1·800·FLOWERS.COM, INC.

Liquidity & Flexibility
LEVERAGEABLE PLATFORM
Experienced Management
Mobile Commerce
ICONIC BRANDS
Increasing Revenues
Caring Team Obsessed With Service
Delivering Smiles
driving growth
FLORAL GIFTS
Free Cash Flow
Market Leader
TRULY ORIGINAL DESIGNS
INNOVATION
Cross-Brand Marketing
GOURMET FOODS
Digital Marketing
Strong Balance Sheet
CELEBRATORY OCCASIONS
Multi-Brand Customers
Multi-Brand Website
First Mover
B.O.L.T.
Early Adopter
Cross-Brand Merchandising
Deepening Relationships
Celebratory Ecosystem
HELPING CUSTOMERS CONNECT
Customer Experience
Conversational Commerce

2017 ANNUAL REPORT

CUSTOMER EXPERIENCE IS OUR NUMBER ONE PRODUCT

A maniacal focus on providing the very best customer experience – that is what sets 1-800-FLOWERS.COM, Inc. apart. As part of our ongoing mission to deliver smiles, the Company continues to explore and embrace new and emerging technologies aimed at enhancing and innovating the way customers interact with our portfolio of brands.

Most recently, 1-800-FLOWERS.COM, Inc. was an early adopter of the new Google Assistant transaction feature, providing gift-givers the ease and convenience of voice or text ordering. Other initiatives in fiscal 2017 included 1-800-Flowers.com's launch of an online Customer Service Hub, enabling self-service and live chat support for order tracking and more, as well as the implementation of delivery windows, allowing customers to schedule specific hours for order arrival. Additionally, the Company's interactive marketing and merchandising teams have been hard at work, elevating the overall shopping experience for the Harry & David brand online. These efforts are culminating in a completely updated brand look and feel, along with new online features and functionality, including updates to the popular Gift List and a new, dedicated portal for business-to-business gift-givers. The Company has also prioritized the curation of thoughtful content, advice and guidance to further solidify its reputation as a trusted gifting and celebrations resource for customers.

These initiatives illustrate 1-800-FLOWERS.COM, Inc.'s relentless commitment to enhancing the customer experience, while always providing best-in-class service. As consumer behavior continues to shift at a rapid pace, the Company remains focused on identifying the best ways to engage with and serve our customers' celebratory needs – wherever, whenever and however they prefer to shop.

ABOUT 1-800-FLOWERS.COM, INC.

1-800-FLOWERS.COM, Inc. is a leading provider of gifts for all celebratory occasions. For the past 40 years, 1-800-Flowers.com® has been helping deliver smiles to customers with a 100% Smile Guarantee® backing every gift. The 1-800-FLOWERS.COM, Inc. family of brands also includes everyday gifting and entertaining products from Harry & David®, The Popcorn Factory®, Cheryl's® cookies, 1-800-Baskets.com®, Wolferman's®, Moose Munch® premium popcorn, Personalization Universe®, Simply Chocolate℠ and FruitBouquets.com. The Company also offers top-quality steaks and chops from Stock Yards®. Service offerings such as Celebrations Passport®, Celebrations Rewards® and Celebrations Reminders® are designed to deepen relationships with customers across all brands. The Company's BloomNet® international floral wire service provides a broad-range of products and services designed to help professional florists grow their businesses profitably. Additionally, the Company operates Napco, a resource for floral gifts and seasonal decor and DesignPac Gifts, LLC, a manufacturer of gift baskets and towers. 1-800-FLOWERS.COM, Inc. was named to the Stores® 2017 Hot 100 Retailers List by the National Retail Federation and also received the Gold award in the "Best Artificial Intelligence" category at the Data & Marketing Association's 2017 International ECHO Awards for the Company's groundbreaking implementation of an artificial intelligence-powered online gift concierge, Gwyn®. Shares in 1-800-FLOWERS.COM, Inc. are traded on the NASDAQ Global Select Market, ticker symbol: FLWS.

FINANCIAL HIGHLIGHTS

(From Continuing Operations)

	JULY 2, 2017	JULY 3, 2016	JUNE 28, 2015	JUNE 29, 2014	JUNE 30, 2013
	(in millions, except percentages and per share data)				
Total Net Revenues	$1,193.6	$1,173.0	$1,121.5	$756.3	$735.5
Gross Profit Margin	43.6%	44.1%	43.4%	41.7%	41.5%
Operating Expense Ratio	39.7%	40.4%	40.1%	38.6%	38.0%
Adjusted EBITDA(1)	$ 87.2(2)	$ 85.7(4)	$ 80.7(6)	$ 48.6	$ 49.1
Adjusted EPS	$ 0.43(3)	$ 0.43(5)	$ 0.34(7)	$ 0.22	$ 0.24

(1) Excludes stock-based compensation and non-qualified supplementary retirement plan investment appreciation and depreciation.

(2) Adjusted EBITDA for fiscal 2017 excludes the items included in footnote (1), as well as Harry & David severance costs.

(3) Adjusted EPS for fiscal 2017 excludes Harry & David severance charges and the gain on the sale of Fannie May Confections Brands. Fiscal year 2017 EPS as reported was $0.65.

(4) Adjusted EBITDA for fiscal 2016 excludes the items included in footnote (1), as well as litigation settlement costs and integration costs, including severance costs, associated with Harry & David and the rightsizing of Fannie May.

(5) Adjusted EPS for fiscal 2016 excludes the gain from insurance recovery on the Fannie May warehouse fire, loss on the sale of iflorist, the impairment of foreign equity method investment, Harry & David integration costs, litigation settlement costs, as well as severance expenses associated with Harry & David and the rightsizing of Fannie May. Fiscal year 2016 EPS as reported was $0.55.

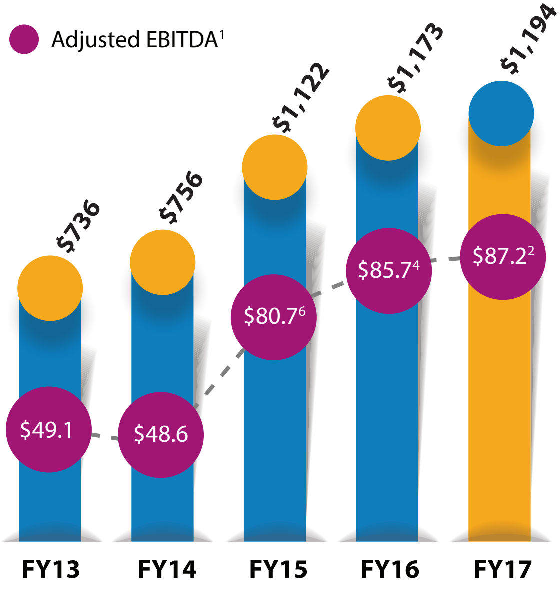
(6) Adjusted EBITDA for fiscal 2015 excludes the items in footnote (1), and includes Harry & David's fiscal 2015 first quarter loss in order to present comparable full-year results and excludes one-time costs associated with the acquisition and integration of Harry & David and the impact of the Fannie May warehouse fire in November 2014.

(7) Adjusted EPS for fiscal 2015 includes Harry & David's fiscal 2015 first quarter loss in order to present comparable full-year results and excludes one-time costs associated with the acquisition and integration of Harry & David and the impact of the Fannie May warehouse fire in November 2014. Fiscal year 2015 EPS, as reported, was $0.30.

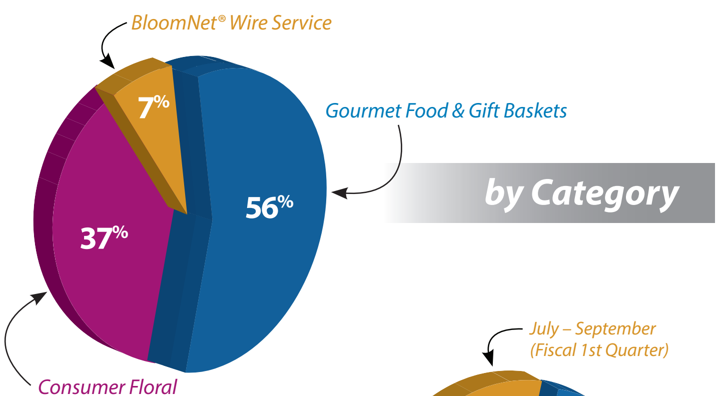
(8) Comparable revenues measures GAAP revenues adjusted for the effects of acquisitions, dispositions and other items affecting period to period comparability.

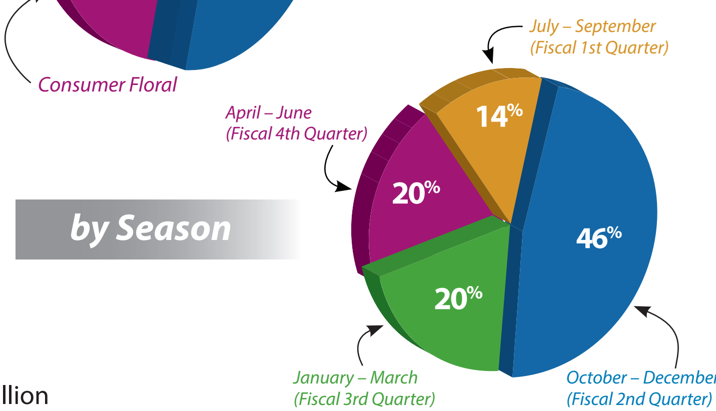
TOTAL REVENUES

(From Continuing Operations In Millions)



FY17 % REVENUES





Fiscal 2017 Achievements

- Grew Comparable Revenues(8) 3.1 percent to $1.19 Billion
- Grew Adjusted EBITDA 1.8 percent to $87.2 Million
- Completed sale of Fannie May Confections Brands to Ferrero International S.A. for $115 Million* (*$103.6 million net of working capital adjustments)

Financial Report Insert

See inside rear cover pocket

TO OUR SHAREHOLDERS

2017 was another year of successful growth for the Company. Comparable revenues rose 3.1% percent for the year, which represents an acceleration from prior years. Our net income, earnings per share, EBITDA and free cash flow also rose year-over-year. In addition, during the year we made the strategic decision to sell the Fannie May Confections business. As a result of the sale, our balance sheet and financial condition have never been stronger. This financial strength provides us with significant flexibility to further invest in our growth, both organically and through acquisitions. In addition, in October 2017 our Board of Directors raised the share repurchase authorization to $30 million.

Positive Results Across Our Celebratory Ecosystem

During 2017, we achieved positive results and strengthened momentum across our entire portfolio of leading gift brands.

Both of our floral businesses continued their growth trajectory. The 1-800-Flowers.com brand continued to expand its market leadership position, with comparable growth of 5.7% during the year. BloomNet also experienced growth, up more than 2.6% compared with the prior year. Revenue growth for these brands was driven by strong everyday gifting demand combined with strong growth for the Valentine's Day holiday. We continue to make strategic investments in marketing and customer service, and are confident these investments will provide long-term benefits to 1-800-Flowers.com brand equity, and further enhance its leading market position. Our increased investments in customer service are already yielding results in the form of historically high customer satisfaction metrics. These investments help us deepen the relationships we have with our customers and increase their purchase frequency and retention.

Consumer Floral also achieved a strong contribution margin driven by the key attributes of the 1-800-Flowers.com brand; truly original gifts that help our customers express themselves perfectly; a caring team that is obsessed with service, and a customer experience that is constantly being enhanced to make it easier for our customers to deliver a smile.

BloomNet's growth was driven by membership transaction fees and increased product sales in new channels, such as garden centers and nurseries. Positive results in directory ad sales and early acceptance of our new digital marketing services also contributed.

During the year, BloomNet opened a west coast distribution center housed on Harry & David's Medford, Oregon campus. We also continued to expand BloomNet's product offering – adding the new Bayberry Road line of jewelry and accessories – a unique product line that helps our florist customers expand their offerings and grow their businesses. We are confident these initiatives will enable BloomNet to build on the positive trends we are seeing in its business, during fiscal 2018.

During fiscal 2017, our Gourmet Food and Gift Baskets brands began to gain meaningful traction in demand for everyday gifting occasions.

Harry & David, Cheryl's Cookies, The Popcorn Factory and 1-800-Baskets.com brands experienced robust growth for Birthday, Thank You, New Baby and Sympathy occasions. This growth is being driven by an increased focus on innovative new products designed specifically to help our customers send smiles for everyday celebrations.

We are deeply committed to increasing our customers' awareness of our everyday gifting offerings. This is a key focus for our gourmet food and gift baskets brands and we are pleased with the progress we are making in this area as we continue to experience growth in this segment.

In our Harry & David business, during the second half of the fiscal year, we saw consumer demand growing at a healthy rate, reflecting the benefits of some of the changes that have been implemented, including: the consolidation of digital marketing responsibilities for Harry & David under our enterprise marketing and customer insights team; an increase in digital advertising programs in display, video, affiliates, social and mobile; the increased use of new software tools in our consolidated customer database to enhance targeting and to streamline catalog circulation; and numerous enhancements to our multi-brand website, specifically to improve navigation for Harry & David's important gift list functionality.

Harry & David also continued to expand and enhance its product offering with the successful rebranding of its Moose Munch line: adding hip new iconography to appeal to a younger customer demographic and adding new "snack-size" packaging to take advantage of the growth in sales of premium popcorn treats. As a result, you will be seeing more and more Moose Munch products showing up on the shelves of convenience stores and other local retailers as we gradually expand distribution throughout the country.

In addition to adding more than $100 million to our already strong balance sheet, the sale of Fannie May to Ferrero International S.A. included a strategic commercial partnership. This provides us with access to Fannie May and Harry London products as well as Ferrero's world-renowned chocolate confectionery brands.

Investing for Growth

We continued to execute on our vision to build a best in class "Celebratory Ecosystem."

In early fiscal 2018, we launched our newest brand, *Simply Chocolate*, an exciting new destination for people to discover a curated assortment of chocolate gifts and join a passionate community celebrating the love of chocolate. The Simply Chocolate marketplace features a broad range of iconic premium chocolate brands, including Fannie May, Ghirardelli and Godiva as well as some of the hottest chocolatiers and innovative artisans in the world, such as Norman Love, Vosges and Max Brenner, among others.

We also added the *Personalization Universe* brand to our multi-brand website. With Personalization Universe, our customers can purchase customizable gifts for the special people in their lives, complete with names, photos, logos and more. This platform enables our customers to deliver a one-of-a-kind gift that is sure to be appreciated.

Both sites were launched prior to the peak holiday season to introduce them to the millions of customers who will be visiting our sites for their holiday gifting and celebratory needs.

For Harry & David, we have unveiled a fresh look, feel and tone across the website, mobile site, catalogs, emails and social media channels. As part of this brand refresh, new features and functionality have been introduced to elevate the gift-giving experience.

The launch of these two new brands, as well as the comprehensive refresh of the Harry & David brand, reflect our continued investments in the key areas that provide us with leverage to accelerate growth. These include our operating capabilities, such as manufacturing, distribution and product development and our technology platforms, including our robust website and industry-leading mobile sites.

Continuing the Momentum

We have momentum in our Consumer Floral business where the 1-800-Flowers.com brand continues to extend its market leading position.

We have momentum in our BloomNet business where our unique offering of innovative products and services and unsurpassed quality continues to separate BloomNet from the legacy wire services.

And, we have momentum in our Gourmet Food and Gift Baskets businesses, including growing customer demand for Harry & David, increasing traction in everyday gifting across all the brands and solid growth in our gift baskets business in both the direct-to-consumer and wholesale channels.

Importantly, we are also seeing positive trends in our customer file. We are growing the active customer files across the Company and we are increasing the life-time value metrics within the file, including purchase frequency, retention and average spend.

We are doing this by being deeply focused on constantly enhancing our customers' experience by introducing them to our "All Star" family of brands, by providing them with value-added loyalty programs, including Celebrations Passport®, Celebrations Rewards® and Celebrations Reminders® and by always investing and innovating in how and where we engage with our customers.

We are excited about the year ahead and we are well positioned to drive revenue growth across all three of our business segments in fiscal 2018. We have a solid plan in place to drive bottom line growth across the Company and to further build shareholder value.

As we look to the new year, we are focused on building on the positive trends we are seeing in our business. We have an experienced and proven management team along with all our very talented and hardworking associates across the Company. Together this represents a formidable force for the execution of our plans to deliver strong results for our shareholders.

I am very proud of this team and pleased with the progress we have made, as well as the exciting opportunities which lay ahead. I would like to thank all our associates for their commitment to constantly improving our customers' experience and for helping to Deliver Smiles.

We thank all our shareholders for their continued support.

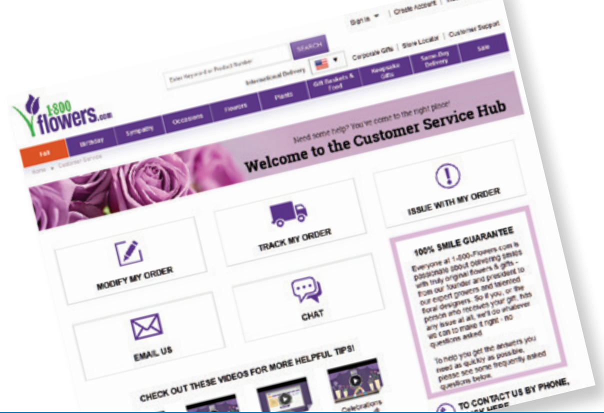
Chris

Chris McCann, President & CEO

2018

January

JANUARY january January JANUARY



Millions of customers depend on 1-800-FLOWERS.COM, Inc. to help them deliver smiles. Complementing our delicious gourmet foods and beautiful floral creations is our commitment to providing the finest customer experience. Toward this goal, we are rolling out several initiatives designed to enhance how customers interact with us. Among these is a new online self-service hub offering a comprehensive range of personalized information about each customer's order. Other enhancements to our websites include guided navigation, improved express checkout, SMS messaging, increased site speed and delivery calendar/window updates. Further optimizing the customer experience from order through delivery is our highly talented customer service team. Exemplifying our dedication to excellence, the 1-800-Flowers.com® floral brand recorded the best customer care metrics in its history during FY17 and 1-800-Flowers.com was also awarded the prestigious Gold Stevie "e-Commerce Customer Service" award.

SUNDAY	MONDAY	TUESDAY
	1 *New Year's Day*	2
7	8	9
14	15 *Martin Luther King Jr.'s Birthday (observed)*	16
21	22	23
28	29	30

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11	12	13
17	18	19	20
24	25	26	27
31			

2018

FEBRUARY february

February

february FEBRUARY

Perhaps no other occasion embodies emotional feelings quite like Valentine's Day. Helping every customer express the perfect sentiment on Cupid's special day and all other gifting occasions throughout the year is our team, along with an exceptional collection of top quality gifts. In fiscal 2017, the Company continued its obsession with making certain each customer chooses the right gift for the right person to create the brightest of smiles. Whether it's magnificent floral arrangements from 1-800-Flowers.com®, freshly carved Fruit Bouquets by 1800flowers.com℠ or delectable gifts from our gourmet food brands including Harry & David®, Cheryl's® cookies, The Popcorn Factory®, 1-800-Baskets.com®, Wolferman's® and Stock Yards®, every gift has been specifically crafted to assist customers in connecting with the important people in their lives.

SUNDAY	MONDAY	TUESDAY
4	5	6
11	12	13
18	19 *Presidents' Day*	20
25	26	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2 Groundhog Day	3
7	8	9	10
14 Valentine's Day DELIVER SMILES TODAY	15	16	17
21	22	23	24
28			

2018

March march MARCH MARCH march march

In many ways, retail florists represent the heartbeat of their local business communities. BloomNet® – the floral industry's leading wire service innovator and a provider of products and services designed to help thousands of local professional florists increase their profitability – continually works to foster a sense of community among florists across the nation. In fiscal 2017, BloomNet® expanded the scope of its "Floriology" collection of services. New courses were added to the renowned Floriology Institute in Jacksonville, Florida where florists and floral designers gather to exchange ideas and benefit from hands-on training with leading industry experts. In addition, floriologyinstitute.com was launched, providing informative videos, insightful blog posts and information about the latest design techniques, as well as ideas for enhancing flower shop operations. Also part of the BloomNet® portfolio of florist resources is *Floriology® Magazine*, filled with step-by-step design ideas and inspiring success stories.

