repaid prior to the end of that quarter.

On May 12, 2005, the Company's Board of Directors increased the Company's authorization to repurchase the Company's Class A common stock up to $20 million, from the previous authorized limit of $10 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. Under this program, as of July 1, 2007, the Company had repurchased 1,534,677 shares of common stock for $11.3 million. In a separate transaction, during fiscal 2007, the Company's Board of Directors authorized the repurchase of 3,010,740 shares ($15.7 million) from an affiliate. The purchase price was $15,689,000, or $5.21 per share. The repurchase was approved by the disinterested members of the Company's Board of Directors and is in addition to the Company's existing stock repurchase authorization of $20.0 million, of which $8.7 million remains authorized but unused.

At July 1, 2007, the Company's contractual obligations consist of:

	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(in thousands)				
Long-term debt, including interest	$ 93,113	$ 14,741	$ 32,610	$ 45,762	$ —
Capital lease obligations	99	41	27	25	6
Operating lease obligations	68,577	10,812	16,436	13,182	28,147
Sublease obligations	6,232	2,099	2,904	976	253
Purchase commitments (*)	33,788	33,788	—	—	—
Total	$201,809	$ 61,481	$ 51,977	$ 59,945	$ 28,406

(*) Purchase commitments consist primarily of inventory, equipment purchase orders and online marketing agreements made in the ordinary course of business.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial position and results of operations are based upon the consolidated financial statements of 1-800-FLOWERS.COM, Inc., which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, inventory and long-lived assets, including goodwill and other intangible assets related to acquisitions. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of its consolidated financial statements.

Revenue Recognition

Net revenues are generated by E-commerce operations from the Company's online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, less discounts, returns and credits. Net revenues are recognized upon product shipment. Shipping terms are FOB shipping point. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and products sales are recognized upon product shipment with shipping terms of FOB shipping point.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers or franchisees to make required payments. If the financial condition of the Company's customers or franchisees were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventory

The Company states inventory at the lower of cost or market. In assessing the realization of inventories, we are required to make judgments as to future demand requirements and compare that with inventory levels. It is possible that changes in consumer demand could cause a reduction in the net realizable value of inventory.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired and is evaluated annually for impairment. The cost of intangible assets with determinable lives is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 3 to 16 years.

The Company performs an annual impairment test as of the first day of its fiscal fourth quarter, or earlier if indicators of potential impairment exist, to evaluate goodwill. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. In assessing the recoverability of goodwill, the Company reviews both quantitative as well as qualitative factors to support its assumptions with regard to fair value. Judgment regarding the existence of impairment indicators is based on market conditions and operational performance of the Company. Future events could cause the Company to conclude that impairment indicators exist and that goodwill and other intangible assets associated with our acquired businesses is impaired.

Capitalized Software

The carrying value of capitalized software, both purchased and internally developed, is periodically reviewed for potential impairment indicators. Future events could cause the Company to conclude that impairment indicators exist and that capitalized software is impaired.

Stock-based Compensation

SFAS No. 123R requires the measurement of stock-based compensation expense based on the fair value of the award on the date of grant. The Company determines the fair value of stock options issued by using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model considers a range of assumptions related to volatility, dividend yield, risk-free interest rate and employee exercise behavior. Expected volatilities are based on historical volatility of the Company's stock price. The dividend yield is based on historical experience and future expectations. The risk-free interest rate is derived from the US Treasury yield curve in effect at the time of grant. The Black-Scholes model also incorporates expected forfeiture rates, based on historical behavior. Determining these assumptions are subjective and complex, and therefore, a change in the assumptions utilized could impact the calculation of the fair value of the Company's stock options.

Income Taxes

The Company has established deferred income tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled. The Company has recognized as a deferred tax asset the tax benefits associated with losses related to operations, which are expected to result in a future tax benefit. Realization of this deferred tax asset assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that we consider in assessing the likelihood of realization include the forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 applies to all tax positions accounted for under SFAS No. 109, "Accounting for Income Taxes" and defines the confidence level that a tax position must meet in order to be recognized in the financial statements. The interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If a tax position is not considered "more-likely-than-not" to be sustained then no benefits of the position are to be recognized. FIN 48 requires additional disclosures and is effective as of the beginning of the first fiscal year beginning after December 15, 2006. The Company is currently evaluating the effect that the adoption of FIN 48 will have on its consolidated results of operations and financial condition.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("Statement No. 157") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. Statement No. 157 is effective for fiscal years beginning after November 15, 2007. The transition adjustment of the difference between the carrying amounts and the fair values of those financial instruments should be recognized as a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. The company is currently evaluating the impact of adopting the provisions of Statement No. 157.

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 and investment grade corporate and U.S. government securities, as well as from outstanding debt. As of July 1, 2007, the Company's outstanding debt, including current maturities, approximated $78.1 million, of which $76.5 million was variable rate debt. Each 25 basis point change in interest rates would have a corresponding effect on our interest expense of approximately $0.2 million as of July 1, 2007. Under its current policies, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

Cautionary Statements Under the Private Securities Litigation Reform Act of 1995

Our disclosures and analysis in this annual report contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other statements we release to the public as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan, "believe" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions; the effectiveness of our marketing programs; the performance of our existing products and services; our ability to attract and retain customers and expand our customer base; our ability to enter into or renew online marketing agreements; our ability to respond to competitive pressures; expenses, including shipping costs and the costs of marketing our current and future products and services; the outcome of contingencies, including legal proceedings in the normal course of business; and our ability to integrate acquisitions.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risk, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our 10-K, 10-Q and 8-K reports to the SEC. Also note we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks and uncertainties.

Quarterly Results of Operations

The following table provides unaudited quarterly consolidated results of operations for each quarter of fiscal years 2007 and 2006. 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 1, 2007	Apr. 1, 2007	Dec. 31, 2006	Oct. 1, 2006	Jul. 2, 2006	Apr. 2, 2006	Jan. 1, 2006	Oct. 2, 2005
	(in thousands, except per share data)							
Net revenues:								
E-Commerce (telephonic/online)	$194,228	$175,592	$270,159	$109,259	$185,042	$161,820	$258,484	$100,655
Other	37,593	38,187	59,707	27,873	26,088	18,197	19,345	12,110
Total net revenues	231,821	213,779	329,866	137,132	211,130	180,017	277,829	112,765
Cost of revenues	132,833	127,092	177,889	82,318	126,778	109,743	152,837	66,739
Gross Profit	98,988	86,687	151,977	54,814	84,352	70,274	124,992	46,026
Operating expenses:								
Marketing and sales	61,873	59,023	99,037	42,370	60,287	53,188	87,874	38,224
Technology and development	5,485	5,469	5,201	5,161	5,083	5,170	4,797	4,769
General and administrative	14,545	14,198	13,931	13,343	11,804	11,181	10,357	10,636
Depreciation and amortization	4,812	4,447	3,834	4,744	4,555	3,877	3,809	3,524
Total operating expenses	86,715	83,137	122,003	65,618	81,729	73,416	106,837	57,153
Operating income (loss)	12,273	3,550	29,974	(10,804)	2,623	(3,142)	18,155	(11,127)
Other income (expense), net	(979)	(1,347)	(2,178)	(1,480)	(678)	515	(115)	137
Income (loss) before income taxes	11,294	2,203	27,796	(12,284)	1,945	(2,627)	18,040	(10,990)
Income tax expense (benefit)	4,732	1,150	10,874	(4,865)	928	(1,087)	7,704	(4,364)
Net income (loss)	$ 6,562	$ 1,053	$ 16,922	$ (7,419)	$ 1,017	$ (1,540)	$ 10,336	$ (6,626)
Basic and diluted net income (loss) per share:	$ 0.10	$ 0.02	$ 0.26	$ (0.11)	$ 0.02	$ (0.02)	$ 0.16	$ (0.10)

The Company's quarterly results may experience seasonal fluctuations. Due to the Company's expansion into non-floral products, including the acquisitions of Wind & Weather and Fannie May Confections Brands. during fiscal 2006, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, generates the highest proportion of the Company's annual revenues. Additionally, as the result of a number of major floral gifting occasions, including Mother's Day, Administrative Professionals Week and Easter, revenues also rise during the Company's fiscal fourth quarter. For fiscal 2008, however, the Easter holiday will occur in the Company's third fiscal quarter, thus creating high growth in the Company's third fiscal quarter and lower growth in the Company's fourth fiscal quarter.