SUNDAY	MONDAY	TUESDAY
4	5	6
11	12	13
18	19	20 *First Day of Spring*
25	26	27

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3
7	8	9	10
14	15	16	17 *St. Patrick's Day* DELIVER SMILES TODAY
21	22	23	24
28	29	30 *Passover Begins at Sunset*	31

2018

April April APRIL APRIL april april

During fiscal 2017 and into fiscal 2018, 1-800-FLOWERS.COM, Inc. broadened its focus on deepening relationships with customers by expanding its constantly evolving "Celebratory Ecosystem" and increasing the Company's product offering. Leveraging our multi-brand website, extensive distribution capabilities, unparalleled customer service and ongoing deployment of leading-edge technologies, we widened our revenue opportunities with the introduction of two exciting product lines. The new Personalization Universe® brand features more than 10,000 one-of-a-kind gifts, including everything from piggy banks, storybooks and puzzles to home decor, wine bottles, sympathy items and much more – each personalized for individual recipients. The new Simply Chocolate℠ brand offers a destination for individuals to discover a curated assortment of gifts and join a passionate community celebrating the love of chocolate.

SUNDAY	MONDAY	TUESDAY
1 *Easter* *April Fools Day*	2	3
8	9	10
15	16	17
22	23 *Administrative Professionals' Week Begins*	24
29	30	

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4	5	6	7
11	12	13	14
18	19	20	21
25 *Administrative Professionals' Day*	26	27	28

2018

May MAY may MAY May MAY may MAY

Of course, the month of May is all about Mom, an opportunity to show how much we appreciate that uniquely special person who guided our first steps and lovingly shaped us into the people we are today. As our customers do for so many other celebratory occasions throughout the year, they know they can depend on 1-800-FLOWERS.COM, Inc. for thoughtful gifts that are sure to melt mom's heart. For Mother's Day 2017, the Company took the celebration a step further, engaging the marketplace and increasing sales opportunities by conducting a fun survey urging people to recall those sometimes quirky "Mom-ism" expressions many of us fondly remember. Among the top sayings: "Because I said so"; "Don't worry, everything will be OK"; "You'll always be my baby"; and "I'm always here to listen."

SUNDAY	MONDAY	TUESDAY
		1
6	7	8
13 *Mother's Day* DELIVER SMILES TODAY	14	15
20	21	22
27	28 *Memorial Day (observed)*	29

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
2	3	4	5 *Cinco dé Mayo*
9	10	11 *National Bring Your Mom to Work Day*	12
16	17	18	19
23	24	25	26
30	31		

2018

June june JUNE june JUNE june

Innovation is in our DNA at 1-800-FLOWERS.COM, Inc. In fiscal 2017 we continued to embrace emerging technologies that are enhancing customer engagement in mobile commerce and across social platforms. The Company is an early adopter of new advancements in Artificial Intelligence (A.I.) and machine learning that are driving the next wave of "Conversational Commerce," including Facebook Messenger bots and Amazon Alexa platform skills that use natural language text or spoken voice commands to help customers search for and send great gifts. We have also recently launched several other cutting-edge initiatives. These include the introduction of Gwyn® (*Gifts when you need*) – an online personal gift concierge powered by IBM's Watson A.I. platform – and we have implemented Google Assistant technology enabling customers to select gifts and place orders via voice or text using Android phones and other devices.

SUNDAY	MONDAY	TUESDAY
3	4	5
10	11	12
17 *Father's Day* DELIVER SMILES TODAY	18	19
24	25	26

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2
6	7	8	9
13	14 *Flag Day*	15	16
20	21 *First Day of Summer*	22	23
27	28	29	30

2018

july July JULY JULY july

Everyone knows that the calendar year is filled with traditional gifting occasions. However, the wonderful ability to create smiles with the right gifts does not end there. 1-800-FLOWERS.COM, Inc. is constantly conveying to its customers that each and every day can be perfect for thoughtful gifting. The Company's 1-800-Flowers.com® brand is an industry leader in everyday gifting and we are leveraging the relationship customers have with the brand to extend that market leadership to our gourmet food gift brands and increase customer interactions. These efforts are generating stronger opportunities to capture a larger share of our customers' year-round gifting decisions for such everyday occasions as birthdays, thank-yous, get well sentiments, graduations, congratulations and expressions of sympathy.

SUNDAY	MONDAY	TUESDAY
1	2	3
8	9	10
15	16	17
22	23	24
29 *Parents' Day*	30	31

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
4 *Independence Day* DELIVER SMILES TODAY	5	6	7
11	12	13	14 *Bastille Day*
18	19	20	21
25	26	27	28

2018

august August AUGUST august August

In fiscal 2017, the BloomNet® wire service broadened its spectrum of services designed to help retail florists grow their businesses. An example is the launch of BloomNet's Floriology Digital Marketing Services program. The program was created to assist retail florists in building their brand loyalty while boosting their web sales. As part of the program, BloomNet® Technologies experts collaborate with florists to maximize such important tools as Search Engine Optimization and Search Engine Marketing, working to assure that florists' shops rank near the top on SEO results pages, and generating visits and touches from local and mobile customers alike. Adding to the opportunities for retail florists, BloomNet's Napco division unveiled its 2018 Spring & Garden Trends Report, keeping florists a vital step ahead of what today's floral and garden consumers are looking for.

SUNDAY	MONDAY	TUESDAY
5	6 *National Friendship Week Begins*	7
12	13	14
19	20	21
26	27	28

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4
8	9	10	11
15	16	17	18
22	23	24	25
29	30	31	

2 0 1 8

september

September

SEPTEMBER

September

Each year during the late summer and into the early fall, the rich soil of the picturesque countryside in Medford, Oregon yields what are considered by many the juiciest peaches and most flavorful pears in the world. The legacy and more than 100 years of agricultural experience behind Harry & David® peaches and Royal Riviera® pears began way back in 1914 when brothers Harry and David Holmes took over the family orchards. Today, thousands of trees in those same orchards are meticulously cared for and their delicious fruits are harvested with the very same expertise and attention to quality the Holmes brothers had always demanded. This level of care provides a truly sumptuous taste experience for Harry & David customers and their lucky recipients.

SUNDAY	MONDAY	TUESDAY
2	3 *Labor Day*	4
9 *Grandparents Day* *Rosh Hashanah Begins at Sunset*	10	11 *Patriot Day*
16	17	18 *Yom Kippur Begins at Sunset*
23 *First Day of Fall* / 30	24	25

DELIVER SMILES TODAY

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8
12	13	14	15
19	20	21	22
26	27	28	29

October 2018

October

OCTOBER OCTOBER

Everyone likes to be rewarded for their hard work, recognized for their achievements, and thanked for their assistance. Helping to express all those thoughts and many more is the 1-800-FLOWERS.COM, Inc. Corporate Gifts division. During fiscal 2017 and into fiscal 2018, the division developed and launched several dedicated business-to-business self serve portals designed to support the business gifting market and drive incremental awareness of the Company's B2B services, brands and products. Exclusive partnerships were also established with a number of top companies in the Telecom industry, driving business gifting promotions to a long list of companies and their many employees and members. Additionally, new partnerships were created within the airline industry, offering frequent flyers the opportunity to earn miles for their purchases of 1-800-FLOWERS.COM, Inc. products and helping to encourage repeat purchases.

SUNDAY	MONDAY	TUESDAY
	1	2
7 *National Children's Day*	8 *Columbus Day (observed)*	9
14	15	16 *National Boss's Day*
21	22	23
28	29	30

DELIVER SMILES TODAY

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
3	4	5	6
10	11	12	13
17	18	19	20 *Sweetest Day* DELIVER SMILES TODAY
24	25	26	27
31 *Halloween* DELIVER SMILES TODAY			

2018

november November NOVEMBER November

The holiday season has arrived, family and friends are gathering, and it's the perfect time to share mouth-watering possibilities that are sure to make the season extra special. Utilizing a combination of creating brands internally and via acquisition, 1-800-FLOWERS.COM, Inc. has built a uniquely broad offering of gourmet food gifts encompassing an "All Star" family of leading gift brands. Customers can choose a wide range of palate-pleasing selections from Harry & David®, Cheryl's® cookies, Wolferman's®, The Popcorn Factory® and Simply Chocolate℠, along with amazing fresh fruit arrangements from Fruit Bouquets by 1800flowers.com℠ and overflowing gift baskets from 1-800-Baskets.com®. Indeed, it's a wonderful way to share a smile during the holidays and to also express thoughtful sentiments for an ever-widening array of celebratory occasions throughout the entire year.

SUNDAY	MONDAY	TUESDAY
4	5	6 *Election Day*
11 *Veterans Day*	12	13
18	19	20
25	26	27


WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3
7	8	9	10
14	15	16	17
21	22 *Thanksgiving Day*	23	24
28	29	30	

DELIVER SMILES TODAY

2018

december
December
December DECEMBER

Enhancing the shopping experience is an ongoing top priority for 1-800-FLOWERS.COM, Inc. In fiscal 2017, the Company's Harry & David® brand began developing several new features including key functionality enhancements across its website, mobile site, catalogs, emails and social media channels. The brand then strategically launched those features for customers to take advantage of during the 2017 holidays. Among the many new features and functions are: all-new website design and easier site navigation; enhancements to its *Gift List;* a new corporate gifting portal; the ability for customers to send up to 100 different gifts in their cart to separate recipients; new mobile payment methods including Apple Pay and PayPal; new multi-media content; and more precise online order tracking.

SUNDAY	MONDAY	TUESDAY
2 *Hanukkah Begins at Sunset*	3	4
9	10	11
16	17	18
23 / 30	24 / 31	25 *Christmas Day*

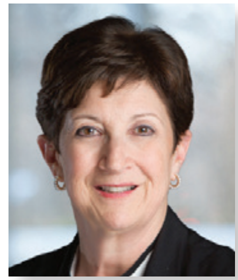

WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1
5	6	7	8
12	13	14	15
19	20	21 *First Day of Winter*	22
26 *First Day of Kwanzaa*	27	28	29

BOARD OF DIRECTORS

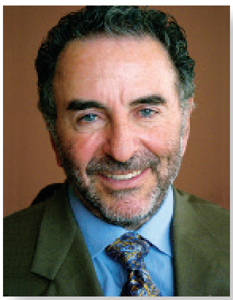
James F. McCann
Founder and
Executive Chairman
1-800-FLOWERS.COM, Inc.

Christopher G. McCann
President and
Chief Executive Officer
1-800-FLOWERS.COM, Inc.

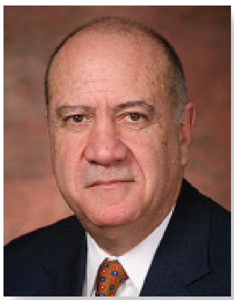
Geralyn R. Breig
Former President
Clarks, Americas Region



Celia R. Brown
Former EVP
Group HR Director
Willis Group



James A. Cannavino
IBM Company
Senior Vice President
Retired

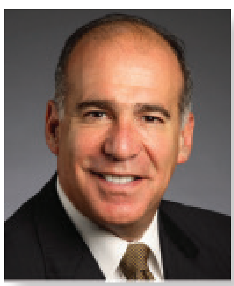


Eugene F. DeMark C.P.A.
Area Managing Partner
KPMG, LLP, Retired
BankUnited Director

Leonard J. Elmore
Network Television
Sports Analyst
Attorney at Law

Sean P. Hegarty
Managing Partner
Hegarty & Company

Katherine Oliver
Principal
Bloomberg Associates



Larry Zarin
Senior Vice President
Chief Marketing Officer
Express Scripts, Inc.
Retired

Fiscal Year 2017

Financial Report

1·800·FLOWERS.COM, INC.

Selected Financial Data

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

The selected consolidated statement of operations data for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 and the consolidated balance sheet data as of July 2, 2017 and July 3, 2016, have been derived from the Company's audited consolidated financial statements included elsewhere in this Annual Report. The selected consolidated statement of operations data for the years ended June 29, 2014 and June 30, 2013, and the selected consolidated balance sheet data as of June 28, 2015, June 29, 2014 and June 30, 2013, are derived from the Company's audited consolidated financial statements which are not included in this Annual Report.

The following tables summarize the Company's consolidated statement of income and balance sheet data. The Company acquired Harry & David in September 2014, acquired iFlorist in December 2013 (subsequently disposed in October 2015), Pingg Corp. in May 2013 (subsequently disposed of in June 2015), and Fine Stationery, Inc. in May 2011 (subsequently disposed of in June 2015). The following financial data reflects the results of operations of these subsidiaries since their respective dates of acquisition. In May 2017, the Company completed the disposition of its Fannie May business. The following data reflects the results of operations of these subsidiaries until their dates of disposition. During the fourth quarter of fiscal 2013, the Company made the strategic decision to divest the e-commerce and procurement businesses of its Winetasting Network subsidiary in order to focus on growth opportunities in its Gourmet Foods and Gift Baskets business segment. The Company closed on the sale of its Winetasting Network business on December 31, 2013. As a result, the Company has classified the results of Winetasting Network as discontinued operations for fiscal 2014, 2013 and 2012. 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				
	July 2, 2017	July 3, 2016	June 28, 2015	June 29 2014	June 30, 2013
Consolidated Statement of Income Data:	*(in thousands, except per share data)*				
Net revenues	**$ 1,193,625**	$ 1,173,024	$ 1,121,506	$ 756,345	$ 735,497
Cost of revenues	**673,344**	655,566	634,311	440,672	430,305
Gross profit	**520,281**	517,458	487,195	315,673	305,192
Operating expenses:					
Marketing and sales	**317,527**	318,175	299,801	194,847	186,720
Technology and development	**38,903**	39,234	34,745	22,518	21,700
General and administrative	**84,116**	84,383	85,908	54,754	52,188
Depreciation and amortization	**33,376**	32,384	29,124	19,848	18,798
Total operating expenses	**473,922**	474,176	449,578	291,967	279,406
Operating income	**46,359**	43,282	37,617	23,706	25,786
Interest expense, net	**5,821**	6,674	5,753	1,305	1,713
Other (income) expense, net	**(15,471)**	(14,839)	1,550	52	(722)
Income from continuing operations before income taxes	**56,009**	51,447	30,314	22,349	24,795
Income tax expense from continuing operations	**11,968**	15,579	10,930	8,403	9,073
Income from continuing operations	**44,041**	35,868	19,384	13,946	15,722
Income (loss) from discontinued operations, net of tax	–	–	–	729	(3,401)
Net income	**44,041**	35,868	19,384	14,675	12,321
Less: Net loss attributable to noncontrolling interest	–	(1,007)	(903)	(697)	–
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 44,041**	$ 36,875	$ 20,287	$ 15,372	$ 12,321
Basic net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	**$ 0.68**	$ 0.57	$ 0.31	$ 0.23	$ 0.24
From discontinued operations	–	–	$ 0.00	$ 0.01	(0.05)
Basic net income per common share	**$ 0.68**	$ 0.57	$ 0.31	$ 0.24	$ 0.19
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.					
From continuing operations	**$ 0.65**	$ 0.55	$ 0.30	$ 0.22	$ 0.24
From discontinued operations	–	–	$ 0.00	$ 0.01	(0.05)
Diluted net income per common share	**$ 0.65**	$ 0.55	$ 0.30	$ 0.23	$ 0.19
Weighted average shares used in the calculation of net income (loss) per common share:					
Basic	**65,191**	64,896	64,976	64,035	64,369
Diluted	**67,735**	67,083	67,602	66,460	66,792

Selected Financial Data (continued)

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

	As of				
	July 2, 2017	July 3, 2016	June 28, 2015	June 29, 2014	June 30, 2013
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ **149,732**	$ 27,826	$ 27,940	$ 5,203	$ 154
Working capital	**132,227**	45,798	36,361	17,511	16,886
Total assets	**552,470**	502,941*	501,946	267,569	250,073
Long-term liabilities	**145,056**	139,494*	168,083	7,144	5,039
Total 1-800-FLOWERS.COM, Inc. stockholders' equity	**282,239**	242,586	208,449	183,228	169,271

*In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." The Company adopted this ASU in fiscal 2017, and the impact of the adoption of the new guidance was to reclassify $3.6 million of deferred financing costs previously included within "Other Assets" to "Long-term debt" in the consolidated balance sheets as of July 3, 2016 – see Note 2. in Notes to Consolidated Financial Statements for details. We have not reclassified other fiscal years for the purposes of this presentation.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Business Overview

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gourmet food and floral gifts for all occasions. For the past 40 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift. The Company's Celebrations suite of services including Celebrations Passport Free Shipping Program, Celebrations Rewards and Celebrations Reminders, are all designed to engage with customers and deepen relationships as a one-stop destination for all celebratory and gifting occasions. In 2017, 1-800-FLOWERS.COM, Inc. was named as the Gold Winner for The Golden Bridge Awards in the "New Products and Services" category for the company's groundbreaking implementation of an artificial intelligence-powered online gift concierge, Gwyn®. Earlier in the year, 1-800-Flowers.com was awarded the Gold Stevie "e-Commerce Customer Service" Award, recognizing the company's innovative use of online technologies and social media to service the needs of customers. In addition, 1-800-FLOWERS.COM, Inc. was recognized as one of Internet Retailer's Top 300 B2B e-commerce companies in 2015 and was also recently named in Internet Retailer's 2016 Top Mobile 500 as one of the world's leading mobile commerce sites. The company was included in Internet Retailer's 2015 Top 500 for fast growing e-commerce companies. In 2015, 1-800-Flowers.com was named a winner of the "Best Companies to Work for in New York State" Award by The New York Society for Human Resource Management (NYS-SHRM).

The Company's BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as premium, gift-quality fruits and other gourmet items from Harry & David® (1-877-322-1200) or www.harryanddavid.com), popcorn and specialty treats from The Popcorn Factory® (1-800-541- 2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl's® (1-800-443-8124 or www.cheryls.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman's (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

As a provider of gifts to consumers and wholesalers for resale to consumers, the Company is subject to changes in consumer confidence and the economic conditions that impact our customers. Demand for the Company's products is affected by the financial health of our customers, which, in turn, is influenced by macro economic issues such as unemployment, fuel and energy costs, trends in the housing market and availability of consumer credit. As such, the Company expects that its revenues will continue to be closely tied to changes in consumer sentiment.

The Company has organized its operations into three categories, or segments: Consumer Floral, BloomNet Wire Service and Gourmet Foods & Gift Baskets, reflecting the way the Company evaluates its business performance and manages its operations.

On May 30, 2017, the Company completed the sale of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. ("Fannie May") to Ferrero International S.A., a Luxembourg corporation

("Ferrero"). The Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May related to the business of Fannie May and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products.

On September 30, 2014, the Company completed its acquisition of Harry & David Holdings, Inc. ("Harry & David"), a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David®, Wolferman's® and Cushman's® brands.

During fiscal 2017, the Company was able to achieve a number of operational and financial milestones:

- *Continued improved operating results* – Overall revenues were $1.194 billion, an increase of 1.8% in comparison to fiscal 2016 (up 3.1% after adjusting for several issues affecting year over year comparability, discussed in more detail below within results of operations). Income from operations improved from $43.3 million in fiscal 2016 to $46.4 million in fiscal 2017, while Adjusted EBITDA improved from $85.7 million in fiscal 2016 to $87.2 million in fiscal 2017. These results were driven by revenue growth and improved operating performance within the Consumer Floral and BloomNet Wire Service segments, despite the competitive and promotional environment in which these businesses operate. These favorable results were partially offset by underperformance within the Gourmet Foods & Gift Baskets segment, primarily reflecting revenue declines within the Harry & David brand during the December 2016 holiday season.
- *Strengthened balance sheet* - Throughout fiscal 2017, the Company continued its responsible stewardship of shareholders' capital. On May 30, 2017, the Company completed the sale of its Fannie May and Harry London brands, at a price of $115.0 million, which, when adjusted for a seasonal working capital reduction of $11.4 million, resulted in a gain of $14.6 million, while adding approximately $103.6 million of cash to its balance sheet. When combined with the Company's improved operating results and amended credit facility, which in December 2016 was extended by approximately two years, to December 23, 2021, the Company believes that its strong balance sheet, and growing cash flows, provide it with significant liquidity and flexibility to invest and enhance future growth, both organically, as well as through potential acquisitions.
- *Investment in business operations* – In fiscal 2017, the Company continued to invest in the key areas that will allow for accelerated growth in the future, including:
  - (i) Manufacturing, production and distribution - expanded production capacity for Cheryl's, Harry & David orchard plantings and manufacturing, as well as fulfillment technology upgrades,
  - (ii) Technology – improved multi-brand website functionality and industry award winning mobile transactional platforms, and
  - (iii) Business Intelligence – customer database mining to effectively market and target key demographics
- *Multi-Brand Customer Initiatives* - The Company continued to expand its multi-brand customer initiatives, a key ingredient in our strategy to enhance customer engagement and facilitate long-term growth. The multi-brand website provides the customer with an enriched shopping experience using cross-brand marketing and merchandising programs and through the use of the Company's Celebrations suite of services, including Celebrations Passport free shipping, Rewards and Reminders membership programs.
- *Innovation and positioning for emerging technologies* – The Company has built a reputation as an innovator and an early adopter of new technologies. This was illustrated by the Company's initiatives in Conversational Commerce, including:
  - (i) Floral industry-first applications on Facebook's Messenger platform
  - (ii) Voice enabled skill on Amazon's Alexa platform
  - (iii) Our own, Artificial Intelligence ("A.I.") -powered gift concierge Gwyn® – which leverages IBM's Watson platform to help us engage customers in a natural-language conversation to help guide them to the perfect gift across all of our brands.

Recognizing the need to balance the Company's short and long-term operating and financial objectives, a key tenet of the Company's fiscal 2018 strategy, now that the sale of Fannie May has been completed, is to refocus efforts to grow revenues in the Gourmet Foods & Gift Baskets segment, with specific emphasis on re-invigorating growth within Harry & David, while continuing to extend the 1-800-Flowers brand's market leadership position.

Reflecting the sale of the Fannie May business in fiscal 2017, the Company expects fiscal 2018 consolidated revenues to be in a range of $1.14 billion - to - $1.16 billion. In terms of bottom-line results, the Company expects EPS in a range of $0.46 - to - $0.48 (anticipating a normalized effective tax rate of 35 percent), and EBITDA in a range of $90 million - to - $93 million.

Definitions of non-GAAP financial measures:

We sometimes use financial measures derived from consolidated financial information, but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain of these are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission rules. See below for the definitions and the reasons we use these non-GAAP financial measures. Where applicable, see the Category Information and the Results of Operations sections below for reconciliations of these non-GAAP measures to their most directly comparable GAAP financial measures.

Comparable revenues:

Comparable revenues measures GAAP revenues adjusted for the effects of acquisitions, dispositions, timing factors and other items affecting period to period comparability – see Results of Operations section below for details on how comparable revenues were calculated in each of the fiscal years presented.

We believe that this measure provides management and investors with a more complete understanding of underlying revenue trends of established, ongoing operations by excluding the effect of activities which are subject to volatility and can obscure underlying trends.

Management recognizes that the term "comparable revenues" may be interpreted differently by other companies and under different circumstances. Although this may have an effect on comparability of absolute percentage growth from company to company, we believe that these measures are useful in assessing trends of the Company and its segments, and may therefore be a useful tool in assessing period-to-period performance trends.

EBITDA and Adjusted EBITDA:

We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA, adjusted for certain items affecting period to period comparability. Adjusted EBITDA for fiscal 2017 excludes certain charges including severance and investment gains associated with the Company's non-qualified 401k executive compensation plan, EBITDA and Adjusted EBITDA for fiscal 2016 exclude investment losses associated with the Company's non-qualified 401k executive compensation plan, litigation settlement costs, as well as final integration costs, including severance expenses, associated with Harry & David and the rightsizing of the Fannie May operations, prior to disposition.

The Company presents EBITDA and Adjusted EBITDA because it considers such information meaningful supplemental measures of its performance and believes such information is frequently used by the investment community in the evaluation of similarly situated companies. The Company uses EBITDA and Adjusted EBITDA as factors used to determine the total amount of incentive compensation available to be awarded to executive officers and other employees. The Company's credit agreement uses EBITDA and Adjusted EBITDA to measure compliance with covenants, such as leverage and coverage. EBITDA and Adjusted EBITDA are also used by the Company to evaluate and price potential acquisition candidates.

EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of the limitations are: (a) EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, the Company's working capital needs; (b) EBITDA and Adjusted EBITDA do 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. EBITDA should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Category contribution margin:

We define category contribution margin as earnings before interest, taxes, depreciation and amortization, before the allocation of corporate overhead expenses.

When viewed together with our GAAP results, we believe that category contribution margin provides management and users of the financial statements information about the performance of our business segments.

Category contribution margin is used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. The material limitation associated with the use of the category contribution margin is that it is an incomplete measure of profitability as it does not include all operating expenses or non-operating income and expenses. Management compensates for these limitations when using this measure by looking at other GAAP measures, such as operating income and net income.

Adjusted net income and Adjusted net income per common share:

We define Adjusted net income and Adjusted net income per common share as net income and net income per common share adjusted for certain items affecting period to period comparability. Adjusted net income and Adjusted net income per common share for fiscal 2017 exclude certain charges including Harry & David severance and the gain on the sale of Fannie May. Adjusted net income and Adjusted net income per common share for fiscal 2016 exclude: (i) the gain from insurance recovery on the Fannie May warehouse fire, (ii) loss on the sale of iFlorist, and the impairment of a foreign equity method investment, (iii) Harry & David integration costs, (iv) litigation settlement costs as well as (vi) severance expenses associated with Harry & David and the rightsizing of the Fannie May operations, prior to disposition.

We believe that Adjusted net income and Adjusted net income per common share are meaningful measures because they increase the comparability of period to period results.

Since these are not measures of performance calculated in accordance with GAAP, they should not be considered in isolation of, or as a substitute for, GAAP Net income and net income per common share as indicators of operating performance and they may not be comparable to similarly titled measures employed by other companies.

Category Information

The table on the following page presents the net revenues, gross profit and category contribution margin from each of the Company's business segments, as well as consolidated EBITDA and Adjusted EBITDA.

	Years Ended									
	July 2, 2017	Compensation Charge related to NQ Plan Investment Appreciation	Severance Costs	Adjusted (non-GAAP) July 2, 2017	July 3, 2016	Harry & David Integration Costs	Litigation Settlement	Compensation Charge related to NQ Plan Investment Appreciation	Severance Costs	Adjusted (non-GAAP) July 3, 2016
					(in thousands)					
Net revenues:										
1-800-Flowers.com Consumer Floral	$ 437,132	$ –	$ –	$ 437,132	$ 418,492	$ –	$ –	$ –	$ –	$ 418,492
BloomNet Wire Service	87,700			87,700	85,483					85,483
Gourmet Food & Gift Baskets	670,677			670,677	670,453					670,453
Corporate	1,102			1,102	1,066					1,066
Intercompany eliminations	(2,986)			(2,986)	(2,470)					(2,470)
Total net revenues	$ 1,193,625	$ –	$ –	$ 1,193,625	$ 1,173,024	$ –	$ –	$ –	$ –	$ 1,173,024
Gross profit:										
1-800-Flowers.com Consumer Floral	$ 177,488	$ –	$ –	$ 177,488	$ 170,536	$ –	$ –	$ –	$ –	$ 170,536
	40.6%			40.6%	40.8%					40.8%
BloomNet Wire Service	49,562			49,562	48,169					48,169
	56.5%			56.5%	56.3%					56.3%
Gourmet Food & Gift Baskets	292,199			292,199	297,782					297,782
	43.6%			43.6%	44.4%					44.4%
Corporate (a)	1,032			1,032	971					971
	93.6%			93.6%	91.1%					91.1%
Total gross profit	$ 520,281	$ –	$ –	$ 520,281	$ 517,458	$ –	$ –	$ –	$ –	$ 517,458
	43.6%			43.6%	44.1%					44.1%
Category Contribution Margin (non-GAAP):										
1-800-Flowers.com Consumer Floral	$ 51,860	$ –	$ –	$ 51,860	$ 50,773	$ –	$ –	$ –	$ –	$ 50,773
BloomNet Wire Service	32,383			32,383	30,629					30,629
Gourmet Food & Gift Baskets	77,312		756	78,068	79,398					79,398
Category Contribution Margin Subtotal	161,555		756	162,311	160,800					160,800
Corporate (a)	(81,820)	988		(80,832)	(85,134)	828	1,500	(122)	1,437	(81,491)
EBITDA (non-GAAP)	$ 79,735	$ 988	$ 756	$ 81,479	$ 75,666	$ 828	$ 1,500	$ (122)	$ 1,437	$ 79,309
Add: Stock-based compensation	5,694			5,694	6,343					6,343
EBITDA, excluding stock-based compensation (Non-GAAP)	$ 85,429	$ 988	$ 756	$ 87,173	$ 82,009	$ 828	$ 1,500	$ (122)	$ 1,437	$ 85,652

Reconciliation of Net income to Adjusted (non-GAAP) income attributable to 1-800-FLOWERS.COM, Inc.:

	Years Ended	
	July 2, 2017	July 3, 2016
	(in thousands)	
Net income	**$ 44,041**	$ 35,868
Less: Net loss attributable to noncontrolling interest	**—**	(1,007)
Income attributable to 1-800-FLOWERS.COM, Inc.	**44,041**	36,875
Adjustments to reconcile income attributable to 1-800-FLOWERS.COM, Inc. to Adjusted (non-GAAP) income attributable to 1-800-FLOWERS.COM, Inc.		
Deduct: Gain from sale of Fannie May	**14,607**	—
Deduct: Gain from insurance recovery on warehouse fire	**—**	19,611
Add back: Loss on sale/impairment of iFlorist	**—**	2,121
Add back: Impairment of foreign equity method investment	**—**	1,728
Add back: Harry & David integration costs	**—**	828
Add back: Litigation costs	**—**	1,500
Add back: Severance costs	**756**	1,437
Add back: Income tax expense/ (benefit) effect on adjustments	**(1,025)**	3,633
Adjusted (non-GAAP) income attributable to 1-800-FLOWERS.COM, Inc.	**$ 29,165**	$ 28,511
Net income per common share attributable to 1-800-FLOWERS.COM, Inc.		
Basic	**$ 0.68**	$ 0.57
Diluted	**$ 0.65**	$ 0.55
Adjusted (non-GAAP) net income per common share attributable to 1-800-FLOWERS.COM, Inc.		
Basic	**$ 0.45**	$ 0.44
Diluted	**$ 0.43**	$ 0.43
Weighted average shares used in the calculation of GAAP income and Adjusted (non-GAAP) income per common share attributable to 1-800-FLOWERS.COM, Inc		
Basic	**65,191**	64,896
Diluted	**67,735**	67,083

Reconciliation of income attributable to 1-800-Flowers.com, Inc. to Adjusted EBITDA, (Non-GAAP), excluding stock-based compensation:

	Years Ended	
	July 2, 2017	July 3, 2016
	(in thousands)	
Income attributable to 1-800-FLOWERS.COM, Inc.	**$ 44,041**	$ 36,875
Add:		
Interest expense and other, net	**4,957**	7,597
Depreciation and amortization	**33,376**	32,384
Income tax expense	**11,968**	15,579
Loss on sale/impairment of iFlorist	**—**	2,121
Impairment of foreign equity method investment	**—**	1,728
Less:		
Net loss attributable to noncontrolling interest	**—**	1,007
Income tax benefit	**—**	—
Gain from sale of Fannie May	**14,607**	—
Gain from insurance recovery on warehouse fire	**—**	19,611
EBITDA (non-GAAP)	**79,735**	75,666
Add: Integration costs	**—**	828
Add: Litigation settlement	**—**	1,500
Add: Compensation Charge related to NQ Plan Investment Appreciation	**988**	(122)
Add: Severance costs	**756**	1,437
Adjusted EBITDA (non-GAAP)	**81,479**	79,309
Add: Stock-based compensation	**5,694**	6,343
Adjusted EBITDA (non-GAAP), excluding stock-based compensation	**$ 87,173**	$ 85,652

(a) 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, and 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 segment.

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 2017 and 2015, which ended on July 2, 2017 and June 28, 2015, respectively consisted of 52 weeks. Fiscal year 2016, which ended on July 3, 2016, consisted of 53 weeks.

Net Revenues

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Net revenues:					
E-Commerce	**$ 896,762**	1.6%	$ 882,782	3.9%	$ 849,853
Other	**296,863**	2.3%	290,242	6.8%	271,653
	$1,193,625	1.8%	$1,173,024	4.6%	$1,121,506

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

During the year ended July 2, 2017, net revenues increased 1.8% in comparison to the prior year, as a result of growth within the Company's Consumer Floral and BloomNet segments, with the 1-800-Flowers.com brand continuing to extend its market leadership position, driven by increased demand throughout the year, particularly during the Valentine's Day holiday. The increases above were partially offset by a decline in Harry & David revenues, due to the closure of a number of underperforming retail locations, and a reduction in e-commerce demand, primarily during the Christmas holiday selling season, and the timing of certain factors including: (i) the closing of the Company's sale of the Fannie May Confection Brands business on May 30, 2017, (ii) a 52-week fiscal year in fiscal 2017 versus 53-week fiscal year in fiscal 2016, reflecting the Company's retail calendar, and (iii) the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove: (i) the 53rd week ($8.0 million), (ii) Fannie May's June 2016 revenues ($4.8 million) and (iii) the June 2016 Harry & David Fruit of the Month Club® cherry shipment ($2.4 million), net revenues during fiscal 2017 increased 3.1% in comparison to fiscal 2016.

During the year ended July 3, 2016, net revenues increased 4.6% in comparison to the prior year, as a result of growth within the Gourmet Food and Gift Baskets segment due to the incremental revenue generated by Harry & David, which was acquired on September 30, 2014 (pre-acquisition revenues generated by Harry & David during the quarter ended September 28, 2014 was $29.4mm), the impact on prior year revenues of the Thanksgiving Day Fannie May warehouse fire (estimated to be $17.3mm), organic growth of 1-800-Flowers.com, Cheryl's and 1-800-Baskets wholesale gift business, and the impact of the 53rd week in fiscal 2016, partially offset by the impact of the Sunday date placement of Valentine's Day, and the dispositions of the iFlorist and Fine Stationery businesses in October 2015 and June 2015, respectively (which generated a combined $12.1 million of incremental revenues in the prior year), slower recovery by the Fannie May brand after the fire, and a year-over-year reduction in the Harry & David store count. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove the 53rd week ($8.3 million) and adjust fiscal year 2015 GAAP revenues to: (i) add Harry & David, first quarter of 2015 revenues ($29.4 million), (ii) add the estimated revenue impact of the Fannie May fire ($17.3 million), (iii) add Harry & David purchase accounting adjustments ($1.6 million), and (iv) remove Fine Stationery and iFlorist revenues ($12.1 million), net revenues during fiscal 2016 increased 0.6% in comparison to fiscal 2015.

E-commerce revenues (combined online and telephonic sales channels) increased 1.6% during the year ended July 2, 2017 compared to the prior year, as a result of the aforementioned e-commerce growth within the Company's Consumer Floral segment, partially offset by unfavorable e-commerce growth within the Gourmet Foods & Gift Baskets segment due to the Company's sale of the Fannie May Confection Brands business on May 30, 2017, a decrease in demand within the Harry & David brand during the Christmas Holidays, and the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018, as well as the impact of the 53rd week in fiscal 2016. The Company fulfilled approximately 12.3 million e-commerce orders, with an average order value of $73.12, during fiscal 2017, representing increases of 0.6% and 1.0%, respectively, compared to fiscal 2016.

E-commerce revenues increased 3.9%, during the year ended July 3, 2016 compared to the prior year, due to growth within the Gourmet Food and Gift Baskets segment, as a result of the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, the impact on prior year revenues of the Thanksgiving Day Fannie May warehouse fire, organic growth within the 1-800-Flowers.com Cheryl's brands, and the impact of the 53rd week, and partially offset by the impact of the dispositions of iFlorist and Fine Stationery in October 2015 and June 2015, respectively, and the anticipated decline in revenues due to the Sunday date placement of Valentine's Day. The Company fulfilled approximately 12.2 million e-commerce orders, with an average order value of $72.64, during fiscal 2016, representing increases of 1.4% and 2.4%, respectively, compared to fiscal 2015.

Other revenues, comprised of the Company's BloomNet Wire Service segment, as well as the wholesale and retail sales channels of the 1-800-Flowers.com Consumer Floral and Gourmet Food and Gift Baskets segments, increased by 2.3% and 6.8% during fiscal 2017 and fiscal 2016, respectively. The increase in fiscal 2017 was attributable to the BloomNet segment which increased revenues through improvements in membership, transaction and ancillary service fees, as well as from the Gourmet Food and Gift Baskets segment, resulting from wholesale growth within the Fannie May, Harry & David and 1-800-Baskets wholesale gift businesses. This favorability was partially offset by a decrease in retail store sales within Fannie May, due to a decline in customer traffic, as well as a decline in Harry & David retail store sales due to the closure of several underperforming locations. The increase in fiscal 2016 was due to growth within the Gourmet Food and Gift Baskets segment, resulting from the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, organic growth of Cheryl's and 1-800-Baskets wholesale gift business, and the impact on prior year revenues of the Thanksgiving 2014 Fannie May warehouse fire, partially offset by the Sunday date placement of Valentine's Day and a year-over-year reduction in the Harry & David store count.

The 1-800-Flowers.com Consumer Floral segment includes the operations of the 1-800-Flowers.com brand, which derives revenue from the sale of consumer floral products through its e-commerce sales channels (telephonic and online sales) and royalties from its franchise operations, as well as iFlorist, a UK based e-commerce retailer of floral products (through the date of its disposition in October 2015), and Fine Stationery, an e-commerce retailer of stationery products (through the date of its disposition in June 2015). Net revenues during the fiscal year ended July 2, 2017 increased 4.5%, as a result of increased order demand throughout the year, and during the Valentine's Day holiday in particular, when the Company was able to leverage the holiday's Tuesday date placement, in comparison to the prior year when Valentine's Day fell on a Sunday. The brand was successful at growing its "everyday" business , including birthdays, anniversaries, sympathy and "just because," due to expanded merchandise assortments, including the Flirty Feline® floral arrangement, and efforts to capitalize on its same day/next day delivery capabilities. These increases were partially offset by the impact of the 53rd week fiscal 2016, reflecting the Company's retail calendar. On a comparable basis, adjusting fiscal 2016 GAAP revenues to remove the 53rd week ($4.8 million), fiscal 2017 net revenues increased 5.7% in comparison to fiscal 2016. Net revenues during the fiscal year ended July 3, 2016 decreased 0.9% as a result of lower order volume resulting from the Sunday date placement of Valentine's Day, and the dispositions of iFlorist and Fine Stationery, partially offset by organic growth by the 1-800-Flowers.com brand and the impact of the 53rd week. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove the 53rd week ($4.8 million) and adjust fiscal year 2015 GAAP revenues to remove Fine Stationery and iFlorist revenues ($12.1 million), fiscal 2016 net revenues increased 0.8% in comparison to fiscal 2015.