Consolidated Balance Sheets

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

(in thousands, except share data)

	July 1, 2007	July 2, 2006
Assets		
Current Assets:		
Cash and equivalents	**$ 16,087**	$ 24,599
Receivables, net	**17,010**	13,153
Inventories	**62,051**	52,954
Deferred income taxes	**19,260**	17,427
Prepaid and other	**9,576**	10,347
Total current assets	**123,984**	118,480
Property, plant and equipment, net	**62,561**	59,732
Goodwill	**112,131**	131,141
Other intangibles, net	**52,750**	29,822
Deferred income taxes	**—**	6,224
Other assets	**1,081**	1,235
Total assets	**$352,507**	$346,634
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 62,433**	$ 63,870
Current maturities of long-term debt and obligations under capital leases	**10,132**	10,360
Total current liabilities	**72,565**	74,230
Long-term debt and obligations under capital leases	**68,000**	78,063
Deferred income taxes	**8,230**	—
Other liabilities	**2,681**	1,158
Total liabilities	**151,476**	153,451
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 10,000,000 shares authorized, none issued	**—**	—
Class A common stock, $.01 par value, 200,000,000 shares authorized, 30,298,019 and 29,872,183 shares issued in 2007 and 2006, respectively	**303**	299
Class B common stock, $.01 par value, 200,000,000 shares authorized, 42,138,465 shares issued in 2007 and 2006	**421**	421
Additional paid-in capital	**269,270**	262,667
Retained deficit	**(38,893)**	(56,011)
Treasury stock, at cost – 4,590,717 and 1,555,350 Class A shares in 2007 and 2006, respectively, and 5,280,000 Class B shares	**(30,070)**	(14,193)
Total stockholders' equity	**201,031**	193,183
Total liabilities and stockholders' equity	**$352,507**	$346,634

See accompanying notes.

Consolidated Statements of Income

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

(in thousands, except per share data)

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
Net revenues	**$912,598**	$781,741	$670,679
Cost of revenues	**520,132**	456,097	395,028
Gross profit	**392,466**	325,644	275,651
Operating expenses:			
Marketing and sales	**262,303**	239,573	198,935
Technology and development	**21,316**	19,819	14,757
General and administrative	**56,017**	43,978	35,572
Depreciation and amortization	**17,837**	15,765	14,489
Total operating expenses	**357,473**	319,135	263,753
Operating income	**34,993**	6,509	11,898
Other income (expense):			
Interest income	**1,381**	1,260	1,690
Interest expense	**(7,390)**	(1,407)	(481)
Other, net	**25**	6	140
Total other income (expense), net	**(5,984)**	(141)	1,349
Income before income taxes	**29,009**	6,368	13,247
Income tax expense	**11,891**	3,181	5,398
Net income	**$ 17,118**	$ 3,187	$ 7,849
Net income per common share:			
Basic	**$ 0.27**	$ 0.05	$ 0.12
Diluted	**$ 0.26**	$ 0.05	$ 0.12
Weighted average shares used in the calculation of net income per common share:			
Basic	**63,786**	65,100	66,038
Diluted	**65,526**	66,429	67,402

See accompanying notes.

Consolidated Statements of Stockholders' Equity

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

Years ended July 1, 2007, July 2, 2006, and July 3, 2005
(in thousands, except share data)

	Common Stock				Additional		Unearned	Treasury Stock		Stockholders'
	Class A		Class B		Paid-In	Retained	Stock-Based			
	Shares	Amount	Shares	Amount	Capital	Deficit	Compensation	Shares	Amount	Equity
Balance at June 27, 2004	29,428,143	$ 295	42,144,465	$ 421	$ 255,829	$ (67,047)	$ —	5,332,800	$ (3,108)	$186,390
Exercise of employee stock options	228,695	2	—	—	1,247	—	—	—	—	1,249
Employee stock purchase plan	75,846	1	—	—	466	—	—	—	—	467
Issuance of restricted stock	161,795	2	—	—	1,355	—	(1,357)	—	—	—
Amortization of unearned restricted stock, net	—	—	—	—	—	—	192	—	—	192
Forfeiture of unvested restricted stock	(5,876)	—	—	—	(49)	—	49	—	—	—
Stock repurchase program	—	—	—	—	—	—	—	1,328,050	(9,813)	(9,813)
Net Income	—	—	—	—	—	7,849	—	—	—	7,849
Balance at July 3, 2005	29,888,603	300	42,144,465	421	258,848	(59,198)	(1,116)	6,660,850	(12,921)	186,334
Exercise of employee stock options and vesting of restricted stock	133,499	1	—	—	649	—	—	—	—	650
Stock-based compensation	—	—	—	—	4,284	—	—	(7,500)	52	4,336
Reclassification of unvested restricted stock upon adoption of SFAS No. 123R-Share Based Payment	(155,919)	(2)	—	—	(1,114)	—	1,116	—	—	—
Stock repurchase program	—	—	—	—	—	—	—	182,000	(1,324)	(1,324)
Conversion of Class B common stock into Class A common stock	6,000	—	(6,000)	—	—	—	—	—	—	—
Net income	—	—	—	—	—	3,187	—	—	—	3,187
Balance at July 2, 2006	29,872,183	299	42,138,465	421	262,667	(56,011)	—	6,835,350	(14,193)	193,183
Exercise of employee stock options and vesting of restricted stock	**425,836**	**4**	**—**	**—**	**2,003**	**—**	**—**	**—**	**—**	**2,007**
Stock-based compensation	**—**	**—**	**—**	**—**	**4,600**	**—**	**—**	**—**	**—**	**4,600**
Stock repurchase program	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,035,367**	**(15,877)**	**(15,877)**
Net income	**—**	**—**	**—**	**—**	**—**	**17,118**	**—**	**—**	**—**	**17,118**
Balance at July 1, 2007	**30,298,019**	**$ 303**	**42,138,465**	**$ 421**	**$ 269,270**	**$ (38,893)**	**$ —**	**9,870,717**	**$(30,070)**	**$201,031**

See accompanying notes.