The BloomNet Wire Service segment includes revenues from membership fees as well as other product and service offerings to florists. Net revenues during the fiscal year ended July 2, 2017 increased 2.6% in comparison to the prior year, due to an increase in order volume processed through the network, driven primarily by the increase in 1-800-Flowers volume noted above, which enabled BloomNet to generate increased membership, transaction and ancillary revenue improvements. These improvements were partially offset by lower wholesale product revenue as a result of decreased demand and network shop count. Net revenues during the fiscal year ended July 3, 2016 decreased 0.6% due to lower transaction and ancillary fee revenues as a result of unfavorable shop to shop order volume sent through the network due in part to the Sunday date placement of Valentine's Day, partially offset by increased revenue as a result of BloomNet initiatives including the annualization of a florist transaction program implemented in the 3rd quarter of fiscal 2015.

The Gourmet Food & Gift Baskets segment includes the operations of Harry & David, Wolferman's, Stockyards, Cheryl's, Fannie May (through the date of its disposition in May 2017), The Popcorn Factory and 1-800-Baskets/DesignPac. Revenue is derived from the sale of gourmet fruits, cookies, baked gifts, premium chocolates and confections, gourmet popcorn, gift baskets, and prime steaks and chops through the Company's e-commerce sales channels (telephonic and online sales) and company-owned and operated retail stores under the Harry & David, Cheryl's and Fannie May (through the date of its disposition in May 2017) brand names, as well as wholesale operations. Net revenue during the fiscal year ended July 2, 2017 was consistent with fiscal 2016, as revenue growth within the Popcorn Factory, 1-800-Baskets/DesignPac, Fannie May and Cheryl's brands was offset by a decline in Harry & David revenues, due to the closure of a number of underperforming retail locations, and a reduction in e-commerce demand, primarily during the Christmas holiday selling season, and the timing of certain factors including: (i) the Company's sale of the Fannie May Confection Brands business on May 30, 2017, (ii) a 52-week fiscal year in fiscal 2017 versus 53-week fiscal year in fiscal 2016, reflecting the Company's retail calendar, and (iii) the shift of Harry & David's Fruit of the Month Club® cherries shipment out of the Company's fiscal fourth quarter in fiscal 2017, due to a late harvest, into the first quarter of fiscal 2018. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove: (i) the 53rd week ($3.2 million), (ii) Fannie May's June 2016 revenues ($4.8 million) and (iii) the June 2016 Harry & David Fruit of the Month Club® cherry shipment ($2.4 million), net revenues during fiscal 2017 increased 1.6% in comparison to fiscal 2016.

Net revenue during the fiscal year ended July 3, 2016 increased 9.2% in comparison to the prior year, as a result of the incremental revenue generated by Harry & David, which was acquired on September 30, 2014, and the impact on prior year revenues of the Thanksgiving Day Fannie May warehouse fire, organic growth of Cheryl's and 1-800-Baskets wholesale gift business, and the impact of the 53rd week. On a comparable basis, adjusting fiscal year 2016 GAAP revenues to remove the 53rd week ($3.5 million) and adjust fiscal year 2015 GAAP revenues to: (i) add Harry & David, first quarter of 2015 revenues ($29.3 million), (ii) add estimated revenue impact of the Fannie May fire ($16.9

million), (iii) add Harry & David purchase accounting adjustments ($1.6 million), net revenues during fiscal 2016 increased 0.8% in comparison to fiscal 2015.

In fiscal 2018, the Company expects to grow revenues across all three of its business segments with consolidated revenue in a range of $1.14 billion to $1.16 billion.

Gross Profit

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Gross profit	**$520,281**	0.5%	$517,458	6.2%	$487,195
Gross margin %	**43.6%**		44.1%		43.4%

Gross profit consists of net revenues less cost of revenues, which is comprised 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 include labor and facility costs related to direct-to-consumer and wholesale production operations.

Gross profit increased 0.5% during the fiscal year ended July 2, 2017 in comparison to the prior year, primarily as a result of the incremental revenue noted above, partially offset by a decline in gross profit margin as a result of annual shipping rate increases, product mix, and increased promotions during the year.

Gross profit increased 6.2% during the fiscal year ended July 3, 2016 in comparison to the prior year, primarily as a result of the incremental revenue noted above, as well as a 70 basis points increase in gross profit margin due to sourcing and logistics synergy savings, the mix of sales associated with the recovery from the Thanksgiving Day Fannie May warehouse fire, and the impact of purchase accounting adjustments related to Harry & David's inventory fair value step-up in the year ended June 28, 2015.

The 1-800-Flowers.com Consumer Floral segment gross profit increased by 4.1% during the fiscal year ended July 2, 2017, in comparison to the prior year, as a result of the increase in revenues noted above, partially offset by a 20 basis point decrease in gross profit margin, from 40.8% to 40.6%. This decrease in gross profit margin was primarily due to annual shipping rate increases, as well as increased promotional activity during the year. The 1-800-Flowers.com Consumer Floral segment gross profit increased by 2.9% during the fiscal year ended July 3, 2016 in comparison to the prior year, due to an improvement in gross profit percentage of 160 basis points driven by the benefit of synergy savings, which reduced shipping costs, as well as sourcing improvements and reductions in discounts, partially offset by the decrease in revenues noted above.

BloomNet Wire Service segment's gross profit increased by 2.9% during the fiscal year ended July 2, 2017 in comparison to the prior year, as a result of the increase in sales noted above, as well as a 20 basis point increase in gross margin percentage, from 56.3% to 56.5%, related to sales mix. BloomNet Wire Service segment's gross profit increased by 0.5% during the fiscal year ended July 3, 2016, in comparison to the prior year, while gross margin percentage increased 60 basis points, as a result of sales mix and lower rebates associated with the decline in shop-to-shop order volume.

The Gourmet Food & Gift Baskets segment gross profit decreased by 1.9% during the fiscal year ended July 2, 2017, in comparison to the prior year, due to a decrease of 80 basis points in gross profit margins, from 44.4% to 43.6%, as revenues were consistent with the prior year. The decrease in gross profit margin percentage was due to declines at Harry & David and Fannie May as a result of product mix and unfavorable volume-related absorption, partially offset by favorable gross profit margins at Cheryl's and DesignPac due to production process improvements and reduced shipping expenses due to improved ground shipping conversion rates.

The Gourmet Food & Gift Baskets segment gross profit increased by 9.2% during the fiscal year ended July 3, 2016 in comparison to the prior year, as a result of the increase in revenues noted above. Gross margin percentage of 44.4% was consistent with the prior year as the difficulties encountered by Fannie May in its efforts to recover after the fire were offset by the impact of purchase accounting adjustments related to Harry & David's inventory fair value step-up in the year ended June 28, 2015.

In fiscal 2018, the Company expects its gross profit to improve due to sales growth and stronger gross profit margin as a result of various initiatives we are implementing in manufacturing and the supply/fulfillment chain.

Marketing and Sales Expense

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Marketing and sales	**$317,527**	-0.2%	$318,175	6.1%	$299,801
Percentage of sales	**26.6%**		27.1%		26.7%

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.

Marketing and sales expenses declined slightly and decreased as a percentage of revenues (26.6% in fiscal 2017 vs. 27.1% in fiscal 2016), as a result of a decrease in labor costs due to a reduction in performance based bonuses, as well as reductions in labor and facility costs associated with closure of a number of underperforming

Harry & David retail locations, partially offset by higher marketing spend within the Consumer Floral segment, primarily around the Mother's Day holiday.

Marketing and sales expenses increased 6.1% (27.1% as a percentage of revenues) during the fiscal year ended July 3, 2016 compared to the prior year (26.7% as a percentage of revenues) primarily due to the incremental marketing expenses of Harry & David, which was acquired on September 30, 2014.

During the fiscal year ended July 2, 2017, the Company added approximately 3.6 million new e-commerce customers, compared to 3.5 million in both fiscal 2016 and 2015. Approximately 48% of customers who placed e-commerce orders during fiscal 2017 were repeat customers compared to approximately 50% in both fiscal 2016 and fiscal 2015.

Technology and Development Expense

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Technology and development	**$ 38,903**	-0.8%	$39,234	12.9%	$34,745
Percentage of sales	**3.3%**		3.3%		3.1%

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

Technology and development expenses decreased 0.8% (3.3% as a percentage of revenues) during the fiscal year ended July 2, 2017 compared to the prior year (3.3% as a percentage of revenues) primarily due to lower labor costs, due to reduced headcount and a reduction in performance based bonuses, partially offset by increased license and maintenance costs related to system security, and platform improvements.

Technology and development expenses increased 12.9% (3.3% as a percentage of revenues) during the fiscal year ended July 3, 2016 compared to the prior year (3.1% as a percentage of revenues) primarily due to the incremental technology and development costs of Harry & David, which was acquired on September 30, 2014.

During the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, the Company expended $59.2 million, $60.6 million and $52.1 million, respectively, on technology and development, of which $20.3 million, $21.4 million, and $17.4 million, respectively, has been capitalized.

General and Administrative Expense

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
General and administrative	**$ 84,116**	-0.3%	$ 84,383	-1.8%	$ 85,908
Percentage of sales	**7.0%**		7.2%		7.7%

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 decreased 0.3% (7.0% as a percentage of revenues) during the fiscal year ended July 2, 2017 in comparison to the prior year (7.2% as a percentage of revenues), as result of lower labor costs due to decreases in performance based bonuses, as well as certain prior year expenses that were not incurred in the current year, including Harry and David integration costs and the Edible Arrangements litigation settlement. These decreases were partially offset by increased health insurance costs, headcount and expense related to the Company's Non-Qualified Deferred Compensation Plan ("NQDC")(The Company has established an NQDC for certain members of senior management. The plan assets are classified as trading securities (see Note 10. in Notes to Consolidated Financial Statements for details) – in fiscal 2017, the Company recorded labor expense of approximately $1.0 million (compared to a benefit of $0.1 million during fiscal 2016), within "General and administrative" expenses, associated with an increase in amounts owed to participants due to the appreciation of the fair value of participant directed investments. The corresponding offset to this expense is an equivalent amount of investment income, which is recorded in "Other (income) expense, net". Trading securities held in the NQDC are measured using quoted market prices at the reporting date and are included in the "Other assets," with the corresponding liability to participants included in the "Other liabilities" within the consolidated balance sheets.

General and administrative expense decreased 1.8% (7.2% as a percentage of revenues) during the fiscal year ended July 3, 2016 in comparison to the prior year (7.7% as a percentage of revenues), as result of synergistic savings, integration expenses incurred in the prior year, and a decrease in performance based bonuses and integration expenses, partially offset by the incremental general and administrative expenses of Harry & David, which was acquired on September 30, 2014.

Depreciation and Amortization

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Depreciation and amortization	**$ 33,376**	3.1%	$ 32,384	11.2%	$ 29,124
Percentage of sales	**2.8%**		2.8%		2.6%

Depreciation and amortization expense increased by 3.1% during the fiscal year ended July 2, 2017 in comparison to the prior year, as a result of recent increases in capital expenditures, primarily in support of the Company's technology infrastructure, partially offset by the impact of the disposition of Fannie May.

Depreciation and amortization expense increased by 11.2% during the fiscal year ended July 3, 2016 in comparison to the prior year, as a result of the incremental depreciation and amortization expenses of Harry & David, acquired on September 30, 2014, including the impact of the additional intangibles amortization, as well as a result of the Company's technology improvements.

Interest Expense, net

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Interest expense, net	**$ 5,821**	-12.8%	$ 6,674	16.0%	$ 5,753

Interest expense, net consists primarily of interest expense and amortization of deferred financing costs attributable to the Company's credit facility (See Note 9. in Notes to Consolidated Financial Statements for details regarding the 2016 Credit Facility), net of income earned on the Company's available cash balances.

Interest expense, net decreased 12.8% during the year ended July 2, 2017 in comparison to the prior year, due to the reduction in the outstanding Term Debt due to principal payments during the year, partially offset by a $0.3 million write-off of deferred financing costs as a result of amending the Company's credit facility in December 2016, and an overall increase in interest rates.

Interest expense, net increased 16.0% during the year ended July 3, 2016 in comparison to the prior year, as a result of the additional interest expense and deferred financing costs associated with the term debt used to finance the Harry & David acquisition, entered into on September 30, 2014 and the additional interest expense on the Company's revolver to fund the working capital requirements of Harry & David during the first quarter of the fiscal year.

Other (income) Expense, net

	Years Ended				
	July 2, 2017	% Change	July 3, 2016	% Change	June 28, 2015
	(dollars in thousands)				
Other (income) expense, net	**$ (15,471)**	4.3%	$(14,839)	1,057.4%	$1,550

Other (income) expense, net for the year ended July 2, 2017 consists primarily of a $14.6 million gain on the sale of Fannie May (see Note 4. in Notes to Consolidated Financial Statements for details), a $1.0 million investment gain related to the Company's Non-Qualified Deferred Compensation Plan (see "General and Administrative" expense above), partially offset by a $0.1 million loss related to the Company's equity in the net loss of Flores Online (see Note 2. in Notes to Consolidated Financial Statements for details).

Other (income) expense, net for the year ended July 3, 2016 consists primarily of a $19.6 million gain on insurance recoveries related to the Fannie May warehouse fire (see Note 17. in Notes to Consolidated Financial Statements for details), offset by a $2.1 million loss on sale of iFlorist (see Note 4. in Notes to Consolidated Financial Statements for details), a $1.7 million impairment of the Company's investment in Flores Online (see Note 2. in Notes to Consolidated Financial Statements for details), and a $0.7 million impairment of cost method investments (see Note 2. in Notes to Consolidated Financial Statements for details).

Income Taxes

During the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, the Company recorded income tax expense from continuing operations of $12.0 million, $15.6 million and $10.9 million, respectively, resulting in an effective tax rate of 21.4%, 30.3% and 36.1%, respectively. The Company's effective tax rate differed from the U.S. federal statutory rate of 35% primarily due to the impact of state income taxes, valuation allowance changes, rate differences, tax settlements, various tax credits/deductions as well as deductible stock-based compensation, as well as the tax effect of the Fannie May disposition (see Note 11. in Notes to Consolidated Financial Statements for details).

At July 2, 2017 the Company's total federal capital loss carryforwards were $23.7 million, which if not utilized, will expire in fiscal 2022. The Company's state capital loss carryforwards was $1.0 million, which if not utilized, will begin to expire in fiscal 2022.The Company's foreign net operating loss carryforward was $2.4 million, while the state net operating losses were $4.6 million, before federal benefit, which if not utilized, will begin to expire in fiscal 2018.

Liquidity and Capital Resources

Cash Flows

At At July 2, 2017, the Company had working capital of $132.2 million, including cash and cash equivalents of $149.7 million, compared to working capital of 45.8 million, including cash and cash equivalents of $27.8 million at July 3, 2016.

Net cash provided by operating activities of $61.0 million for the fiscal year ended July 2, 2017 was primarily related to net income, adjusted for non-cash charges for depreciation and amortization, stock-based compensation, deferred income taxes, bad debt expense and the gain on the sale of Fannie May, partially offset by working capital changes primarily related to timing of collection of trade receivables, accelerated inventory production to mitigate the impact of labor shortages experienced during the prior holiday season, partially offset by decreases in accounts payable and accrued expenses as a result of the timing of the inventory build.

Net cash provided by investing activities of $78.3 million was attributable to the proceeds from the sale of Fannie May, partially offset by capital expenditures related to the Company's technology infrastructure and Gourmet Foods & Gift Baskets production equipment. Cash proceeds from the sale of Fannie May excludes an $8.5 million of seasonal working capital adjustment, paid by the Company, to Ferrero, in the first quarter of fiscal 2018. Fiscal 2018 capital spending is expected to be consistent with fiscal 2017.

Net cash used in financing activities of $17.4 million for the fiscal year ended July 2, 2017 was for term debt repayment on borrowings under the Company's Credit Facility of $5.5 million, and the acquisition of $10.7 million of treasury stock, and $1.5 million of debt issuance costs related to the 2016 Amended Credit Agreement (see Note 9. in Notes to Consolidated Financial Statements for details), partially offset by proceeds from exercises of employee stock options of $0.3 million. As of July 2, 2017 there were no borrowings outstanding under the Company's Revolver.

Credit Facility

See Note 9. in Notes to Consolidated Financial Statements for details regarding the 2016 Credit Facility.

The Company believes that cash on hand, combined with cash flows from operations and available borrowings from its 2016 Credit Facility, will be a sufficient source of liquidity during fiscal 2018. Due to the seasonal nature of the Company's business, and its continued expansion into non-floral products, including the acquisition of Harry & David, the Thanksgiving through Christmas holiday season, which falls within the Company's second fiscal quarter, is expected to generate nearly 50% of the Company's annual revenues, and all of its earnings. As a result, the Company expects to generate significant cash from operations during its second quarter, and then utilize that cash for operating needs during its fiscal third and fourth quarters, after which time the Company expects to borrow against its Revolver to fund pre-holiday manufacturing and inventory purchases. Borrowings under the Revolver, which will be significantly lower than prior year as a result of cash generated from the sale of Fannie May, typically peak in November, at which time cash generated from operations during the Christmas holiday shopping season are expected to enable the Company to repay working capital borrowings prior to the end of December.

Stock Repurchase Program

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $25 million. The Company repurchased a total of $10.7 million (1,120,706 shares), $15.2 million (1,714,550 shares) and $8.4 million (1,056,038 shares) during the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, under this program. As of July 2, 2017, $17.2 million remains authorized under the plan. On August 30, 2017, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $30.0 million.

Contractual Obligations

At July 2, 2017, the Company's contractual obligations from continuing operations consist of:

	Payments due by period *(in thousands)*				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt obligations (including interest)	$123,657	$ 10,275	$ 28,397	$ 84,985	$ —
Operating lease obligations	88,471	13,772	20,387	14,903	39,409
Purchase commitments(*)	74,251	71,549	2,683	19	—
Unrecognized tax liabilities	400	—	200	200	—
Total	$286,779	$ 95,597	$ 51,666	$ 100,106	$ 39,409

(*) Purchase commitments consist primarily of inventory and equipment purchase orders 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, net of discounts, returns and credits. Net revenues are recognized primarily upon product delivery and do not include sales tax. Net revenues generated by the Company's BloomNet Wire Service operations include membership fees as well as other product 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 primarily 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. In establishing the appropriate provisions for customer receivable balances, the Company makes assumptions with respect to their future collectability. The Company's assumptions are based on an assessment of a customer's credit quality as well as subjective factors and trends, including the aging of receivable balances. Once the Company considers the factors above, an appropriate provision is made, which takes into account the severity of the likely loss on the outstanding receivable balance based on the Company's experience in collecting these amounts. 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

Inventories are valued at the lower of cost or market using the first-in, first-out method of accounting. The Company also records an inventory obsolescence reserve, which represents the difference between the cost of the inventory and its estimated realizable value, based on various product sales projections. This reserve is determined by analyzing inventory skus based on age, expiration, historical trends and requirements to support forecasted sales. In addition, and as necessary, the Company may establish specific reserves for future known or anticipated events.

Business Combinations

The Company accounts for business combinations in accordance with ASC Topic 805 which requires, among other things, the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed; the recognition of acquisition-related costs in the consolidated results of operations; the recognition of restructuring costs in the consolidated results of operations for which the acquirer becomes obligated after the acquisition date; and contingent purchase consideration to be recognized at their fair values on the acquisition date with subsequent adjustments recognized in the consolidated results of operations. The fair values assigned to identifiable intangible assets acquired are determined primarily by using an income approach which is based on assumptions and estimates made by management. Significant assumptions utilized in the income approach are based on company specific information and projections which are not observable in the market and are therefore considered Level 3 measurements. The excess of the purchase price over the fair value of the identified assets and liabilities is recorded as goodwill. Operating results of the acquired entity are reflected in the Company's consolidated financial statements from date of acquisition.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist. The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components.

In applying the goodwill impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a two-step quantitative test (consisting of "Step 1" and "Step 2"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the two-step quantitative test is necessary.

The first step ("Step 1") of the two-step quantitative test requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step ("Step 2") is not performed. If the carrying value of the reporting unit is higher than the fair value, Step 2 must be performed to compute the amount of the goodwill impairment, if any. In Step 2, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The Company generally estimates the fair value of a reporting unit using an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it was not "more likely than not" that the fair values of the reporting units were less than their carrying amounts. During fiscal 2015, the Company performed the two-step quantitative impairment test and determined that the estimated fair value of the Company's reporting units significantly exceeded their respective carrying values (including goodwill allocated to each respective reporting unit). Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of goodwill. However, as a measure of sensitivity, a 34% decrease in the fair value of the Company's reporting units as of July 2, 2017, would have had no impact on the carrying value of the Company's goodwill. In addition, a decrease of 100 basis points in our terminal (perpetual) growth rate or an increase of 100 basis points in our weighted-average cost of capital would still result in a fair value calculation exceeding our book value for each of our reporting units.

Other Intangibles, net

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets is amortized to reflect the pattern of economic benefits consumed, over the estimated periods benefited, ranging from 3 to 16 years, while indefinite-lived intangible assets are not amortized.

Definite-lived intangibles are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting future cash flows.

The Company tests indefinite-lived intangible assets for impairment at least annually, during the fourth quarter, or whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. In applying the impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a quantitative test. Under the Step 0 test, the Company assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, financial performance, legal and other entity and asset specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the indefinite-lived intangible asset is impaired, then performing the quantitative test is necessary. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating a fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference. To determine fair value of other indefinite-lived intangible assets, the Company uses an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Other indefinite-lived intangible assets' fair values require significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it is not "more likely than not" that the fair values of the indefinite-lived intangibles were less than their carrying amounts. During fiscal 2015, the Company performed the quantitative impairment test and determined that the estimated fair value of the Company's intangibles exceeded their respective carrying value. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

Income Taxes

The Company uses the asset and liability method to account for income taxes. The Company has established deferred 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 recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. Realization of these deferred tax assets assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that the Company considers 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.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than a 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to UTBs in income tax expense. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This amended guidance will enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Expanded disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. As we continue to evaluate the impact of this ASU, we have determined that the new standard will impact the following areas: the costs of producing and distributing the Company's catalogs will be expensed upon shipment, instead of being capitalized and amortized in direct proportion to the actual sales; gift card breakage will be estimated based on the historical pattern of gift card redemption, rather than when redemption is considered remote; the Company will defer revenue at the time the Celebrations Reward loyalty points are earned using a relative fair value approach, rather than accruing a liability equal to the incremental cost of fulfilling its obligations. We have further identified the timing of revenue recognition for e-commerce orders (shipping point versus destination) as a potential issue in our analysis, which is not expected to change the total amount of revenue recognized, but could accelerate the timing of when revenue is recognized. We plan to adopt this guidance beginning with the first quarter in the fiscal year ending June 30, 2019 on a retrospective basis with a cumulative adjustment to retained earnings. We are continuing to evaluate the impact that this ASU, and related amendments and interpretive guidance, will have on our consolidated financial statements, including the related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." In order to simplify the presentation of debt issuance costs, ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, and not recorded as a separate asset. The Company adopted this standard effective July 4, 2016 and applied it retrospectively to all periods presented. The impact of the adoption of the new guidance was to reclassify $3.6 million of deferred financing costs previously included within "Other Assets" to "Long-term debt" in the consolidated balance sheets as of July 3, 2016.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330)." The pronouncement was issued to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. ASU 2015-11 is effective for the Company's fiscal year ending July 1, 2018. The adoption of ASU 2015-11 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The pronouncement requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. This guidance will become effective for the Company's fiscal year ending June 30, 2019. The adoption is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for the Company's fiscal year ending June 28, 2020. We are currently evaluating the impact and expect the ASU will have a material impact on our consolidated financial statements, primarily to the consolidated balance sheets and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 affects all entities that issue share-based payment awards to their employees. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company elected to early adopt the amendments in ASU 2016-09, in fiscal 2017. As a result, stock-based compensation excess tax benefits are reflected in the Consolidated Statements of Income as a component of the provision for income taxes, whereas they were previously recognized in equity. This change resulted in the recognition of excess tax benefits against income tax expenses, rather than additional paid-in capital, of $1.0 million for the year ended July 2, 2017. There was no impact on earnings per share since approximately 700,000 tax benefit shares for the year ended July 2, 2017, previously associated with the APIC pool calculation, are no longer considered in the diluted share computation. Additionally, our Consolidated Statements of Cash Flows now present excess tax benefits as an operating activity. This change has been applied prospectively in accordance with the ASU and prior periods have not been adjusted. Further, the Company has elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The cumulative effect of this change, which was recorded as compensation expense in fiscal 2017, was not material to the financial statements. In addition, this ASU allows entities to withhold an amount up to an employees' maximum individual statutory tax rate in the relevant jurisdiction, up from the minimum statutory requirement, without resulting in liability classification of the award. We adopted this change on a modified retrospective basis, with no impact to our consolidated financial statements. Finally, this ASU clarified that the cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. This change does not have an impact on the Company's consolidated financials as it conforms with its current practice.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces a new forward-looking "expected loss" approach, to estimate credit losses on most financial assets and certain other instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. ASU 2016-13 is effective for the Company's fiscal year ending July 4, 2021, and the guidance is to be applied using the modified-retrospective approach. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01)," which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance is effective for the Company's fiscal year ending July 4, 2021, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets." This update clarifies the scope of accounting for the derecognition or partial sale of nonfinancial assets to exclude all businesses and nonprofit activities. ASU 2017-05 also provides a definition for in-substance nonfinancial assets and additional guidance on partial sales of nonfinancial assets. This guidance will be effective for the Company's fiscal year ending June 30, 2019 and may be applied retrospectively. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In May 2017, the FASB issued ASU No 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from the effect of interest rate changes and changes in the market values of its investments.

Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment of available cash balances and its long-term debt. The Company generally invests its cash and cash equivalents in investment grade corporate and U.S. government securities. Due to the currently low rates of return the Company is receiving on its cash equivalents, the potential for a significant decrease in short-term interest rates is low and, therefore, a further decrease would not have a material impact on the Company's interest income. Borrowings under the Company's credit facility bear interest at a variable rate, plus an applicable margin, and therefore expose the Company to market risk for changes in interest rates. The effect of a 50 basis point increase in current interest rates on the Company's interest expense would be approximately $0.8 million during year ended July 2, 2017.

Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent the Company's current expectations or beliefs concerning future events and can generally be identified by the use of statements that include words such as "estimate," "expects," "project," "believe," "anticipate," "intend," "plan," "foresee," "likely," "will," or similar words or phrases. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results expressed or implied in the forward-looking statements, including, among others: the Company's ability to achieve its guidance for revenue, EBITDA and EPS; its ability to manage the significant seasonality of its business; its ability to integrate the operations of acquired companies; its ability to cost effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, and a list of definitions of non-GAAP terms, please refer to the Company's SEC filings including the Company's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q. Consequently, you should not consider any such list to be a complete set 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 2017 and 2016. 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.

	Jul. 2, 2017	Apr. 2, 2017	Jan. 1, 2017	Oct. 2, 2016	Jul. 3, 2016	Mar. 27, 2016	Dec. 27, 2015	Sep. 28, 2015
	(in thousands, except per share data)							
Net revenues:								
E-commerce (telephonic/online)	$ 191,355	$ 177,729	$ 420,594	$ 107,084	$ 186,411	$ 179,413	$ 412,261	$ 104,697
Other	48,173	55,986	133,959	58,745	47,984	54,794	136,120	51,344
Total net revenues	239,528	233,715	554,553	165,829	234,395	234,207	548,381	156,041
Cost of revenues	141,209	140,134	297,559	94,442	133,750	137,486	295,798	88,532
Gross profit	98,319	93,581	256,994	71,387	100,645	96,721	252,583	67,509
Operating expenses:								
Marketing and sales	72,415	70,158	119,876	55,078	74,608	71,502	119,539	52,526
Technology and development	9,312	10,254	9,849	9,488	10,175	9,903	9,845	9,311
General and administrative	19,670	20,962	21,551	21,933	23,351	21,006	20,055	19,971
Depreciation and amortization	7,720	8,492	9,167	7,997	8,105	7,546	8,761	7,972
Total operating expenses	109,117	109,866	160,443	94,496	116,239	109,957	158,200	89,780
Operating income (loss)	(10,798)	(16,285)	96,551	(23,109)	(15,594)	(13,236)	94,383	(22,271)
Interest expense, net	1,025	1,191	2,154	1,451	1,382	1,239	2,162	1,891
Other (income) expense, net	(14,901)	(421)	1	(150)	312	145	242	(15,538)
Income (loss) before income taxes	3,078	(17,055)	94,396	(24,410)	(17,288)	(14,620)	91,979	(8,624)
Income tax expense (benefit)	(4,935)	(5,925)	31,467	(8,639)	(6,234)	(5,494)	30,495	(3,188)
Net income (loss)	8,013	(11,130)	62,929	(15,771)	(11,054)	(9,126)	61,484	(5,436)
Less: Net loss attributable to noncontrolling interest	–	–	–	–	–	–	(55)	(952)
Net income (loss) attributable to 1-800-FLOWERS.COM, Inc.	$ 8,013	$ (11,130)	$ 62,929	$ (15,771)	$ (11,054)	$ (9,126)	$ 61,539	$ (4,484)
Basic net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.	$ 0.12	$ (0.17)	$ 0.97	$ (0.24)	$ (0.17)	$ (0.14)	$ 0.95	$ (0.07)
Diluted net income (loss) per common share attributable to 1-800-FLOWERS.COM, Inc.	$ 0.12	$ (0.17)	$ 0.93	$ (0.24)	$ (0.17)	$ (0.14)	$ 0.92	$ (0.07)
Weighted average shares used in the calculation of net income (loss) per common share:								
Basic	65,255	65,199	65,172	65,081	65,376	64,687	64,669	64,825
Diluted	67,604	65,199	67,754	65,081	65,376	64,687	66,979	64,825

The Company's quarterly results may experience seasonal fluctuations – see the Seasonality section in Item 1 of the Company's Annual Report on Form 10-K for details. Refer above to the Results of Operations section for a discussion of significant events and transactions.

Consolidated Balance Sheets

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

(in thousands, except share data)

	July 2, 2017	July 3, 2016
Assets		
Current assets:		
Cash and cash equivalents	**$149,732**	$ 27,826
Trade receivables, net	**14,073**	19,123
Inventories	**75,862**	103,328
Prepaid and other	**17,735**	16,382
Total current assets	**257,402**	166,659
Property, plant and equipment, net	**161,381**	171,362
Goodwill	**62,590**	77,667
Other intangibles, net	**61,090**	79,000
Other assets	**10,007**	8,253
Total assets	**$552,470**	$502,941
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 27,781**	$ 35,201
Accrued expenses	**90,206**	66,066
Current maturities of long-term debt	**7,188**	19,594
Total current liabilities	**125,175**	120,861
Long-term debt	**101,377**	94,396
Deferred tax liabilities	**33,868**	35,517
Other liabilities	**9,811**	9,581
Total liabilities	**$270,231**	$260,355
Commitments and contingencies (Note 16)		
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, 51,227,779 and 48,846,449 shares issued in 2017 and 2016, respectively	**513**	488
Class B common stock, $.01 par value, 200,000,000 shares authorized, 33,901,603 and 35,263,004 shares issued in 2017 and 2016, respectively	**339**	353
Additional paid-in capital	**337,726**	331,349
Retained earnings (deficit)	**32,638**	(11,403)
Accumulated other comprehensive loss	**(187)**	(146)
Treasury stock, at cost, 14,709,731 and 13,589,025 Class A shares in 2017 and 2016, respectively, and 5,280,000 Class B shares in 2017 and 2016	**(88,790)**	(78,055)
Total equity	**282,239**	242,586
Total liabilities and equity	**$552,470**	$502,941

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

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

(in thousands, except per share data)

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
Net revenues	**$1,193,625**	$1,173,024	$1,121,506
Cost of revenues	**673,344**	655,566	634,311
Gross profit	**520,281**	517,458	487,195
Operating expenses:			
Marketing and sales	**317,527**	318,175	299,801
Technology and development	**38,903**	39,234	34,745
General and administrative	**84,116**	84,383	85,908
Depreciation and amortization	**33,376**	32,384	29,124
Total operating expenses	**473,922**	474,176	449,578
Operating income	**46,359**	43,282	37,617
Interest expense, net	**5,821**	6,674	5,753
Other (income) expense, net	**(15,471)**	(14,839)	1,550
Income before income taxes	**56,009**	51,447	30,314
Income tax expense	**11,968**	15,579	10,930
Net Income	**$ 44,041**	$ 35,868	19,384
Less: Net loss attributable to noncontrolling interest	**–**	(1,007)	(903)
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$ 44,041**	$ 36,875	$ 20,287
Basic net income per common share attributable to 1-800-FLOWERS.COM, Inc.	**$ 0.68**	$ 0.57	$ 0.31
Diluted net income per common share attributable to 1-800-FLOWERS.COM, Inc.	**$ 0.65**	$ 0.55	$ 0.30
Weighted average shares used in the calculation of net income per common share:			
Basic	**65,191**	64,896	64,976
Diluted	**67,735**	67,083	67,602

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

(in thousands)

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
Net income	**$44,041**	$35,868	$19,384
Other comprehensive income/(loss) (currency translation)	**(41)**	252	(505)
Comprehensive income	**44,000**	36,120	18,879
Less:			
Net loss attributable to noncontrolling interest	**–**	(1,007)	(903)
Other comprehensive income (loss) (currency translation) attributable to noncontrolling interest	**–**	87	(180)
Comprehensive net loss attributable to noncontrolling interest	**–**	(920)	(1,083)
Comprehensive income attributable to 1-800-FLOWERS.COM, Inc.	**$44,000**	$37,040	$19,962

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

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

Years ended July 2, 2017, July 3, 2016 and June 28, 2015

(in thousands, except share data)

	Common Stock				Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock		Total 1-800-FLOWERS.COM, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Class A		Class B									
	Shares	Amount	Shares	Amount				Shares	Amount			
Balance at June 29, 2014	38,119,398	$ 381	42,058,594	$ 420	$ 305,510	$ (68,565)	$ (46)	16,098,437	$ 54,472	$ 183,228	$ 2,890	$ 186,118
Net income	—	—	—	—	—	20,287	—	—	—	20,287	(903)	19,384
Translation adjustment	—	—	—	—	—	—	(325)	—	—	(325)	(180)	(505)
Conversion of Class B stock into Class A stock	2,748,550	27	(2,748,550)	(27)	—	—	—	—	—	—	—	—
Stock-based compensation	1,154,173	12	—	—	5,950	—	—	—	—	5,962	—	5,962
Exercise of stock options	853,170	9	—	—	5,533	—	—	—	—	5,542	—	5,542
Excess tax benefit from stock-based compensation	—	—	—	—	2,115	—	—	—	—	2,115	—	2,115
Acquisition of Class A treasury stock	—	—	—	—	—	—	—	1,056,038	(8,360)	(8,360)	—	(8,360)
Balance at June 28, 2015	42,875,291	429	39,310,044	393	319,108	(48,278)	(371)	17,154,475	(62,832)	208,449	1,807	210,256
Net income	—	—	—	—	—	36,875	—	—	—	36,875	(1,007)	35,868
Translation adjustment	—	—	—	—	—	—	165	—	—	165	87	252
Noncontrolling interest write-off	—	—	—	—	—	—	60	—	—	60	(887)	(827)
Conversion of Class B stock into Class A stock	4,047,040	40	(4,047,040)	(40)	—	—	—	—	—	—	—	—
Stock-based compensation	879,863	9	—	—	6,334	—	—	—	—	6,343	—	6,343
Exercise of stock options	1,044,255	10	—	—	3,507	—	—	—	—	3,517	—	3,517
Excess tax benefit from stock-based compensation	—	—	—	—	2,400	—	—	—	—	2,400	—	2,400
Acquisition of Class A treasury stock	—	—	—	—	—	—	—	1,714,550	(15,223)	(15,223)	—	(15,223)
Balance at July 3, 2016	48,846,449	488	35,263,004	353	331,349	(11,403)	(146)	18,869,025	(78,055)	242,586	—	242,586
Net income	—	—	—	—	—	44,041	—	—	—	44,041	—	44,041
Translation adjustment	**—**	**—**	**—**	**—**	**—**	**—**	**(41)**	**—**	**—**	**(41)**	**—**	**(41)**
Conversion of Class B stock into Class A stock	**1,361,401**	**14**	**(1,361,401)**	**(14)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock-based compensation	**965,429**	**10**	**—**	**—**	**6,092**	**—**	**—**	**—**	**—**	**6,102**	**—**	**6,102**
Exercise of stock options	**54,500**	**1**	**—**	**—**	**285**	**—**	**—**	**—**	**—**	**286**	**—**	**286**
Acquisition of Class A treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,120,706**	**(10,735)**	**(10,735)**	**—**	**(10,735)**
Balance at July 2, 2017	**51,227,779**	**$ 513**	**33,901,603**	**$ 339**	**$ 337,726**	**$ 32,638**	**$ (187)**	**19,989,731**	**$(88,790)**	**$ 282,239**	**$ —**	**$ 282,239**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

(in thousands)

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
Operating activities:			
Net income	**$ 44,041**	$ 35,868	$ 19,384
Reconciliation of net income to net cash provided by operating activities, net of acquisitions/dispositions:			
Gain on sale of Fannie May	**(14,607)**	–	–
Depreciation and amortization	**33,376**	32,384	29,124
Amortization of deferred financing costs	**1,532**	1,791	1,501
Deferred income taxes	**(1,649)**	(3,000)	2,471
Foreign equity investment impairment	**–**	2,278	–
Loss on sale/impairment of iFlorist	**–**	1,990	–
Non-cash impact of write-offs related to warehouse fire	**–**	–	29,522
Bad debt expense	**1,158**	1,278	1,295
Stock-based compensation	**6,102**	6,343	5,962
Excess tax benefit from stock-based compensation	**–**	(2,400)	(2,550)
Other non-cash items	**133**	517	1,439
Changes in operating items:			
Trade receivables	**(6,220)**	(4,210)	8,331
Insurance receivable	**–**	2,979	(2,979)
Inventories	**(9,277)**	(10,216)	26,390
Prepaid and other	**(2,609)**	(1,560)	8,047
Accounts payable and accrued expenses	**9,132**	(6,429)	(2,235)
Other assets	**(36)**	(29)	(1,058)
Other liabilities	**(66)**	89	1,089
Net cash provided by operating activities	**61,010**	57,673	125,733
Investing activities:			
Acquisitions, net of cash acquired	**–**	–	(131,994)
Proceeds from sale of business	**111,955**	–	–
Capital expenditures, net of non-cash expenditures	**(33,653)**	(33,938)	(32,572)
Other	**–**	–	963
Net cash provided by (used in) investing activities	**78,302**	(33,938)	(163,603)
Financing activities:			
Acquisition of treasury stock	**(10,735)**	(15,223)	(8,360)
Excess tax benefit from stock based compensation	**–**	2,400	2,550
Proceeds from exercise of employee stock options	**286**	3,517	5,542
Proceeds from bank borrowings	**181,000**	178,000	239,500
Repayment of notes payable and bank borrowings	**(186,451)**	(192,543)	(172,983)
Debt issuance costs	**(1,506)**	–	(5,642)
Net cash (used in) provided by financing activities	**(17,406)**	(23,849)	60,607
Net change in cash and cash equivalents	**121,906**	(114)	22,737
Cash and cash equivalents:			
Beginning of year	**27,826**	27,940	5,203
End of year	**$149,732**	$ 27,826	$ 27,940

Supplemental Cash Flow Information:

- Interest paid amounted to $4.4 million, $5.0 million and $4.3 million, for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively.
- The Company paid income taxes of approximately $6.8 million, $13.4 million and $5.1 million, net of tax refunds received, for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively.