Consolidated Statements of Cash Flows

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

(in thousands)

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
Operating activities:			
Net income	**$ 17,118**	$ 3,187	$ 7,849
Reconciliation of net income to net cash provided by operations:			
Depreciation and amortization	**17,837**	15,765	14,489
Deferred income taxes	**10,325**	2,175	4,702
Bad debt expense	**1,880**	476	270
Stock-based compensation	**4,600**	4,336	192
Other non-cash items	**(791)**	125	—
Changes in operating items, excluding the effects of acquisitions:			
Receivables	**(5,737)**	1,316	(655)
Inventories	**(9,800)**	(9,106)	(6,345)
Prepaid and other	**771**	5,513	220
Accounts payable and accrued expenses	**(5,562)**	(1,046)	(10,334)
Other assets	**177**	(6,208)	919
Other liabilities	**1,523**	(1,795)	(878)
Net cash provided by operating activities	**32,341**	14,738	10,429
Investing activities:			
Capital expenditures	**(18,043)**	(20,491)	(13,334)
Acquisitions, net of cash acquired	**(347)**	(96,874)	(50,965)
Dispositions	**1,463**	—	—
Purchases of investments	**—**	—	(93,946)
Proceeds from sales of investments	**—**	6,647	118,109
Other	**242**	2	192
Net cash used in investing activities	**(16,685)**	(110,716)	(39,944)
Financing activities:			
Acquisition of treasury stock	**(15,877)**	(1,324)	(9,813)
Proceeds from employee stock options/stock purchase plan	**2,007**	558	1,533
Proceeds from bank borrowings and revolving line of credit	**110,000**	105,000	—
Repayment of notes payable and bank borrowings	**(119,913)**	(22,482)	(1,391)
Repayment of capital lease obligations	**(385)**	(1,228)	(1,677)
Other	**—**	92	—
Net cash provided by (used in) financing activities	**(24,168)**	80,616	(11,348)
Net change in cash and equivalents	**(8,512)**	(15,362)	(40,863)
Cash and equivalents:			
Beginning of year	**24,599**	39,961	80,824
End of year	**$ 16,087**	$ 24,599	$ 39,961

Supplemental Cash Flow Information:

- Interest paid amounted to $7,390, $1,407, and $481 for the years ended July 1, 2007, July 2, 2006 and July 3, 2005, respectively.
- The Company paid income taxes of approximately $1,429, $23 and $762, net of tax refunds received, for the years ended July 1, 2007, July 2, 2006, and July 3, 2005.

See accompanying notes.

Note 1. Description of Business

For more than 30 years, 1-800-FLOWERS.COM, Inc. – “Your Florist of Choice®” – has been providing customers around the world with the freshest flowers and finest selection of plants, gift baskets, gourmet foods, confections and plush stuffed animals perfect for every occasion. 1-800-FLOWERS.COM® offers the best of both worlds: exquisite, florist-designed arrangements individually created by some of the nation’s top floral artists and hand-delivered the same day, and spectacular flowers shipped overnight “Fresh From Our Growers™” program. Customers can “call, click or come in” to shop 1-800-FLOWERS.COM twenty four hours a day, 7 days a week at 1-800-356-9377 or www.1800flowers.com. Sales and Service Specialists are available 24/7, and fast and reliable delivery is offered same day, any day. As always, 100 percent satisfaction and freshness are guaranteed. The 1-800-FLOWERS.COM collection of brands also includes home decor and children’s gifts from Plow & Hearth® (1-800-627-1712 or www.plowandhearth.com), Wind & Weather® (www.windandweather.com), HearthSong® (www.hearthsong.com) and Magic Cabin® (www.magiccabin.com); gourmet gifts including popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); exceptional cookies and baked gifts from Cheryl&Co.® (1-800-443-8124 or www.cherylandco.com); premium chocolates and confections from Fannie May Confections Brands (www.fanniemay.com and www.harrylondon.com); gourmet foods from GreatFood.com® (www.greatfood.com); wine gifts from Ambrosia.com (www.ambrosia.com); gift baskets from 1-800-BASKETS.COM® (www.1800baskets.com) and the BloomNet® international floral wire service, which provides quality products and diverse services to a select network of florists. 1-800-FLOWERS.COM, Inc. stock is traded on the NASDAQ market under ticker symbol FLWS.

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 years 2007 and 2006, which ended on July 1, 2007, July 2, 2006, respectively, consisted of 52 weeks, while fiscal year 2005, which ended on July 3, 2005, consisted of 53 weeks.

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, United States government securities, 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 using the first-in, first-out method of accounting.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost reduced by accumulated depreciation. Depreciation expense is recognized over the assets’ estimated useful lives using the straight-line method. Amortization of leasehold improvements and capital leases are 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. Estimated useful lives are periodically reviewed, and where appropriate, changes are made prospectively. The Company’s property plant and equipment is depreciated using the following estimated lives:

Buildings	40 years
Leasehold Improvements	3 - 10 years
Furniture, Fixtures and Equipment	3 - 10 years
Software	3 - 5 years

Goodwill and Other Intangible Assets

Goodwill and indefinite-lived intangibles are not amortized, but are evaluated annually for impairment. The Company performs its annual impairment test as of the first day of its fiscal fourth quarter, or earlier if indicators of potential impairment exist, to evaluate goodwill. Goodwill is considered impaired if the carrying amount of the reporting unit exceeds its estimated fair value. In assessing the recoverability of goodwill, the Company reviews both quantitative as well as qualitative factors to support its assumptions with regard to fair value. To date, there has been no impairment of these assets.

The cost of intangible assets with determinable lives is amortized to reflect the pattern of economic benefits consumed, on a straight-line basis, over the estimated periods benefited, ranging from 3 to 16 years.

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. Included within prepaid and other current assets was $4.3 million at both July 1, 2007 and July 2, 2006, relating to prepaid catalog expenses.

Investments

The Company considers all of its debt and equity securities, for which there is a determinable fair market value and no restrictions on the Company’s ability to sell within the next 12 months, as available-for-sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders’ equity. For the years ended July 1, 2007, July 2, 2006 and July 3, 2005, there were no significant unrealized gains or losses. Realized gains and losses are included in other income. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis.

Fair Values of Financial Instruments

The recorded amounts of the Company’s cash and equivalents, short-term investments, receivables, accounts payable, and accrued liabilities approximate their fair values principally because of the short-term nature of these items. The fair value of investments, including available-for-sale securities, is based on quoted market prices where available. The fair value of the Company's long-term obligations, the majority of which are carried at a variable rate of interest, 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 carrying values at July 1, 2007 and July 2, 2006.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and equivalents, investments and accounts receivable. The Company maintains cash and equivalents and investments 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. Allowances relating to consumer, corporate and franchise accounts receivable ($1.4 million and $2.3 million at July 1, 2007 and July 2, 2006, respectively) have been recorded based upon previous experience and management's evaluation.

Revenue Recognition

Net revenues are generated by E-commerce operations from the Company's online and telephonic sales channels as well as other operations (retail/wholesale) and primarily consist of the selling price of merchandise, service or outbound shipping charges, less discounts, returns and credits. Net revenues are recognized upon product shipment. Shipping terms are FOB shipping point. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other products and service offerings to florists. Membership fees are recognized monthly in the period earned, and products sales are recognized upon product shipment with shipping terms of FOB shipping point.

Cost of Revenues

Cost of revenues consists primarily of florist fulfillment costs (fees paid directly to florists), the cost of floral and non-floral merchandise sold from inventory or through third parties, and associated costs including inbound and outbound shipping charges. Additionally, cost of revenues includes labor and facility costs related to direct-to-consumer merchandise production operations.

Marketing and Sales

Marketing and sales expense consists primarily of advertising and promotional expenditures, catalog costs, online portal and search expenses, retail store and fulfillment operations (other than costs included in cost of revenues), and customer service center expenses, as well as the operating expenses of the Company's departments engaged in marketing, selling and merchandising activities.

The Company expenses all advertising costs, with the exception of catalog costs (see *Deferred Catalog Costs* above) at the time the advertisement is first shown. Advertising expense was $133.2 million, $127.4 million and $107.8 million for the years ended July 1, 2007, July 2, 2006 and July 3, 2005, respectively.