See accompanying Notes to Consolidated Financial Statements.

Note 1. Description of Business

1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company") is a leading provider of gourmet food and floral gifts for all occasions. For the past 40 years, 1-800-FLOWERS® (1-800-356-9377 or www.1800flowers.com) has been helping deliver smiles for our customers with gifts for every occasion, including fresh flowers and the finest selection of plants, gift baskets, gourmet foods, confections, candles, balloons and plush stuffed animals. As always, our 100% Smile Guarantee® backs every gift.

The Company's BloomNet® international floral wire service (www.mybloomnet.net) provides a broad range of quality products and value-added services designed to help professional florists grow their businesses profitably. The 1-800-FLOWERS.COM, Inc. "Gift Shop" also includes gourmet gifts such as premium, gift-quality fruits and other gourmet items from Harry & David® (1-877-322-1200 or www.harryanddavid.com), popcorn and specialty treats from The Popcorn Factory® (1-800-541-2676 or www.thepopcornfactory.com); cookies and baked gifts from Cheryl's® (1-800-443-8124 or www.cheryls.com); gift baskets and towers from 1-800-Baskets.com® (www.1800baskets.com); premium English muffins and other breakfast treats from Wolferman's® (1-800-999-1910 or www.wolfermans.com); carved fresh fruit arrangements from FruitBouquets.com (www.fruitbouquets.com); and top quality steaks and chops from Stock Yards® (www.stockyards.com).

Note 2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of 1-800-FLOWERS.COM, Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. During fiscal 2017, 2016 and 2015 approximately 1%, 1% and 2% respectively, of consolidated net revenue came from international sources.

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to June 30. Fiscal years 2017 and 2015, which ended on July 2, 2017 and June 28, 2015, respectively consisted of 52 weeks. Fiscal year 2016, which ended on July 3, 2016, consisted of 53 weeks.

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 Cash Equivalents

Cash and cash 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 are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives. Amortization of leasehold improvements and capital leases is computed using the straight-line method over the shorter of the estimated useful lives and the initial lease terms. The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software. Orchards in production, consisting of direct labor and materials, supervision and other items, are capitalized as part of capital projects in progress – orchards until the orchards produce fruit in commercial quantities. Upon attaining commercial levels of production the capital investments in these orchards are recorded as land 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:

Building and building improvements (years)	10 - 40
Leasehold improvements (years)	3 - 10
Furniture, fixtures and production equipment (years)	3 - 10
Software (years)	3 - 7
Orchards in production and land improvements	15 - 35

Property, plant and equipment are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in each business combination, with the carrying value of the Company's goodwill allocated to its reporting units, in accordance with the acquisition method of accounting. Goodwill is not amortized, but it is subject to an annual assessment for impairment, which the Company performs during the fourth quarter, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist. The Company tests goodwill for impairment at the reporting unit level. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management of each reporting unit regularly reviews the operating results of those components.

In applying the goodwill impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a two-step quantitative test (consisting of "Step 1" and "Step 2"). Under the Step 0 test, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting units is less than its carrying value. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other entity and reporting unit specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the fair value of the reporting unit is less than the carrying value, then performing the two-step quantitative test is necessary.

The first step ("Step 1") of the two-step quantitative test requires comparison of the fair value of each of the reporting units to the respective carrying value. If the carrying value of the reporting unit is less than the fair value, no impairment exists and the second step ("Step 2") is not performed. If the carrying value of the reporting unit is higher than the fair value, Step 2 must be performed to compute the amount of the goodwill impairment, if any. In Step 2, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

The Company generally estimates the fair value of a reporting unit using an equal weighting of the income and market approaches. The Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, the Company engages third-party valuation specialists. Under the income approach, the Company uses a discounted cash flow methodology which requires management to make significant estimates and assumptions related to forecasted revenues, gross profit margins, operating income margins, working capital cash flow, perpetual growth rates, and long-term discount rates, among others. For the market approach, the Company uses the guideline public company method. Under this method the Company utilizes information from comparable publicly traded companies with similar operating and investment characteristics as the reporting units, to create valuation multiples that are applied to the operating performance of the reporting unit being tested, in order to obtain their respective fair values. The Company also reconciles the aggregate fair values of its reporting units determined in the first step (as described above) to its current market capitalization, allowing for a reasonable control premium.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it was not "more likely than not" that the fair values of the reporting units were less than their carrying amounts. During fiscal 2015, the Company performed the two-step quantitative impairment test and determined that the estimated fair value of the Company's reporting units significantly exceeded their respective carrying values (including goodwill allocated to each respective reporting unit). Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of goodwill.

Other Intangibles, net

Other intangibles consist of definite-lived intangible assets (such as investment in licenses, customer lists, and others) and indefinite-lived intangible assets (such as acquired trade names and trademarks). The cost of definite-lived intangible assets is amortized to reflect the pattern of economic benefits consumed, over the estimated periods benefited, ranging from 3 to 16 years, while indefinite-lived intangible assets are not amortized.

Definite-lived intangibles are reviewed for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying value. If the projected undiscounted cash flows are less than the carrying value, then an impairment charge would be recorded for the excess of the carrying value over the fair value, which is determined by discounting future cash flows.

The Company tests indefinite-lived intangible assets for impairment at least annually, during the fourth quarter, or whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. In applying the impairment test, the Company has the option to perform a qualitative test (also known as "Step 0") or a quantitative test. Under the Step 0 test, the Company assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. Qualitative factors may include, but are not limited to economic conditions, industry and market considerations, cost factors, financial performance, legal and other entity and asset specific events. If after assessing these qualitative factors, the Company determines it is "more-likely-than-not" that the indefinite-lived intangible asset is impaired, then performing the quantitative test is necessary. The quantitative impairment test for indefinite-lived intangible assets encompasses calculating a fair value of an indefinite-lived intangible asset and comparing the fair value to its carrying value. If the carrying value exceeds the fair value, impairment is recognized for the difference. To determine fair value of other indefinite-lived intangible assets, the Company uses an income approach, the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Other indefinite-lived intangible assets' fair values require significant judgments in determining both the assets' estimated cash flows as well as the appropriate discount and royalty rates applied to those cash flows to determine fair value.

During fiscal 2017 and fiscal 2016 the Company performed a Step 0 analysis and determined that it is not "more likely than not" that the fair values of the indefinite-lived intangibles were less than their carrying amounts. During fiscal 2015, the Company performed the quantitative impairment test and determined that the estimated fair value of the Company's intangibles exceeded their respective carrying value. Future changes in the estimates and assumptions above could materially affect the results of our reviews for impairment of intangibles.

Business Combinations

The Company accounts for business combinations in accordance with ASC Topic 805 which requires, among other things, the acquiring entity in a business combination to recognize the fair value of all the assets acquired and liabilities assumed; the recognition of acquisition-related costs in the consolidated results of operations; the recognition of restructuring costs in the consolidated results of operations for which the acquirer becomes obligated after the acquisition date; and contingent purchase consideration to be recognized at their fair values on the acquisition date with subsequent adjustments recognized in the consolidated results of operations. The fair values assigned to identifiable intangible assets acquired are determined primarily by using an income approach which is based on assumptions and estimates made by management. Significant assumptions utilized in the income approach are based on company specific information and projections which are not observable in the market and are therefore considered Level 3 measurements. The excess of the purchase price over the fair value of the identified assets and liabilities is recorded as goodwill. Operating results of the acquired entity are reflected in the Company's consolidated financial statements from date of acquisition.

Deferred Catalog Costs

The Company capitalizes the costs of producing and distributing its catalogs. These costs are amortized in direct proportion to actual sales from the corresponding catalogs over a period not to exceed 12 months. Included within prepaid and other current assets was $2.7 million and $3.0million at July 2, 2017 and July 3, 2016 respectively, relating to prepaid catalog expenses.

Investments

The Company has certain investments in non-marketable equity instruments of private companies. The Company accounts for these investments using the equity method if they provide the Company the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors, such as representation on the investee's Board of Directors, are considered in determining whether the equity method is appropriate. The Company records equity method investments initially at cost, and adjusts the carrying amount to reflect the Company's share of the earnings or losses of the investee.

The Company's equity method investments consist of a 30.0% interest in Flores Online, a Sao Paulo, Brazil based internet floral and gift retailer, that the Company made on May 31, 2012. The book value of this investment was $1.0 million as of July 2, 2017 and $1.1 million as of July 3, 2016, and is included in the "Other assets" line item within the Company's consolidated balance sheets. The Company's equity in the net loss of Flores Online for both the years ended July 2, 2017 and July 3, 2016 was $0.1 million. During the quarter ended September 27, 2015, the Company determined that the fair value of its investment in Flores Online was below its carrying value and that this decline was other-than-temporary. As a result, the Company recorded an impairment charge of $1.7 million, which is included within the "Other (income) expense, net" line item in the Company's consolidated statement of income in fiscal 2016.

Investments in non-marketable equity instruments of private companies, where the Company does not possess the ability to exercise significant influence, are accounted for under the cost method. Cost method investments are originally recorded at cost, and are included within the "Other assets" line item within the Company's consolidated balance sheets. The aggregate carrying amount of the Company's cost method investments was $1.7 million as of July 2, 2017 (including a $1.5 million investment in Euroflorist – see Note 4. for details) and $1.7 million as of July 3, 2016. During the year ended July 3, 2016, the Company determined that the fair value of one of its cost method investments was below its carrying value and that the decline was other-than-temporary. As a result the Company recorded an impairment charge of $0.5 million, which is included within the "Other (income) expense, net" line items in the Company's consolidated statements of income in fiscal 2016.

The Company also holds certain trading securities associated with its Non-Qualified Deferred Compensation Plan ("NQDC Plan"). These investments are measured using quoted market prices at the reporting date and are included in Other assets in the condensed consolidated balance sheets (see Note 10. for details).

Each reporting period, the Company uses available qualitative and quantitative information to evaluate its investments for impairment. When a decline in fair value, if any, is determined to be other-than-temporary, an impairment charge is recorded in the consolidated statement of operations.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with high quality financial institutions. Concentration of credit risk with respect to accounts receivable is 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 ($1.8 million at July 2, 2017 and $2.1 million at July 3, 2016) 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, net of discounts, returns and credits. Net revenues are recognized primarily upon product delivery and do not include sales tax. 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 primarily 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 manufacturing and production operations.

Marketing and Sales

Marketing and sales expense consists primarily of advertising expenses, 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 $137.5 million, $133.1 million and $130.6 million for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, 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 websites, 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 seven years. Costs associated with repair maintenance or the development of website content are expensed as incurred, as the useful lives of such software modifications are less than one year.

Stock-Based Compensation

The Company records compensation expense associated with restricted stock awards and other forms of equity compensation based upon the fair value of stock-based awards as measured at the grant date. The cost associated with share-based awards that are subject solely to time-based vesting requirements is recognized over the awards' service period for the entire award on a straight-line basis. The cost associated with performance-based equity awards is recognized for each tranche over the service period, based on an assessment of the likelihood that the applicable performance goals will be achieved.

Derivatives and hedging

The Company does not enter into derivative transactions for trading purposes, but rather, on occasion to manage its exposure to interest rate fluctuations. When entering into these transactions, the Company has managed its floating rate debt using interest rate swaps in order to reduce its exposure to the impact of changing interest rates on its consolidated results of operations and future cash outflows for interest. The Company did not have any open derivative positions at July 2, 2017 and July 3, 2016.

Income Taxes

The Company uses the asset and liability method to account for income taxes. The Company has established deferred 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 recognizes as a deferred tax asset, the tax benefits associated with losses related to operations. Realization of these deferred tax assets assumes that we will be able to generate sufficient future taxable income so that these assets will be realized. The factors that the Company considers 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.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements on a particular tax position are measured based on the largest benefit that has a greater than a 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. We recognize both accrued interest and penalties, where appropriate, related to UTBs in income tax expense. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes.

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 unvested restricted stock awards) outstanding during the period.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This amended guidance will enhance the comparability of revenue recognition practices and will be applied to all contracts with customers. Expanded disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized are requirements under the amended guidance. As we continue to evaluate the impact of this ASU, we have determined that the new standard will impact the following areas: the costs of producing and distributing the Company's catalogs will be expensed upon shipment, instead of being capitalized and amortized in direct proportion to the actual sales; gift card breakage will be estimated based on the historical pattern of gift card redemption, rather than when redemption is considered remote; the Company will defer revenue at the time the Celebrations Reward loyalty points are earned using a relative fair value approach, rather than accruing a liability equal to the incremental cost of fulfilling its obligations. We have further identified the timing of revenue recognition for e-commerce orders (shipping point versus destination) as a potential issue in our analysis, which is not expected to change the total amount of revenue recognized, but could accelerate the timing of when revenue is recognized. We plan to adopt this guidance beginning with the first quarter in the fiscal year ending June 30, 2019 on a retrospective basis with a cumulative adjustment to retained earnings. We are continuing to evaluate the impact that this ASU, and related amendments and interpretive guidance, will have on our consolidated financial statements, including the related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which amends ASC 835-30, "Interest – Imputation of Interest." In order to simplify the presentation of debt issuance costs, ASU No. 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, and not recorded as a separate asset. The Company adopted this standard effective July 4, 2016 and applied it retrospectively to all periods presented. The impact of the adoption of the new guidance was to reclassify $3.6 million of deferred financing costs previously included within "Other Assets" to "Long-term debt" in the consolidated balance sheets as of July 3, 2016.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330)." The pronouncement was issued to simplify the measurement of inventory and changes the measurement from lower of cost or market to lower of cost and net realizable value. ASU 2015-11 is effective for the Company's fiscal year ending July 1, 2018. The adoption of ASU 2015-11 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The pronouncement requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. This guidance will become effective for the Company's fiscal year ending June 30, 2019. The adoption is not expected to have a significant impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for the Company's fiscal year ending June 28, 2020. We are currently evaluating the impact and expect the ASU will have a material impact on our consolidated financial statements, primarily to the consolidated balance sheets and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." ASU No. 2016-09 affects all entities that issue share-based payment awards to their employees. ASU No. 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company elected to early adopt the amendments in ASU 2016-09, in fiscal 2017. As a result, stock-based compensation excess tax benefits are reflected in the Consolidated Statements of Income as a component of the provision for income taxes, whereas they were previously recognized in equity. This change resulted in the recognition of excess tax benefits against income tax expenses, rather than additional paid-in capital, of $1.0 million for the year ended July 2, 2017. There was no impact on earnings per share since approximately 700,000 tax benefit shares for the year ended July 2, 2017, previously associated with the APIC pool calculation, are no longer considered in the diluted share computation. Additionally, our Consolidated Statements of Cash Flows now present excess tax benefits as an operating activity. This change has been applied prospectively in accordance with the ASU and prior periods have not been adjusted. Further, the Company has elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The cumulative effect of this change, which was recorded as compensation expense in fiscal 2017, was not material to the financial statements. In addition, this ASU allows entities to withhold an amount up to an employees' maximum individual statutory tax rate in the relevant jurisdiction, up from the minimum statutory requirement, without resulting in liability classification of the award. We adopted this change on a modified retrospective basis, with no impact to our consolidated financial statements. Finally, this ASU clarified that the cash paid by an employer when directly withholding shares for tax withholding purposes should be classified as a financing activity. This change does not have an impact on the Company's consolidated financials as it conforms with its current practice.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 introduces a new forward-looking "expected loss" approach, to estimate credit losses on most financial assets and certain other instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. ASU 016-13 is effective for the Company's fiscal year ending July 4, 2021, and the guidance is to be applied using the modified-retrospective approach. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01)," which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. ASU 2017-01 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which eliminates step two from the goodwill impairment test. Under ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value up to the amount of goodwill allocated to that reporting unit. This guidance is effective for the Company's fiscal year ending July 4, 2021, with early adoption permitted, and should be applied prospectively. We do not expect the standard to have a material impact on our consolidated financial statements.

In February 2017, the FASB issued ASU No. 2017-05, "Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets." This update clarifies the scope of accounting for the derecognition or partial sale of nonfinancial assets to exclude all businesses and nonprofit activities. ASU 2017-05 also provides a definition for in-substance nonfinancial assets and additional guidance on partial sales of nonfinancial assets. This guidance will be effective for the Company's fiscal year ending June 30, 2019 and may be applied retrospectively. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In May 2017, the FASB issued ASU No 2017-09, "Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting." This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU 2017-09 is effective for the Company's fiscal year ending June 30, 2019, with early adoption permitted, and should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

Reclassifications

Certain balances in the prior fiscal years have been reclassified to conform to the presentation in the current fiscal year. See "Recent Accounting Pronouncements" above regarding the impact of our adoption of ASU No. 2015-13.

Note 3 – Net Income Per Common Share from Continuing Operations

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

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
	(in thousands, except per share data)		
Numerator:			
Net income	**$44,041**	$35,868	$19,384
Less: Net loss attributable to noncontrolling interest	**—**	(1,007)	(903)
Net income attributable to 1-800-FLOWERS.COM, Inc.	**$44,041**	$36,875	$20,287
Denominator:			
Weighted average shares outstanding	**65,191**	64,896	64,976
Effect of dilutive securities:			
Employee stock options (1)	**1,519**	1,294	1,561
Employee restricted stock awards	**1,025**	893	1,065
Total effect of dilutive securities	**2,544**	2,187	2,626
Adjusted weighted-average shares and assumed conversions	**67,735**	67,083	67,602
Net income per common share from continuing operations attributable to 1-800-FLOWERS.COM, Inc.			
Basic	**$ 0.68**	$ 0.57	$ 0.31
Diluted	**$ 0.65**	$ 0.55	$ 0.30

Note (1): The effect of options to purchase 0.0 million, 0.1 million and 0.1 million shares for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, were excluded from the calculation of net income per share on a diluted basis as their effect is anti-dilutive.

Note 4. Acquisitions and Dispositions

Disposition of Fannie May Confections Brands, Inc.

On March 15, 2017, the Company and Ferrero International S.A., a Luxembourg corporation ("Ferrero"), entered into a Stock Purchase Agreement (the "Purchase Agreement") pursuant to which Ferrero agreed to purchase from the Company all of the outstanding equity of Fannie May Confections Brands, Inc., including its subsidiaries, Fannie May Confections, Inc. and Harry London Candies, Inc. ("Fannie May") for total consideration of $115.0 million in cash, subject to seasonal working capital adjustment. At that time, the Company determined that the Fannie May business met the held for sale criteria, as prescribed by FASB ASC 360-10-45-9, but did not meet the criteria to qualify as a discontinued operation.

On May 30, 2017, the Company completed the disposition of Fannie May, and in August 2017, the working capital adjustment was finalized, resulting in an $11.4 million reduction to the purchase price. The resulting gain on sale, in the amount of $14.6 million, is included within "Other (income) expense, net" in the Company's consolidated statements of income for the fiscal year 2017. In connection with the working capital adjustment of $11.4 million, the Company has an $8.5 million payable to Ferrero, included in the"Accrued expenses" line item in the Company's consolidated balance sheet as of July 2, 2017.

Per FASB ASC 350-20-40, when a portion of reporting unit that constitutes a business is to be disposed of, goodwill associated with that business shall be included in the carrying amount of the business in determining the gain or loss on disposal. The amount of goodwill to be included in that carrying amount shall be based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained. Fannie May represented a business, as defined by FASB, and was included in the Company's Gourmet Food & Gift Baskets reporting unit. As a result, we allocated $15.1 million of goodwill to the Fannie May business based on the relative fair value of Fannie May to the Gourmet Food & Gift Baskets reporting unit. The Company estimated the fair value of the Gourmet Food & Gift Baskets reporting unit in a manner consistent with its significant accounting policy for goodwill, described in Note 1 above.

The Company and Ferrero also entered into a transition services agreement whereby the Company will provide certain post-closing services to Ferrero and Fannie May for a period of approximately 18 months, related to the business of Fannie May, and a commercial agreement with respect to the distribution of certain Ferrero and Fannie May products.

Operating results of Fannie May are reflected in the Company's consolidated financial statements through May 30, 2017, the date of its disposition, within its Gourmet Food & Gift Baskets segment. During fiscal 2017, Fannie May contributed net revenues of $85.6 million. Operating and pre-tax income during such period were not material.

Acquisition of Harry & David

On September 30, 2014, the Company completed its acquisition of Harry & David, a leading multi-channel specialty retailer and producer of branded premium gift-quality fruit, gourmet food products and other gifts marketed under the Harry & David brands. The transaction, for a purchase price of $142.5 million, includes the Harry & David's brands and websites as well as its headquarters, manufacturing and distribution facilities and orchards in Medford, Oregon, a warehouse and distribution facility in Hebron, Ohio and 48 Harry & David retail stores located throughout the country.

During the quarter ended June 28, 2015, the Company finalized the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on its estimates of their fair values on the acquisition date. The determination of the fair values of the acquired assets and assumed liabilities (and the related determination of estimated lives of depreciable tangible and identifiable intangible assets) requires significant judgment. The estimates and assumptions include the projected timing and amount of future cash flows and discount rates reflecting risk inherent in the future cash flows. Of the acquired intangible assets, $5.2 million was assigned to customer lists, which are being amortized over the estimated remaining lives of between 4 to 11 years, $35.5 million was assigned to trademarks, $1.1 million was assigned to leasehold positions and $16.0 million was assigned to goodwill, which is not expected to be deductible for tax purposes. The goodwill recognized in conjunction with our acquisition of Harry & David is primarily related to synergistic value created in terms of both operating costs and revenue growth opportunities, enhanced financial and operational scale, and other strategic benefits. It also includes certain other intangible assets that do not qualify for separate recognition, such as an assembled workforce.

The following table summarizes the final allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition:

	Harry & David Final Purchase Price Allocation
	(in thousands)
Current Assets	$126,268
Intangible Assets	41,827
Goodwill	16,042
Property, plant and equipment	105,079
Other assets	(131)
Total assets acquired	289,085
Current liabilities, including short-term debt	104,513
Deferred tax liabilities	42,048
Other liabilities assumed	24
Total liabilities assumed	146,585
Net assets acquired	$142,500

The estimated fair value of the acquired work in process and finished goods inventory was determined utilizing the income approach. The income approach estimates the fair value of the inventory based on the net retail value of the inventory less operating expenses and a reasonable profit allowance. Raw materials inventory was valued at book value, as there have not been any significant price fluctuations or other events that would materially change the cost to replace the raw materials.

The estimated fair value of the deferred revenue was determined based on the costs to perform the remaining services and/or satisfy the Company's remaining obligations, plus a reasonable profit for those activities. These remaining costs exclude sales and marketing expenses since the Deferred Revenue has already been "sold," and no additional sales and marketing expenses will be incurred. The reasonable profit to be earned on the deferred revenue was estimated based on the profit mark-up that the Company earns on similar services.

The estimated fair value of property, plant and equipment was determined utilizing a combination of the cost, sales comparison, market, and excess earnings method approaches, as follows:

Under the cost approach a replacement cost of the asset is first determined based on replacing the real property with assets of equal utility and functionality, developed based on both the indirect and the direct cost methods. The indirect cost method includes multiplying the assets' historical costs by industry specific inflationary trend factors to yield an estimated replacement cost. In applying this method, all direct and indirect costs including tax, freight, installation, engineering and other associated soft costs were considered. The direct cost method includes obtaining a current replacement cost estimate from the Company and equipment dealers, which includes all applicable direct and indirect costs. An appropriate depreciation allowance is then applied to the replacement cost based on the effective age of the assets relative to the expected normal useful lives of the assets, condition of the assets, and the planned future utilization of the assets. The determination of fair value also includes considerations of functional obsolescence and economic obsolescence, where applicable.

The sales comparison approach was considered for certain real estate property. Under the sales comparison approach, an estimate of fair value is determined by comparing the property being valued to similar properties that have been sold within a reasonable period from the valuation date, applying appropriate units of comparison.

The market approach was considered for certain assets with active secondary markets including agricultural equipment, automobiles, computer equipment, and general equipment, mobile equipment, packaging machinery and semi-tractors. Under the market approach market, comparables for the assets are obtained from equipment dealers, resellers, industry databases, and published price guides. The market comparables are then adjusted to the subject assets based on age, condition or type of transaction. All applicable direct and indirect costs are also considered and reflected in the final fair value determination.

The fair value of orchards in production was determined based on the excess earnings method under the income approach. This valuation approach assumed that the orchards' production could be sold independently through a wholesale market rather than Harry & David's retail channel. The excess earnings method required calculating future crop revenue as determined by multiplying the future crop volume in tons to be produced by the projected price per ton based on the USDA "Agricultural Prices" report released January 31, 2015 by the National Agricultural Statistics Services. Appropriate expenses were deducted from the sales attributable to the orchards and economic rents were charged for the return on contributory assets. The after-tax cash flows attributable to the asset were discounted back to their net present value at an appropriate rate of return and summed to calculate the value of the orchards.

The estimated fair value of the acquired trademarks was determined using the relief from royalty method, which is a risk-adjusted discounted cash flow approach. The relief from royalty method values an intangible asset by estimating the royalties saved through ownership of the asset. The relief from royalty method requires identifying the future revenue that would be generated by the trademark, multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date. The royalty rate used in the valuation was based on a consideration of market rates for similar categories of assets. The discount rate used in the valuation was based on the Company's weighted average cost of capital, the riskiness of the earnings stream association with the trademarks and the overall composition of the acquired assets.

The estimated fair value of the acquired customer lists was determined using the excess earnings method under the income approach. This method requires identifying the future revenue that would be generated by existing customers at the time of the acquisition, considering an appropriate attrition rate based on the historical experience of the Company. Appropriate expenses are then deducted from the revenues and economic rents are charged for the return on contributory assets. The after-tax cash flows attributable to the asset are discounted back to their net present value at an appropriate intangible asset rate of return and summed to calculate the value of the customer lists.

Operating results of Harry & David are reflected in the Company's consolidated financial statements from the date of acquisition, within its Gourmet Food & Gift Baskets segment. Harry & David contributed net revenues of $359.7 million and operating income of approximately $24.6 million from September 30, 2014 through June 28, 2015. These amounts are not necessarily indicative of the results of operations that Harry & David would have realized had it continued to operate as a stand-alone company during the period presented due to integration activities since the acquisition date, and due to costs that are now reflected in the Company's unallocated corporate costs which are not allocated to Harry & David.

Disposition of Colonial Gifts Limited ("iFlorist")

During October 2015, the Company completed the sale of substantially all of the assets of iFlorist to Euroflorist AB ("Euroflorist"), a pan-European floral and gifting company headquartered in Malmo, Sweden. As consideration for the assets sold, the Company received an investment in Euroflorist with a fair value on the date of sale of approximately $1.5 million. (The Company will account for this investment using the cost method as it does not possess the ability to exercise significant influence over Euroflorist.). The Company recorded a loss on the sale in the amount of $2.1 million which is included within "Other (income) expense, net" in the condensed consolidated statements of operations.

Note 5. Inventory

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

	July 2, 2017	July 3, 2016
	(in thousands)	
Finished goods	**$ 34,476**	$ 44,264
Work-in-process	**11,933**	24,573
Raw materials	**29,453**	34,491
Total Inventory	**$75,862**	$103,328

Note 6. Goodwill and Intangible Assets

The following table presents goodwill by segment and the related change in the net carrying amount:

	Consumer Floral	BloomNet Wire Service	Gourmet Food & Gift Baskets	Total
Balance at June 28, 2015	$ 17,582	$ —	$ 59,515	$ 77,097
Other	(141)	—	711	570
Balance at July 3, 2016	$ 17,441	$ —	$ 60,226	$ 77,667
Sale of Fannie May	—	—	(15,077)	(15,077)
Balance at July 2, 2017	**$ 17,441**	**$ —**	**$ 45,149**	**$ 62,590**

There were no goodwill impairment charges in any segment during the years ended July 2, 2017, July 3, 2016 and June 28, 2015.

The Company's other intangible assets consist of the following:

		July 2, 2017			July 3, 2016		
	Amortization Period (years)	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**	**$ 7,420**	**$ 5,937**	**$ 1,483**	$ 7,420	$ 5,832	$ 1,588
Customer lists	**3-10 years**	**12,184**	**8,227**	**3,957**	21,144	15,960	5,184
Other	**5-14 years**	**2.946**	**2,045**	**901**	3,665	2,698	967
Total intangible assets with determinable lives		**22,550**	**16,209**	**6,341**	32,229	24,490	7,739
Trademarks with indefinite lives		**54,749**	**—**	**54,749**	71,261	—	71,261
Total identifiable intangible assets		**$77,299**	**$16,209**	**$61,090**	$103,490	$24,490	$79,000

Intangible assets with determinable lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. No material impairments were recognized for the years ended July 2, 2017, July 3, 2016 and June 28, 2015.

The amortization of intangible assets for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 was $1.4 million, $1.9 million and $2.1 million, respectively. Future estimated amortization expense is as follows: 2018 – $1.3 million, 2019 - $0.7 million, 2020 - $0.6 million, 2021 - $0.6 million, 2022 - $0.5 million, and thereafter - $2.6 million.

Note 7. Property, Plant and Equipment

	July 2, 2017	July 3, 2016
	(in thousands)	
Land	**$ 30,789**	$ 30,789
Orchards in production and land improvements	**9,703**	9,483
Building and building improvements	**56,791**	54,950
Leasehold improvements	**11,950**	21,584
Production equipment and furniture and fixtures	**47,293**	72,912
Computer and telecommunication equipment	**45,026**	52,737
Software	**119,177**	136,333
Capital projects in progress - orchards	**9,971**	8,513
Property, plant and equipment, gross	**330,700**	387,301
Accumulated depreciation and amortization	**(169,319)**	(215,939)
Property, plant and equipment, net	**$161,381**	$171,362

Depreciation expense for the years ended July 2, 2017, July 3, 2016 and June 28, 2015 was $32.0 million, $30.5 million and $27.0 million, respectively.

Note 8. Accrued Expenses

Accrued expenses consisted of the following:

	July 2, 2017	July 3, 2016
	(in thousands)	
Payroll and employee benefits	**$22,767**	$25,892
Deferred revenue	**13,865**	10,366
Accrued marketing expenses	**11,974**	8,071
Gift card liability	**8,835**	8,309
Fannie May working capital adjustment	**8,500**	—
Accrued florist payout	**6,576**	6,746
Other	**17,689**	6,682
Accrued Expenses	**$90,206**	$66,066

Note 9. Long-Term Debt

The Company's current and long-term debt consists of the following:

	July 2, 2017	July 3, 2016
	(in thousands)	
Revolver (1)	**$ —**	$ —
Term Loan (1)	**112,125**	117,563
Deferred Financing Costs	**(3,560)**	(3,573)
Total debt	**108,565**	113,990
Less: current maturities of long-term debt	**7,188**	19,594
Long-term debt	**$101,377**	$ 94,396

(1) On December 23, 2016, the Company entered into an Amended and Restated Credit Agreement (the "2016 Amended Credit Agreement") with JPMorgan Chase Bank as administrative agent, and a group of lenders. The 2016 Amended Credit Agreement amended and restated the Company's credit agreement dated as of September 30, 2014 to, among other things, extend the maturity date of the $115.0 million outstanding term loan ("Term Loan") and the revolving credit facility (the "Revolver") by approximately two years to December 23, 2021. The Term Loan is payable in 19 quarterly installments of principal and interest beginning on April 2, 2017, with escalating principal payments, at the rate of 5% in year one, 7.5% in year two, 10% in year three, 12.5% in year four, and 15% in year five, with the remaining balance of $61.8 million due upon maturity. The Revolver, in the aggregate amount of $200 million, subject to seasonal reduction to an aggregate amount of $100 million for the period from January 1 through August 1, may be used for working capital and general corporate purposes, subject to certain restrictions.

For each borrowing under the 2016 Amended Credit Agreement, the Company may elect that such borrowing bear interest at an annual rate equal to either: (1) a base rate plus an applicable margin varying from 0.75% to 1.5%, based on the Company's consolidated leverage ratio, where the base rate is the highest of (a) the prime rate, (b) the highest of the federal funds rate and the overnight bank funding rate as published by the New York Fed, plus 0.5% and (c) an adjusted LIBO rate, plus 1% or (2) an adjusted LIBO rate plus an applicable margin varying from 1.75% to 2.5%, based on the Company's consolidated leverage ratio. The 2016 Amended Credit Agreement requires that while any borrowings are outstanding the Company comply with certain financial covenants and affirmative covenants as well as certain negative covenants, that subject to certain exceptions, limit the Company's ability to, among other things, incur additional indebtedness, make certain investments and make certain restricted payments. The Company was in compliance with these covenants as of July 2, 2017. The 2016 Amended Credit Agreement is secured by substantially all of the assets of the Company and the Subsidiary Guarantors.

Future principal payments under the term loan are as follows: $7.2 million – fiscal 2018, $10.1 million – fiscal 2019, $12.9 million – fiscal 2020, $15.8 million - fiscal 2021, and $66.1 million thereafter.

Note 10. Fair Value Measurements

Cash and cash equivalents, trade and other receivables, accounts payable and accrued expenses are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments. Although no trading market exists, the Company believes that the carrying amount of its debt approximates fair value due to its variable nature. The Company's investments in non-marketable equity instruments of private companies are carried at cost and are periodically assessed for other-than-temporary impairment, when an event or circumstances indicate that an other-than-temporary decline in value may have occurred. The Company's remaining financial assets and liabilities are measured and recorded at fair value (see table below). The Company's non-financial assets, such as definite lived intangible assets and property, plant and equipment, are recorded at cost and are assessed for impairment when an event or circumstance indicates that an other-than-temporary decline in value may have occurred. Goodwill and indefinite lived intangibles are tested for impairment annually, or more frequently if events occur or circumstances change such that it is more likely than not that an impairment may exist, as required under the accounting standards.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observ able data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents by level, within the fair value hierarchy, financial assets and liabilities measured at fair value on a recurring basis:

		Fair Value Measurements Assets (Liabilities)		
	Carrying Value	Level 1	Level 2	Level 3
		(in thousands)		
Assets (liabilities) as of July 2, 2017:				
Trading securities held in a "rabbi trust" (1)	$6,916	$6,916	$ —	$ —
	$6,916	$6,916	$ —	$ —
Assets (liabilities) as of July 3, 2016:				
Trading securities held in a "rabbi trust" (1)	$4,852	$4,852	$ —	$ —
	$4,852	$4,852	$ —	$ —

(1) The Company has established a Non-qualified Deferred Compensation Plan for certain members of senior management. Deferred compensation plan assets are invested in mutual funds held in a "rabbi trust" which is restricted for payment to participants of the NQDC Plan. Trading securities held in a rabbi trust are measured using quoted market prices at the reporting date and are included in the "Other assets" line item, with the corresponding liability included in the "Other liabilities" line item in the consolidated balance sheets.

Note 11. Income Taxes

Significant components of the income tax provision are as follows:

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
		(in thousands)	
Current provision (benefit):			
Federal	**$11,859**	$15,876	$ 6,630
State	**1,758**	2,703	1,840
Foreign	**—**	—	(11)
Current income tax expense	**13,617**	18,579	8,459
Deferred provision (benefit):			
Federal	**(1,563)**	(2,949)	1,970
State	**(90)**	(7)	631
Foreign	**4**	(44)	(130)
Deferred income tax expense (benefit)	**(1,649)**	(3,000)	2,471
Income tax expense	**$11,968**	$15,579	$10,930

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

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
Tax at U.S. statutory rates	**35.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**2.3**	3.4	3.8
Valuation allowance change (*)	**14.9**	1.3	2.6
Foreign rate differences	**0.1**	(2.6)	1.1
Deductible stock-based compensation	**(1.6)**	(0.2)	(1.3)
Domestic production deduction	**(2.1)**	(2.6)	(2.2)
Tax credits	**(1.7)**	(4.2)	(3.9)
Tax effect of disposition (*)	**(25.3)**	—	—
Other, net	**(0.2)**	0.2	1.0
Effective tax rate	**21.4%**	30.3%	36.1%

(*) rate impact due to the disposition of Fannie May – see discussion below.

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 2, 2017	July 3, 2016
	(in thousands)	
Deferred income tax assets:		
Loss and credit carryforwards	**$ 12,717**	$ 6,901
Accrued expenses and reserves	**4,626**	7,267
Stock-based compensation	**2,565**	2,991
Deferred compensation	**1,950**	1,540
Gross deferred income tax assets	**21,858**	18,699
Less: Valuation allowance	**(11,772)**	(4,936)
Deferred tax assets, net	**10,086**	13,763
Deferred income tax liabilities:		
Other intangibles	**(20,537)**	(24,357)
Tax in excess of book depreciation	**(23,417)**	(24,923)
Deferred tax liabilities	**(43,954)**	(49,280)
Net deferred income tax liabilities	**$ (33,868)**	$(35,517)

A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The Company has established valuation allowances, primarily for net operating loss and capital loss carryforwards in federal, certain states, and for its Brazilian and Canadian subsidiaries. During fiscal 2017, the Company's valuation allowance increased primarily as a result of the disposition of Fannie May (see Note 4. above for details), which generated a federal capital loss carryforward of $23.6 million, partially offset by a write-off of tax attributes of foreign dissolved entities consisting mainly of net operating losses which previously had a full valuation allowance. The Company does not expect to utilize the capital loss carryforward prior to expiration and has therefore provided for a full valuation allowance. At July 2, 2017, the Company's total federal and state capital loss carryforwards were $23.7 million, which if not utilized, will expire in fiscal 2022. The Company's foreign net operating loss carryforwards were $2.4 million, which if not utilized, will begin to expire in fiscal 2034.

The Company files income tax returns in the U .S. federal jurisdiction, various state jurisdictions, and various foreign countries. The Company concluded its U.S. federal examination for fiscal 2014, however, fiscal years 2015 and 2016 remain subject to U.S. federal examination. Due to ongoing state examinations and nonconformity with the U.S. federal statute of limitations for assessment, certain states remain open from fiscal 2012. The Company commenced operations in foreign jurisdictions in 2012. The Company's foreign income tax filings are open for examination by its respective foreign tax authorities, mainly Canada and the United Kingdom.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. At July 2, 2017, the Company has an unrecognized tax benefit, including an immaterial amount of accrued interest and penalties, of approximately $0.4 million. During fiscal 2017, the unrecognized tax benefit decreased by $0.8 million as a result of federal and state tax settlements. The Company believes that no significant unrecognized tax positions will be resolved over the next twelve months.

Note 12. 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. During fiscal 2017 and fiscal 2016, 1,361,401 and 4,047,040 shares of Class B common stock, respectively, were converted into shares of Class A common stock.