Technology and Development

Technology and development expense consists primarily of payroll and operating expenses of the Company's information technology group, costs associated with its web sites, including hosting, content development and maintenance and support costs related to the Company's order entry, customer service, fulfillment and database systems. Costs associated with the acquisition or development of software for internal use are capitalized if the software is expected to have a useful life beyond one year and amortized over the software's useful life, typically three to five years. Costs associated with repair, maintenance or the development of web site content are expensed as incurred as the useful lives of such software modifications are less than one year.

Stock-Based Compensation

The Company's employee stock-based compensation plans are described more fully in Note 11. Prior to July 4, 2005, as permitted under SFAS No. 123, the Company accounted for its stock option plans following the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no stock-based compensation had been reflected in net income for stock options, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant and the related number of shares granted was fixed at that point in time.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), "Share-Based Payment." This Statement revised SFAS No. 123 by eliminating the option to account for employee stock options under APB No. 25 and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (the "fair-value-based" method).

Effective July 4, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective application method. Under this transition method, compensation cost recognized on a straight-line basis during the year ended July 2, 2006 includes amounts of: (a) compensation cost of all stock-based payments granted prior to, but not yet vested as of, July 4, 2005 (based on grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and previously presented in the pro-forma footnote disclosures), and (b) compensation cost for all stock-based payments granted subsequent to July 3, 2005 (based on the grant-date fair value estimated in accordance with the new provision of SFAS No. 123(R)). In accordance with the modified prospective method, results for prior periods have not been restated. Prior to the Company's adoption of SFAS No. 123(R), benefits of tax deductions in excess of recognized compensation costs were reported as operating cash flows. SFAS No. 123(R) requires excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. There were no significant excess tax benefits for the years ended July 1, 2007 or July 2, 2006.

The amounts of stock-based compensation expense recognized in the periods presented are as follows:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
	(in thousands, except per share data)		
Stock options	**$2,736**	$3,710	$ —
Restricted stock awards	**1,864**	626	192
Total	**4,600**	4,336	192
Deferred income tax benefit	**1,353**	1,120	77
Stock-based compensation expense, net	**$3,247**	$3,216	$ 115
Impact on basic and diluted net income per common share	**$ (0.05)**	$ (0.05)	$ (0.00)

Stock based compensation expense is recorded within the following line items of operating expenses:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
	(in thousands, except per share data)		
Marketing and sales	**$1,605**	$1,504	$ —
Technology and development	**690**	642	—
General and administrative	**2,305**	2,190	192
Total	**$4,600**	$4,336	$ 192

The amounts above include the impact of recognizing compensation expense relating to stock options and restricted stock awards. For the periods prior to our implementation of SFAS 123(R) on July 4, 2005, only compensation expense related to restricted stock awards was recognized and included in general and administrative expenses.

Stock-based compensation expense has not been allocated between business segments, but is reflected in Corporate. (Refer to Note 14 – Business Segments)

Under the modified prospective application method, results for prior periods have not been restated to reflect the effects of implementing SFAS No. 123(R). The following pro-forma information is presented for comparative purposes and illustrates the effect on net income and net income per common share for the periods presented as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation prior to July 4, 2005:

	Year Ended July 3, 2005 (1)
	(in thousands, except per share data)
Net income (loss) As reported	$ 7,849
Less: Stock option compensation expense	10,499
Net income (loss) – Pro forma	$ (2,650)
Net income (loss) per share:	
Basic and diluted – As reported	$ 0.12
Basic and diluted – Pro forma	$ (0.04)

(1) During fiscal 2005, the Company accelerated the vesting of all unvested stock options awarded to employees and officers which had an exercise price greater than $10.00 per share. Options to purchase approximately 0.8 million shares became exercisable immediately as a result of the vesting acceleration. The Company sought to balance the benefit of eliminating the requirement to recognize compensation expense in future periods with the need to continue to motivate employee performance through previously issued, but currently unvested, stock option grants. With those factors being considered, management determined it to be appropriate to accelerate only those unvested stock options where the strike price was reasonably in excess of the Company's then current stock price.

The effect of the acceleration was an increase in pro-forma stock based employee compensation expense for the year ended July 3, 2005 of $3.0 million ($0.05 per basic and diluted share).

Comprehensive Income

For the years ended July 1, 2007, July 2, 2006 and July 3, 2005, the Company's comprehensive income was equal to the respective net income for each of the periods presented.

Net Income Per Share

Basic net income per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive common equivalent shares (consisting primarily of employee stock options and restricted stock awards) outstanding during the period.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 applies to all tax positions accounted for under SFAS No. 109, "Accounting for Income Taxes" and defines the confidence level that a tax position must meet in order to be recognized in the financial statements. The interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained by the taxing authority as of the reporting date. If a tax position is not considered "more-likely-than-not" to be sustained then no benefits of the position are to be recognized. FIN 48 requires additional disclosures and is effective as of the beginning of the first fiscal year beginning after December 15, 2006. The Company is currently evaluating the effect that the adoption of FIN 48 will have on its consolidated results of operations and financial condition.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" ("Statement No. 157") which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. Statement No. 157 is effective for fiscal years beginning after November 15, 2007. The transition adjustment of the difference between the carrying amounts and the fair values of those financial instruments should be recognized as a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. The company is currently evaluating the impact of adopting the provisions of Statement No. 157.

Reclassifications

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

Note 3. Net Income Per Common Share

The following table sets forth the computation of basic and diluted net income per common share:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005 (1)
	(in thousands, except per share data)		
Numerator:			
Net income	**$17,118**	$3,187	$7,849
Denominator:			
Weighted average shares outstanding	**63,786**	65,100	66,038
Effect of dilutive securities:			
Employee stock options (2)	**1,282**	1,282	1,364
Employee restricted stock awards	**458**	47	—
	1,740	1,329	1,364
Adjusted weighted-average shares and assumed conversions	**65,526**	66,429	67,402
Net income per common share:			
Basic	**$ 0.27**	$ 0.05	$ 0.12
Diluted	**$ 0.26**	$ 0.05	$ 0.12

Note (1): The Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective application method on July 4, 2005. Accordingly, results for the fiscal year ended July 3, 2005 do not reflect compensation expense associated with stock options, which is more fully discussed above in Note 2.

Note (2): The effect of options to purchase 5.8 million, 5.9 million and 3.8 million shares for the years ended July 1, 2007, July 2, 2006, and July 3, 2005, respectively, were excluded from the calculation of net income per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions

The Company accounts for its business combinations in accordance with SFAS No. 141, "Business Combinations," which addresses financial accounting and reporting for business combinations and requires that all such transactions be accounted for using the purchase method. Under the purchase method of accounting for business combinations, the aggregate purchase price for the acquired business is allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date.

Acquisition of Fannie May Confections Brands, Inc.

On May 1, 2006, the Company acquired all of the outstanding common stock of Fannie May Confections Brands, Inc. (hereafter referred to as "Fannie May Confections Brands"), a manufacturer and multi-channel retailer and wholesaler of premium chocolate and other confections under the well-known Fannie May, Harry London and Fanny Farmer brands. The acquisition, for a purchase price of approximately $96.6 million in cash (including the achievement of $4.4 million of "earn-out" incentives for financial targets achieved during fiscal 2007 and estimated working capital adjustments and transaction costs), included a 200,000-square foot manufacturing facility in North Canton, Ohio and 52 Fannie May retail stores in the Chicago area, where the chocolate brand has been a tradition since 1920. The purchase price is subject to "earn-out" incentives which amount to a maximum of $4.5 million during the year ending July 1, 2007 (of which $4.4 million was achieved) and $1.5 million during the year ending June 29, 2008, upon achievement of specified earnings targets. Prior to the acquisition, Fannie May Confections Brands had generated revenues of approximately $75.0 million during its most recent fiscal year which ended on April 30, 2006.

As described further under "Long-Term Debt," in order to finance the acquisition, on May 1, 2006, the Company entered into a $135.0 million secured credit facility with JPMorgan Chase Bank, N.A., as administrative agent, and a group of lenders (the "2006 Credit Facility"). The 2006 Credit Facility, as amended on October 24, 2006, includes an $85.0 million term loan and a $60.0 million revolving facility, which bear interest at LIBOR plus 0.625% to 1.125%, with pricing based upon the Company's leverage ratio. At closing, the Company borrowed $85.0 million of the term facility to acquire all of the outstanding capital stock of Fannie May Confections Brands.

During fiscal 2007, the Company completed the process of allocating the Fannie May Confections Brands purchase price to the estimated fair values of assets acquired and liabilities assumed:

	Fannie May Confections Brands Purchase Price Allocation
	(in thousands)
Current assets	$ 19,718
Property, plant and equipment	4,642
Intangible assets	37,879
Goodwill	44,096
Other	156
Total assets acquired	106,491
Current liabilities	5,045
Deferred tax liability	4,485
Other	399
Total liabilities assumed	$ 9,929
Net assets acquired	$ 96,562

Of the $37.9 million of acquired intangible assets related to the Fannie May Confections Brands acquisition, $28.2 million was assigned to trademarks that are not subject to amortization, while the remaining acquired intangibles of $9.7 million were allocated primarily to customer related intangibles which are being amortized over the assets' determinable useful life of 3-10 years. Of the $44.1 million of goodwill, approximately $2.1 million is deductible for tax purposes.

Acquisition of Wind & Weather

On October 31, 2005, the Company acquired all of the outstanding common stock of Wind & Weather, a Fort Bragg, California based direct marketer of weather-themed gifts, with annual revenues of approximately $14.4 million during its then most recently completed fiscal year ended March 31, 2005. The purchase price of approximately $5.2 million, including acquisition costs, was funded utilizing the Company's then existing line of credit which was repaid during the Company's second quarter of fiscal 2006 utilizing cash generated from operations, and excludes the assumption of Wind & Weather's $1.2 million balance on its seasonal working capital line. The Company has since relocated the operations of Wind & Weather to its Madison, Virginia facility, and terminated operations in California.

Acquisition of Cheryl & Co.

On March 28, 2005, the Company acquired all of the outstanding common stock of Cheryl & Co., a Westerville, Ohio-based manufacturer and direct marketer of premium cookies and related baked gift items, with annual revenues of approximately $33 million during its then most recent year ended January 29, 2005. The purchase price of approximately $41.1 million, including acquisition costs, was funded utilizing the Company's available cash and investment balance, and included $6.3 million used to retire Cheryl & Co.'s outstanding debt.

Acquisition of The Winetasting Network

On November 15, 2004, the Company acquired all of the outstanding common stock of The Winetasting Network, a Napa, California based distributor and direct-to-consumer wine marketer. The purchase price of approximately $9.7 million, including acquisition costs was funded utilizing the Company's available cash and investment balance and included $2.4 million used to retire The Winetasting Network's outstanding long-term debt.

Pro forma Results of Operation

The following unaudited pro forma consolidated financial information has been prepared as if the acquisitions of Fannie May Confections Brands, Wind & Weather, Cheryl & Co. and The Winetasting Network had taken place at the beginning of fiscal year 2005. The following unaudited pro forma information is not necessarily indicative of the results of operations in future periods or results that would have been achieved had the acquisitions taken place at the beginning of the periods presented.

	Years Ended	
	July 2, 2006	July 3, 2005
	(in thousands, except per share data)	
Net revenues	$854,333	$780,199
Operating income	$ 16,182	$ 23,462
Net income	$ 5,321	$ 12,246
Basic and diluted net income per common share	$ 0.08	$ 0.18

Note 5. Inventory

The Company's inventory, stated at cost, which is not in excess of market, includes purchased and manufactured finish goods for resale, packaging supplies, raw material ingredients for manufactured products and associated manufacturing labor, and is classified as follows:

	Years Ended	
	July 1, 2007	July 2, 2006
	(in thousands)	
Finished goods	**$43,113**	$36,689
Work-in-process	**$ 3,911**	$ 3,370
Raw materials	**$15,027**	$12,895
	$62,051	$52,954

Note 6. Goodwill and Intangible Assets

The change in the net carrying amount of goodwill is as follows (in thousands):

	1-800-Flowers.com Consumer Floral	BloomNet Wire Service	Gourmet Food and Gift Baskets	Home and Children's Gifts	Total
Balance at July 3, 2005	$6,919	$ —	$40,449	$15,851	$ 63,219
Acquisition of Winetasting Network	—	—	273	—	273
Acquisition of Cheryl & Co.	—	—	2,461	—	2,461
Acquisition of Wind & Weather	—	—	—	2,703	2,703
Acquisition of Fannie May Confections Brands	—	—	62,752	—	62,752
Other	(267)	—	—	—	(267)
Balance at July 2, 2006	6,652	—	105,935	18,554	131,141
Acquisition of Wind & Weather	—	—	—	(54)	(54)
Acquisition of Fannie May Confections Brands	—	—	6,023	—	6,023
Purchase Price Allocation of Fannie May Confections-Reclassification of goodwill to intangible assets	—	—	(24,679)	—	(24,679)
Other	(300)	—	—	—	(300)
Balance at July 1, 2007	**$6,352**	**$ —**	**$87,279**	**$18,500**	**$112,131**

The Company's intangible assets consist of the following:

		July 1, 2007			July 2, 2006		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
				(in thousands)			
Intangible assets with determinable lives:							
Investment in licenses	**14 - 16 years**	**$ 4,927**	**$4,085**	**$ 842**	$ 4,927	$3,762	$ 1,165
Customer lists	**3 - 10 years**	**14,260**	**3,919**	**10,341**	18,500	2,231	16,269
Other	**3 - 8 years**	**2,639**	**748**	**1,891**	1,754	252	1,502
		21,826	**8,752**	**13,074**	25,181	6,245	18,936
Trademarks with indefinite lives	**—**	**39,676**	**—**	**39,676**	10,886	—	10,886
Total intangible assets		**$61,502**	**$8,752**	**$52,750**	$36,067	$6,245	$29,822

The amortization of intangible assets for the years ended July 1, 2007, July 2, 2006 and July 3, 2005 was $2.5 million, $1.6 million, and $0.8 million, respectively. Future estimated amortization expense is as follows: 2008 - $2.7 million, 2009 - $2.6 million, 2010 - $2.5 million, 2011 - $1.9 million, and 2012 - $0.8 million, and thereafter - $2.6 million.