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $25 million. The Company repurchased a total of $10.7 million (1,120,706 shares), $15.2 million (1,714,550 shares) and $8.4 million (1,056,038 shares) during the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, under this program. As of July 2, 2017, $17.2 million remains authorized under the plan. On August 30, 2017, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $30.0 million.

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 (as amended and restated as of October 22, 2009, as amended as of October 28, 2011 and September 14, 2016) (the "Plan"). The Plan is a broad-based, long-term incentive program that is intended to provide incentives to attract, retain and motivate employees, consultants and directors in order to achieve the Company's long-term growth and profitability objectives. 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").

Note 13. Stock Based Compensation

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"). At July 2, 2017, the Company has reserved approximately 6.2 million shares of common stock for issuance, including options previously authorized for issuance under the 1999 Stock Incentive Plan.

The amounts of stock-based compensation expense recognized within operating income (*) in the periods presented are as follows:

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
	(in thousands, except per share data)		
Stock options	**$ 446**	$ 432	$ 459
Restricted stock awards	**5,248**	5,911	5,503
Total	**5,694**	6,343	5,962
Deferred income tax benefit	**2,213**	1,987	2,087
Stock-based compensation expense, net	**$3,481**	$4,356	$3,875

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

	Years Ended		
	July 2, 2017(*)	July 3, 2016	June 28, 2015
	(in thousands)		
Marketing and sales	**$1,624**	$2,306	$1,866
Technology and development	**315**	493	392
General and administrative	**3,755**	3,544	3,704
Total	**$5,694**	$6,343	$5,962

Stock-based compensation expense has not been allocated between business segments, but is reflected as part of Corporate overhead. (Refer to Note 15. Business Segments).

(*) Excludes approximately $0.4mm of stock-based compensation expense recorded within the gain on the sale of Fannie May, resulting from the acceleration of vesting of shares for Fannie May personnel, upon completion of the disposition.

Stock Options

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 2, 2017 (1)	July 3, 2016 (1)	June 28, 2015
Weighted average fair value of options granted	**n/a**	n/a	$4.86
Expected volatility	**n/a**	n/a	52%
Expected life (in years)	**n/a**	n/a	7.3
Risk-free interest rate	**n/a**	n/a	1.9%
Expected dividend yield	**n/a**	n/a	0.0%

(1) No options were granted during the fiscal years ended July 2, 2017 and July 3, 2016.

The expected volatility of the option is determined using historical volatilities based on historical stock prices. The Company estimated the expected life of options granted based upon the historical weighted average. 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 2, 2017:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding beginning of period	2,182,234	$ 2.49		
Granted	—	$ —		
Exercised	(54,500)	$ 5.22		
Forfeited/Expired	—	—		
Outstanding end of period	2,127,734	$ 2.42	3.8 years	$15,608
Options vested or expected to vest at end of period	2,127,734	$ 2.42	3.8 years	$15,608
Exercisable at July 2, 2017	1,478,734	$ 2.38	3.7 years	$10,910

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 2017 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 2, 2017. 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 2, 2017, July 3, 2016 and June 28, 2015 was $0.5, $4.2 million and $3.6 million, respectively.

The following table summarizes information about stock options outstanding at July 2, 2017:

	Options Outstanding			Options Exercisable	
Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 1.79	1,000,000	3.3	$ 1.79	750,000	$ 1.79
$ 2.22 - 2.44	32,000	2.5	$ 2.43	32,000	$ 2.43
$ 2.63	1,010,000	4.3	$ 2.63	635,000	$ 2.63
$ 3.26 - 10.20	85,734	4.4	$ 7.31	61,734	$ 6.92
	2,127,734	3.8	$ 2.42	1,478,734	$ 2.38

As of July 2, 2017, the total future compensation cost related to non-vested options not yet recognized in the statement of operations was $0.8 million and the weighted average period over which these awards are expected to be recognized was 1.9 years.

Restricted Stock

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).

The following table summarizes the activity of non-vested restricted stock during the year ended July 2, 2017:

	Shares	Weighted Average Grant Date Fair Value
Non-vested – beginning of period	2,017,069	$ 6.78
Granted	819,406	$ 9.88
Vested	(965,429)	$ 6.90
Forfeited	(518,173)	$ 9.72
Non-vested - end of period	1,352,873	$ 7.44

The fair value of non-vested shares is determined based on the closing stock price on the grant date. As of July 2, 2017, there was $5.4 million of total unrecognized compensation cost related to non-vested restricted stock-based compensation to be recognized over a weighted-average period of 1.9 years.

Note 14. Employee Retirement Plans

The Company has a 401(k) Profit Sharing Plan covering substantially all of its eligible employees. All employees who have attained the age of 21 are eligible to participate upon completion of one month 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 suspended all contributions during fiscal years 2017, 2016 and 2015.

The Company also has a nonqualified supplemental deferred compensation plan for certain executives pursuant to Section 409A of the Internal Revenue Code. Participants can defer from 1% up to a maximum of 100% of salary and performance and non-performance based bonus. Up until December 31, 2016, the Company matched 50% of the deferrals made by each participant during the applicable period, up to a maximum of $2,500. Effective January 1, 2017, the Company suspended contributions. Employees are vested in the Company's contributions based upon years of participation in the plan. Distributions will be made to participants upon termination of employment or death in a lump sum, unless installments are selected. As of July 2, 2017 and July 3, 2016, these plan liabilities, which are included in "Other liabilities" within the Company's consolidated balance sheets, totaled $6.9 million and $4.9 million, respectively. The associated plan assets, which are subject to the claims of the creditors, are primarily invested in mutual funds and are included in "Other assets" within the Company's consolidated balance sheets. Company contributions during the years ended July 2, 2017, July 3, 2016 and June 28, 2015 were less than $0.1 million. Gains (losses) on these investments, were $1.0 million, ($0.1) million and $0.2 million for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, are included in "Other (income) expense, net," within the Company's consolidated statements of income.

Note 15. Business Segments

The Company's management reviews the results of the Company's operations by the following three business segments:

- 1-800-Flowers.com Consumer Floral,
- BloomNet Wire Service, and
- Gourmet Food and Gift Baskets

Segment performance is measured based on contribution margin, which includes only the direct controllable revenue and operating expenses of the segments. As such, management's measure of profitability for these segments does not include the effect of corporate overhead (see (a) below), nor does it include depreciation and amortization, other (income) expense, net and income taxes, or stock-based compensation which is included within corporate overhead. Assets and liabilities are reviewed at the consolidated level by management and not accounted for by segment.

Net Revenues

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
	(in thousands)		
Net revenues:			
1-800-Flowers.com Consumer Floral	**$ 437,132**	$ 418,492	$ 422,199
BloomNet Wire Service	**87,700**	85,483	85,968
Gourmet Food & Gift Baskets	**670,677**	670,453	613,953
Corporate	**1,102**	1,066	1,020
Intercompany eliminations	**(2,986)**	(2,470)	(1,634)
Total net revenues	**$1,193,625**	$1,173,024	$1,121,506

Operating Income from Continuing Operations

	Years Ended		
	July 2, 2017	July 3, 2016	June 28, 2015
	(in thousands)		
Segment Contribution Margin:			
1-800-Flowers.com Consumer Floral	**$51,860**	$ 50,773	$ 43,529
BloomNet Wire Service	**32,383**	30,629	29,398
Gourmet Food & Gift Baskets	**77,312**	79,398	74,889
Segment Contribution Margin Subtotal	**161,555**	160,800	147,816
Corporate (a)	**(81,820)**	(85,134)	(81,075)
Depreciation and amortization	**(33,376)**	(32,384)	(29,124)
Operating income	**$46,359**	$ 43,282	$ 37,617

(a) 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 segment.

Note 16. Commitments and Contingencies

Leases

The Company currently leases office, store facilities, and equipment under various leases through fiscal 2030. 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. These leases are classified as either capital leases, operating leases or subleases, as appropriate.

As of July 2, 2017 future minimum rental payments under non-cancelable operating leases with initial terms of one year or more consist of the following:

	Operating Leases
	(in thousands)
2018	$13,772
2019	11,683
2020	8,704
2021	7,776
2022	7,126
Thereafter	39,410
Total minimum lease payments	$88,471

At July 2, 2017, the total future minimum sublease rentals under non-cancelable operating sub-leases for land and buildings were $4.2 million. Rent expense was approximately $32.6 million, $34.3 million and $28.3 million for the years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively.

Other Commitments

The Company's purchase commitments consist primarily of inventory, equipment and technology (hardware and software) purchase orders made in the ordinary course of business, most of which have terms less than one year. As of July 2, 2017, the Company had fixed and determinable off-balance sheet purchase commitments with remaining terms in excess of one year of approximately $2.7 million, primarily related to the Company's technology infrastructure.

The Company had approximately $1.8 million in unused stand-by letters of credit as of July 2, 2017.

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.

Note 17. Fire at the Fannie May Warehouse and Distribution Facility

On November 27, 2014, a fire occurred at the Company's Maple Heights, Ohio warehouse and distribution facility. While the fire did not cause any injuries, the building was severely damaged, rendering it inoperable for the key calendar 2014 holiday season, and all Fannie May and Harry London confections in the facility were destroyed. As a result, the Company had limited supplies of its Fannie May Fine Chocolates and Harry London Chocolates products available in its retail stores as well as for its ecommerce and wholesale channels during the 2014 holiday season. While the Company implemented contingency plans to increase production for Fannie May Fine Chocolates and Harry London Chocolates products at its production facility in Canton, Ohio and to shift warehousing and distribution operations to alternate Company facilities, product availability was severely limited, impacting revenue and earnings during the fiscal second and third quarters of fiscal 2015.

The following table reflects the costs related to the fire and the insurance recovery and associated gain as of July 3, 2016:

	Fire-related Insurance Recovery
	(in thousands)
Loss on inventory	$ 29,587
Other fire related costs	5,802
Total fire related costs	35,389
Less: fire related insurance recoveries	(55,000)
Fire related gain	$ (19,611)

During the three months ended September 27, 2015, the Company and its insurance carrier reached final agreement, and during the three months ended December 27, 2015, the Company received all remaining proceeds from its Fannie May fire claim. The agreement, in the amount of $55.0 million, provided for: (i) recovery of raw materials and work-in-process at replacement cost, and finished goods at selling price, less costs to complete the sale and normal discounts and other charges, as well as (ii) other incremental fire-related costs. The cost of inventory lost in the fire was approximately $29.6 million, while other fire-related costs amounted to approximately $5.8 million, including incremental contracted lease and cold storage fees which were incurred by the Company until the move back into its leased facility once the landlord completed repairs, during the Company's third quarter of fiscal 2016. The resulting gain of $19.6 million is included in "Other (income) expense, net" in the consolidated statements of income for the year ended July 3, 2016.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-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 ("U.S. GAAP"), 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 U.S. GAAP, and that receipts and expenditures of the Company are being made 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. 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, including the Company's Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of July 2, 2017..

The Company's independent registered public accounting firm, BDO USA, LLP, audited the effectiveness of the Company's internal control over financial reporting as of July 2, 2017. BDO USA, LLP's report on the effectiveness of the Company's internal control over financial reporting as of July 2, 2017 is set forth below.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-Flowers.com, Inc.
Carle Place, NY

We have audited 1-800-Flowers.com, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of July 2, 2017, based on criteria established in Internal Control – Integrated Framework (2013) 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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 2, 2017, 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 2, 2017 and July 3, 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 2, 2017, and our report dated September 15, 2017 expressed an unqualified opinion thereon.

BDO USA, LLP
Melville, New York
September 15, 2017

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
1-800-FLOWERS.COM, Inc.
Carle Place, NY

We have audited the accompanying consolidated balance sheets of 1-800-FLOWERS.COM, Inc. and Subsidiaries as of July 2, 2017 and July 3, 2016 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 2, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of 1-800-FLOWERS.COM, Inc. and Subsidiaries at July 2, 2017 and July 3, 2016, and the results of their operations and their cash flows for each of the three years in the period ended July 2, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), 1-800-FLOWERS.COM, Inc. and Subsidiaries internal control over financial reporting as of July 2, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated September 15, 2017 expressed an unqualified opinion thereon.

BDO USA, LLP
Melville, New York
September 15, 2017

Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

1-800-FLOWERS.COM's Class A common stock trades on The NASDAQ Global Select 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 2, 2017 and July 3, 2016.

	High	Low
Year ended July 2, 2017		
July 4, 2016 – October 2, 2016	$ 9.99	$ 8.78
October 3, 2016 – January 1, 2017	$11.40	$ 8.06
January 2, 2017 – April 2, 2017	$11.05	$ 8.67
April 3, 2017 – July 2, 2017	$11.30	$ 9.38
Year ended July 3, 2016		
June 29, 2015 – September 27, 2015	$10.90	$ 7.92
September 28, 2015 – December 27, 2015	$10.88	$ 6.80
December 28, 2015 – March 27, 2016	$ 8.42	$ 6.11
March 28, 2016 – July 3, 2016	$ 8.38	$ 6.74

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. During fiscal 2017 and fiscal 2016, 1,361,401 and 4,047,040 shares of Class B common stock, respectively, were converted into shares of Class A common stock.

Holders

As of September 5, 2017, there were approximately 255 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, 2017, there were approximately 8 stockholders of record of the Company's Class B common stock.

Dividend Policy

The Company has never declared or paid any cash dividends on its Class A or Class B common stock. 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.

Purchases of Equity Securities by the Issuer

The Company has a stock repurchase plan through which purchases can be made from time to time in the open market and through privately negotiated transactions, subject to general market conditions. The repurchase program is financed utilizing available cash. In October 2016, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $25 million. The Company repurchased a total of $10.7 million (1,120,706 shares), $15.2 million (1,714,550 shares) and $8.4 million (1,056,038 shares) during the fiscal years ended July 2, 2017, July 3, 2016 and June 28, 2015, respectively, under this program. As of July 2, 2017, $17.2 million remained authorized under the plan.

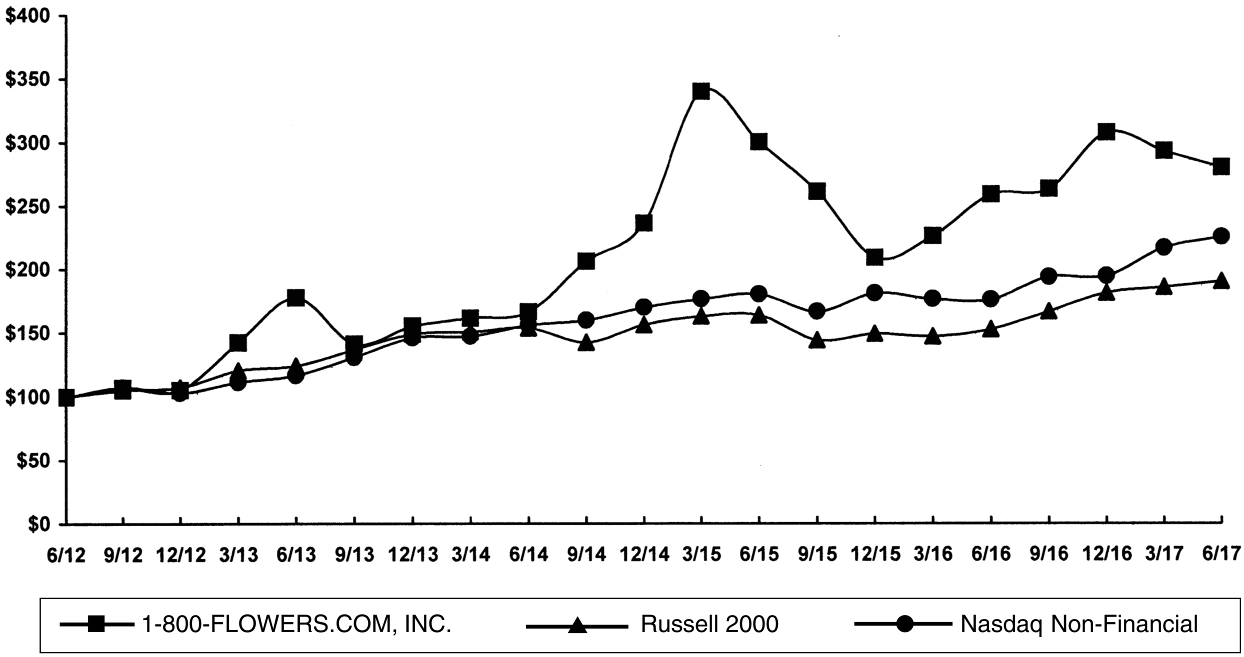
The following table sets forth, for the months indicated, the Company's purchase of common stock during the fiscal year ended July 2, 2017, which includes the period July 4, 2016 through July 2, 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	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) (2)
	(in thousands, except average price paid per share)			
07/04/16 - 07/31/16	95.0	$ 9.31	95.0	$11,161
08/01/16 - 08/28/16	100.0	$ 9.31	100.0	$10,227
08/29/16 - 10/02/16	123.6	$ 9.21	123.6	$ 9,085
10/03/16 - 10/30/16	119.3	$ 9.33	119.3	$23,883
10/31/16 - 11/27/16	286.9	$ 9.41	286.9	$21,184
11/28/16 - 01/01/17	4.1	$10.48	4.1	$21,141
01/02/17 - 01/29/17	59.5	$10.11	59.5	$20,538
01/30/17 - 02/26/17	90.3	$ 9.43	90.3	$19,686
02/27/17 - 04/02/17	—	—	—	$19,656
04/03/17 - 04/30/17	—	—	—	$19,656
05/01/17 - 05/28/17	92.4	$10.50	92.4	$18,713
05/29/17 - 07/02/17	149.6	$ 9.89	149.6	$17,229
Total	1,120.7	$ 9.56	1,120.7	

(1) Average price per share excludes commissions and other transaction fees.
(2) On August 30, 2017, the Company's Board of Directors authorized an increase to its stock repurchase plan of up to $30.0 million.

*Comparison of 5 Year Cumulative Total Return**

Among 1-800-Flowers.com, Inc., the Russell 2000 Index
and the NASDAQ Non-Financial Index



*$100 invested on 6/30/12 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

1·800·FLOWERS.COM, INC.

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Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent the Company's current expectations or beliefs concerning future events and can generally be identified by the use of statements that include words such as "estimate," "expects," "project," "believe," "anticipate," "intend," "plan," "foresee," "likely," "will," or similar words or phrases. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, which could cause actual results to differ materially from the results expressed or implied in the forward-looking statements, including, among others: the Company's ability to achieve its guidance for revenue, EBITDA and EPS; its ability to manage the significant seasonality of its business; its ability to integrate the operations of acquired companies; its ability to cost effectively acquire and retain customers; the outcome of contingencies, including legal proceedings in the normal course of business; its ability to compete against existing and new competitors; its ability to manage expenses associated with sales and marketing and necessary general and administrative and technology investments and general consumer sentiment and economic conditions that may affect levels of discretionary customer purchases of the Company's products. The Company undertakes no obligation to publicly update any of the forward-looking statements, whether as a result of new information, future events or otherwise, made in this annual report or in any of its SEC filings except as may be otherwise stated by the Company. For a more detailed description of these and other risk factors, and a list of definitions of non-GAAP terms, please refer to the Company's SEC filings including the Company's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q. Consequently, you should not consider any such list to be a complete set of all potential risks and uncertainties.

Stock Exchange Listing

NASDAQ Global Select Market
Ticker Symbol: FLWS

Transfer Agent and Registrar

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6201 15th Avenue
Brooklyn, New York 11219
(718) 921-8200

Independent Auditors

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401 Broadhollow Road
Suite 201
Melville, NY 11747
(631) 501-9600

SEC Counsel

Cahill Gordon and Reindel LLP
80 Pine Street
New York, NY 10005
(212) 701-3000

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, Inc. may be obtained by visiting the Investor Relations section at www.1800flowersinc.com, by calling 516-237-6113, or by writing to:

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