Note 7. Property, Plant and Equipment

	July 1, 2007	July 2, 2006
	(in thousands)	
Land	**$ 2,516**	$ 2,516
Building and building improvements	**16,209**	16,409
Leasehold improvements	**19,087**	20,474
Furniture and fixtures	**5,637**	5,182
Equipment	**21,278**	18,346
Computer equipment	**54,942**	51,449
Telecommunication equipment	**9,106**	8,344
Software	**57,763**	51,086
	186,538	173,806
Accumulated depreciation and amortization	**123,977**	114,074
	$ 62,561	$ 59,732

Note 8. Long-Term Debt

	July 1, 2007	July 2, 2006
	(in thousands)	
Term loan and revolving credit line (1)	**$76,500**	$85,000
Commercial note (2)	**1,553**	2,942
Other	**—**	23
Obligations under capital leases (see Note 14)	**79**	458
	78,132	88,423
Less current maturities of long-term debt and obligations under capital leases	**10,132**	10,360
	$68,000	$78,063

(1) Term loan and revolving credit line - In order to finance the acquisition of Fannie May Confections Brands, on May 1, 2006, the Company entered into a secured credit facility with JPMorgan Chase Bank, N.A., as administrative agent, and a group of lenders (the "2006 Credit Facility"). The 2006 Credit Facility, as amended on October 24, 2006, includes an $85.0 million term loan and a $60.0 million revolving facility, which bear interest at LIBOR (5.35%) plus 0.625% to 1.125%, with pricing based upon the Company's leverage ratio (6.23% at July 1, 2007). At closing, the Company borrowed $85.0 million of the term facility to acquire all of the outstanding capital stock of Fannie May Confections Brands. The Company is required to pay the outstanding term loan in escalating quarterly installments, with the final installment payment due on May 1, 2012. The 2006 Credit Facility contains various conditions to borrowing, and affirmative and negative financial covenants. Concurrent with the establishment of the 2006 Credit Facility, the Company's previous $25.0 million revolving credit facilities were terminated. The obligations of the Company and its subsidiaries under the 2006 Credit Facility are secured by liens on all personal property of the Company and its subsidiaries. No amounts were outstanding under the revolving credit facility at July 1, 2007.

(2) Commercial note - Bank note relating to obligations arising from, and collateralized by, the underlying assets of the Company's Plow & Hearth facility in Madison, Virginia. The note, dated June 27, 2003, in the amount of $6.6 million, bears interest at 5.44% per annum, and resulted from the consolidation and refinancing of a series of fixed and variable rate mortgage and equipment notes. The note is payable in 60 equal monthly installments of principal and interest commencing August 1, 2003, of which $1.6 million is outstanding at July 1, 2007.

As of July 1, 2007, long-term debt maturities, excluding amounts relating to capital leases, are as follows:

Year	Debt Maturities
	(in thousands)
2008	$10,053
2009	12,750
2010	12,750
2011	17,000
2012	25,500
Thereafter	—
	$78,053

Note 9. Income Taxes

Significant components of the income tax provision are as follows:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
		(in thousands)	
Current provision:			
Federal	**$ (275)**	$ 351	$ 308
State	**1,841**	655	388
	1,566	1,006	696
Deferred provision:			
Federal	**9,082**	2,120	3,313
State	**1,243**	55	1,389
	10,325	2,175	4,702
Income tax provision	**$11,891**	$3,181	$5,398

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate is as follows:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**6.9**	7.3	8.7
Non-deductible stock-based compensation	**1.7**	8.5	—
Non-deductible goodwill amortization	**0.4**	2.2	1.5
Tax credits	**(0.4)**	(5.0)	—
Tax settlements	**(3.1)**	—	—
Other, net	**0.5**	2.0	(4.5)
	41.0%	50.0%	40.7%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
		(in thousands)	
Deferred income tax assets:			
Net operating loss carryforwards	**$12,944**	$25,963	$23,742
Accrued expenses and reserves	**6,318**	6,325	3,965
Stock-based compensation	**2,529**	1,098	—
Deferred income tax liabilities:			
Other intangibles	**(9,112)**	(9,285)	—
Installment sales	**—**	(25)	(34)
Tax in excess of book depreciation	**(1,649)**	(425)	(293)
Net deferred income tax assets	**$11,030**	$23,651	$27,380

At July 1, 2007, the Company's net operating loss carryforwards were approximately $27.7 million, which, if not utilized, will begin to expire in fiscal year 2020.

Note 10. Capital Stock

Holders of Class A common stock generally have the same rights 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 share basis. Each share of Class B common stock will automatically convert into one share of Class A common stock upon its transfer, with limited exceptions.

On May 12, 2005, the Company's Board of Directors increased the Company's authorization to repurchase the Company's Class A common stock up to $20 million, from the previous authorized limit of $10 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. Under this program, as of July 1, 2007, the Company had repurchased 1,534,677 shares of common stock for $11.3 million, of which $0.2 million (24,627 shares), $1.3 million (182,000 shares) and $9.8 million (1,328,050 shares) were repurchased during the fiscal years ending July, 1 2007, July 2, 2006 and July 3, 2005, respectively. In a separate transaction, during fiscal 2007, the Company's Board of Directors authorized the repurchase of 3,010,740 shares from an affiliate. The purchase price was $15,689,000 or $5.21 per share. The repurchase was approved by the disinterested members of the Company's Board of Directors and is in addition to the Company's existing stock repurchase authorization of $20.0 million, of which $8.7 remains authorized but unused.

Note 11. Stock Based Compensation

The Company has stock options and restricted stock awards outstanding to participants under the 1-800-FLOWERS.COM 2003 Long Term Incentive and Share Award Plan (the "Plan"). Options are also outstanding under the Company's 1999 Stock Incentive Plan, but no further options may be granted under this plan. The Plan is a broad-based, long-term incentive program that is intended to attract, retain and motivate employees, consultants and directors to achieve the Company's long-term growth and profitability objectives, and therefore align stockholder and employee interests. The Plan provides for the grant to eligible employees, consultants and directors of stock options, share appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units, dividend equivalents, and other share-based awards (collectively "Awards").

The Plan is administered by the Compensation Committee or such other Board committee (or the entire Board) as may be designated by the Board (the "Committee"). Unless otherwise determined by the Board, the Committee will consist of two or more members of the Board who are non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934 and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Committee will determine which eligible employees, consultants and directors receive awards, the types of awards to be received and the terms and conditions thereof. The Chief Executive Officer shall have the power and authority to make Awards under the Plan to employees and consultants not subject to Section 16 of the Exchange Act, subject to limitations imposed by the Committee.

At July 1, 2007, the Company has reserved approximately 14.8 million shares of common stock for issuance, including options previously authorized for issuance under the 1999 Stock Incentive Plan.

Stock Options Plans

The weighted average fair value of stock options on the date of grant, and the assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model, were as follows:

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
Weighted average fair value of options granted	$3.29	$3.16	$4.44
Expected volatility	46%	46%	61%
Expected life (in years)	5.3	5.3	5.0
Risk-free interest rate	4.6%	4.6%	3.8%
Expected dividend yield	0.0%	0.0%	0.0%

The expected volatility of the option is determined using historical volatilities based on historical stock prices. The expected life of options granted in fiscal 2005 was based on the Company's historical share option exercise experience. Due to minimal exercising of stock options, in fiscal 2006 and fiscal 2007, the Company estimated the expected life of options granted to be the average of the Company's historical expected term from vest date and the midpoint between the average vesting term and the contractual term. The risk-free interest rate is determined using the yield available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the option. The Company has never paid a dividend, and as such the dividend yield is 0.0%.

The following table summarizes stock option activity during the year ended July 1, 2007:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding – beginning of period	10,103,491	$8.09		
Granted	187,500	$6.82		
Exercised	(395,379)	$4.94		
Forfeited/Expired	(742,947)	$9.33		
Outstanding – end of period	9,152,665	$8.10	4.8 years	$24,210
Options vested or expected to vest at end of period	8,888,395	$8.13	4.7 years	$23,592
Exercisable at end of period	7,322,901	$8.36	4.0 years	$19,871

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the company's closing stock price on the last trading day of fiscal 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on July 1, 2007. This amount changes based on the fair market value of the company's stock. The total intrinsic value of options exercised for the years ended July 1, 2007, July 2, 2006 and July 3, 2005 was $1.0 million, $0.3 million, and $0.7 million, respectively.

The following table summarizes information about stock options outstanding at July 1, 2007:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 1.61 - 4.50	2,461,805	2.9 years	$ 3.83	2,461,805	$ 3.83
$ 5.25 - 6.52	2,206,431	6.3 years	$ 6.40	1,380,381	$ 6.40
$ 6.53 - 8.45	1,852,490	7.1 years	$ 7.43	854,076	$ 7.24
$ 8.47 - 12.87	2,025,893	4.1 years	$12.18	2,020,593	$12.19
$12.95 - 21.00	606,046	2.3 years	$20.01	606,046	$20.01
	9,152,665	4.8 years	$ 8.10	7,322,901	$ 8.36

As of July 1, 2007, the total future compensation cost related to nonvested options not yet recognized in the statement of income was $4.9 million and the weighted average period over which these awards are expected to be recognized was 2.9 years.

The Company grants shares of Common Stock to its employees that are subject to restrictions on transfer and risk of forfeiture until fulfillment of applicable service conditions and, in certain cases, holding periods (Restricted Stock). In fiscal 2005, the Company recorded the grant date fair value of unvested shares of Restricted Stock as unearned stock-based compensation ("Deferred Compensation"). In accordance with SFAS No. 123(R), in fiscal 2006, the Company reclassified the balance of Deferred Compensation against additional paid-in capital, and reduced its shares of Class A Common Stock issued accordingly.

The following table summarizes the activity of non-vested restricted stock during the year ended July 1, 2007:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	293,681	$7.44
Granted	984,536	$5.22
Vested	(39,913)	$6.48
Forfeited	(136,322)	$5.81
Non-vested – end of period	1,101,982	$5.70

The fair value of nonvested shares is determined based on the closing stock price on the grant date. As of July 1, 2007, there was $3.8 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 2.0 years.

Note 12. Employee Stock Purchase Plan

In December 2000, the Company's Board of Director's approved the 1-800-FLOWERS.COM, Inc. 2001 Employee Stock Purchase Plan (ESPP), a non-compensatory employee stock purchase plan under Section 423 of the Internal Revenue Code, to provide substantially all employees who have completed six months of service, an opportunity to purchase shares of the Company's Class A common stock. Employees may contribute a maximum of 15% of eligible compensation, but in no event can an employee purchase more than 500 shares on any purchase date. Offering periods have a duration of six months, and the purchase price per share will be the lower of: (i) 85% of the fair market value of a share of Class A common stock on the last trading day of the applicable offering period, or (ii) 85% of the fair market value of a share of Class A common stock on the last trading day before the commencement of the offering period. The ESPP was terminated effective as of June 30, 2005.

Note 13. 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 $0.5 million, $0.4 million, and $0.3 million, for the years ended July 1, 2007, July 2, 2006 and July 3, 2005, respectively.

Note 14. Business Segments

During the first quarter of fiscal 2007, the Company segmented its organization to improve execution and customer focus and to align its resources to meet the demands of the markets it serves. The Company's management reviews the results of the Company's operations by the following four business categories:

- 1-800-Flowers.com Consumer Floral;
- BloomNet Wire Service;
- Gourmet Food and Gift Baskets; and
- Home and Children's Gifts.

Category performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the categories. As such, management's measure of profitability for these categories does not include the effect of corporate overhead (see * below), which are operated under a centralized management platform, providing services throughout the organization, nor does it include stock-based compensation, depreciation and amortization, other income (net), and income taxes. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by category.

Net Revenues

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
	(in thousands)		
Net revenues:			
1-800-Flowers.com Consumer Floral	**$491,404**	$452,188	$422,012
BloomNet Wire Service	**44,379**	29,884	21,784
Gourmet Food & Gift Baskets	**192,698**	105,002	54,263
Home & Children's Gifts	**186,948**	196,919	172,317
Corporate (*)	**1,652**	1,388	1,863
Intercompany eliminations	**(4,483)**	(3,640)	(1,560)
Total net revenues	**$912,598**	$781,741	$670,679

Operating Income

	Years Ended		
	July 1, 2007	July 2, 2006	July 3, 2005
		(in thousands)	
Category Contribution Margin:			
1-800-Flowers.com Consumer Floral	**$64,580**	$46,518	$47,039
BloomNet Wire Service	**14,169**	7,106	5,912
Gourmet Food & Gift Baskets	**26,377**	6,827	767
Home & Children's Gifts	**(1,215)**	7,134	6,741
Category Contribution Margin Subtotal	**103,911**	67,585	60,459
Corporate (*)	**(51,081)**	(45,311)	(34,072)
Depreciation and amortization	**(17,837)**	(15,765)	(14,489)
Operating income (loss)	**$34,993**	$ 6,509	$11,898

(*) Corporate expenses consist of the Company's enterprise shared service cost centers, and include, among others, Information Technology, Human Resources, Accounting and Finance, Legal, Executive and Customer Service Center functions, as well as Stock-Based Compensation. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions, other than those of the Customer Service Center which are allocated directly to the above categories based upon usage, are included within corporate expenses, as they are not directly allocable to a specific category.

Note 15. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various operating leases through fiscal 2019. 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. All leases and subleases with an initial term of greater than one year are accounted for under SFAS No. 13, *Accounting for Leases*. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of July 1, 2007, future minimum payments under non-cancelable capital lease obligations and operating leases with initial terms of one year or more consist of the following:

	Obligations Under Capital Leases	Operating Leases
	(in thousands)	
2008	$40	$11,416
2009	14	9,141
2010	13	7,289
2011	13	7,006
2012	13	6,176
Thereafter	6	28,146
Total minimum lease payments	$99	$69,174
Less amounts representing interest	(20)	
Present value of net minimum lease payments	$79	

At July 1, 2007, 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)	
2008	$ 2,099	$ 2,099
2009	1,713	1,713
2010	1,191	1,191
2011	635	635
2012	341	341
Thereafter	253	253
	$ 6,232	$ 6,232

Rent expense was approximately $18.9 million, $13.7 million, and $9.7 million for the years ended July 1, 2007, July 2, 2006and July 3, 2005, respectively.

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 Registered Public Accounting Firm

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 1, 2007 and July 2, 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended July 1, 2007. These financial statements and schedule 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 the standards of the Public Company Accounting Oversight Board (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 1, 2007 and July 2, 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 1, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements the Company adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," as revised, effective July 4, 2005.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of 1-800-FLOWERS.COM, Inc.'s internal control over financial reporting as of July 1, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 10, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Melville, New York
September 10, 2007

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13-a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effectuated by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of July 1, 2007. In making this assessment, management used the criteria established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management believes that, as of July 1, 2007 the Company's internal control over financial reporting is effective.

Ernst & Young LLP, the Company's independent registered public accounting firm, has issued a report on the effectiveness of the Company's internal control over financial reporting, as of July 1, 2007; their report is included on the following page.

James F. McCann
Chief Executive Officer
Chairman of the Board of Directors
(Principal Executive Officer)

William E. Shea
Senior Vice President Finance and Administration
(Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

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

We have audited 1-800-FLOWERS.COM, Inc. and Subsidiaries (the "Company") internal control over financial reporting as of July 1, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, 1-800-FLOWERS.COM, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of July 1, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of July 1, 2007 and July 2, 2006, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended July 1, 2007 and our report dated September 10, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Melville, New York
September 10, 2007

Market for Common Equity and Related Stockholder Matters

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The Nasdaq Stock Market under the ticker 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 fiscal years ended July 1, 2007 and July 2, 2006.

	High	Low
Year ended July 1, 2007		
July 3, 2006 – October 1, 2006	$ 6.10	$ 4.33
October 2, 2006 – December 31, 2006	$ 6.35	$ 4.94
January 1, 2007 – April 1, 2007	$ 8.00	$ 5.84
April 2, 2007 – July 1, 2007	$ 9.47	$ 7.66
Year ended July 2, 2006		
July 4, 2005 – October 2, 2005	$ 7.86	$ 6.45
October 3, 2005 – January 1, 2006	$ 7.65	$ 5.83
January 2, 2006 – April 2, 2006	$ 7.10	$ 6.16
April 3, 2006 – July 2, 2006	$ 7.90	$ 5.39

Rights of Common Stock

Holders of Class A common stock generally have the same rights 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 share basis. 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 5, 2007, there were approximately 276 stockholders 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 5, 2007, there were approximately 21 stockholders of record of the Company's Class B common stock.

Dividend Policy

Although the Company has never declared or paid any cash dividends on its Class A or Class B common stock, the Company anticipates that it will generate increasing free cash flow in excess of its capital investment requirements. As such, although the Company has no current intent to do so, the Company may choose, at some future date, to use some portion of its cash for the purpose of cash dividends.

Resales of Securities

36,923,303 shares of Class A and Class B common stock are "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market from time to time only if registered or if they qualify for an exemption from registration under Rule 144 or 701 under the Securities Act. As of September 5, 2007, all of such shares of the Company's common stock could be sold in the public market pursuant to and subject to the limits set forth in Rule 144. Sales of a large number of these shares could have an adverse effect on the market price of the Company's Class A common stock by increasing the number of shares available on the public market.

Purchases of Equity Securities by the Issuer

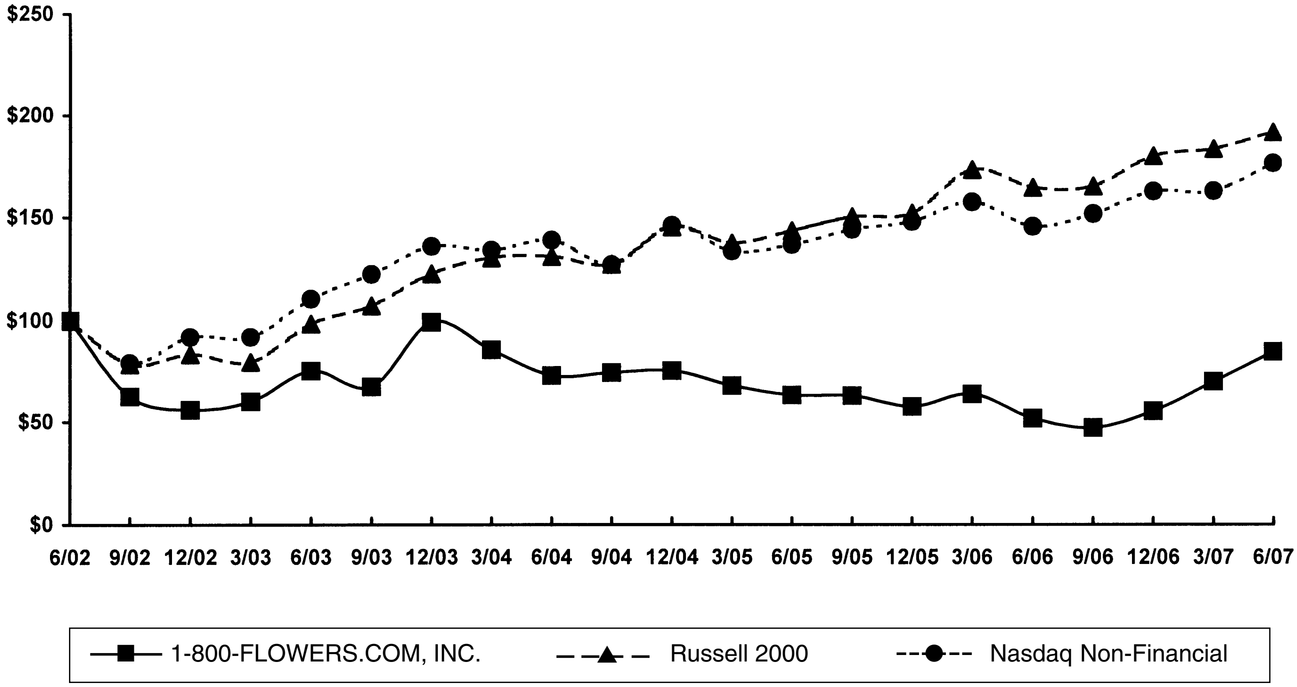
On May 12, 2005, the Company's Board of Directors increased the Company's authorization to repurchase the Company's Class A common stock up to $20 million, from the previous authorized limit of $10 million. Any such purchases could be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program will be financed utilizing available cash. Under this program, as of July 1, 2007, the Company had repurchased 1,534,677 shares of common stock for $11.3 million, of which $0.2 million (24,627 shares), $1.3 million (182,000 shares) and $9.8 million (1,328,050 shares) were repurchased during the fiscal years ending July, 1 2007, July 2, 2006 and July 3, 2005, respectively. In a separate transaction, during fiscal 2007, the Company's Board of Directors authorized the repurchase of 3,010,740 shares from an affiliate. The purchase price was $15,689,000 or $5.21 per share. The repurchase was approved by the disinterested members of the Company's Board of Directors and is in addition to the Company's existing stock repurchase authorization of $20.0 million, of which $8.7 remains authorized but unused.

The following table sets forth, for the months indicated, the Company's purchase of Class A common stock during the fiscal year ending July 1, 2007, which includes the period July 3, 2006 through July 1, 2007.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
	(in thousands, except average price paid per share)			
7/3/06 - 7/30/06	—	$ —	—	$8,863
7/31/06 - 8/27/06	—	$ —	—	$8,863
8/28/06 - 10/01/06	9.1	$5.11	9.1	$8,816
10/2/06 - 10/29/06	—	$ —	—	$8,816
10/30/06 - 11/26/06	—	$ —	—	$8,816
11/27/06 - 12/31/06	3,011.1	$5.21	0.3	$8,814
1/1/07 - 1/28/07	2.0	$6.20	2.0	$8,802
1/29/07 - 2/25/07	13.2	$6.90	13.2	$8,711
2/26/07 - 4/1/07	—	$ —	—	$8,711
4/2/07 - 4/29/07	—	$ —	—	$8,711
4/30/07 - 5/27/07	—	$ —	—	$8,711
5/28/07 - 7/1/07	—	$ —	—	$8,711
Total	3,035.4	$5.22	24.6	

*Comparison of 5 Year Cumulative Total Return**

Among 1-800-FLOWERS.COM, the Russell 2000 Index and the NASDAQ Non-Financial Index



*$100 invested on 6/30/02 in stock or index-including reinvestment of dividends.
Fiscal year ending June 30.

1-800-FLOWERS.COM, Inc.

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STOCK EXCHANGE LISTING
NASDAQ Global Select 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 by visiting the Investor Relations section at www.1800flowers.com, by calling 516-237-6113, or by writing to:
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