

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended: October 3, 1999, Commission File No. 0-7647

HAWKINS CHEMICAL, INC.

(Exact Name of Registrant as specified in its Charter)

MINNESOTA

41-0771293

(State of Incorporation)

(I.R.S. Employer Identification No.)

3100 East Hennepin Avenue, Minneapolis, Minnesota

55413

(Address of Principal Executive Offices)

(Zip Code)

(612) 331-6910

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act: COMMON STOCK, PER
VALUE \$.05 PER SHARE

Indicate by check mark whether the Registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding twelve months (or for such shorter period that the Registrant was
required to file such reports) and (2) has been subject to such filing
requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K [X]

The aggregate market value of voting stock held by nonaffiliates of the
Registrant on December 1, 1999, was \$64,804,532 (based upon the last reported
sale price on that date as reported by The Nasdaq Stock Market), excluding all
shares held by officers and directors of the Registrant and by the Trustees of
the Registrant's Employee Stock Ownership Plan. The number of shares outstanding
of the Registrant's common stock on December 1, 1999 was 10,866,481.

DOCUMENTS INCORPORATED BY REFERENCE

Part II of this Annual Report on Form 10-K incorporates by reference
information (to the extent specific pages are referred to herein from the
Registrant's Annual Report to Shareholders for the year ended October 3, 1999.
Part III of this Annual Report on Form 10-K incorporates by reference
information (to the extent specific sections are referred to herein) from the
Registrant's Proxy Statement for its 2000 Annual Meeting of Shareholders to be
held February 16, 2000.

CAUTIONARY STATEMENT REGARDING
FUTURE RESULTS AND FORWARD-LOOKING STATEMENTS

THE FUTURE RESULTS OF THE REGISTRANT, INCLUDING RESULTS REFLECTED IN
ANY FORWARD-LOOKING STATEMENT MADE BY OR ON BEHALF OF THE REGISTRANT, WILL BE
IMPACTED BY A NUMBER OF IMPORTANT FACTORS. WORDS SUCH AS "MAY," "WILL,"
"EXPECT," "BELIEVE," "ANTICIPATE," "ESTIMATE," OR "CONTINUE" OR COMPARABLE
TERMINOLOGY ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING

STATEMENTS, BY THEIR NATURE, INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES.

PART I

ITEM 1. BUSINESS.

(a) GENERAL DEVELOPMENT OF THE BUSINESS. The Registrant was incorporated under the laws of the State of Minnesota in 1955. In fiscal 1998, the Registrant merged three of its former subsidiaries, Feed-Rite Controls, Inc., Mon-Dak Chemical, Inc., Dakota Chemical, Inc. and its Arrowhead Chemical Division together to form a single wholly-owned subsidiary known as Hawkins Water Treatment Group, Inc. ("HWTG"). In fiscal 1999, the Registrant merged HWTG into the Registrant.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS. The Registrant's principal business is the formulation, blending and distribution of bulk specialty chemicals, which it conducts in two principal segments: Water Treatment and Industrial. Financial information regarding these segments is reported in the Registrant's audited financial statements. See Items 6, 7 and 14 below.

(c) NARRATIVE DESCRIPTION OF THE BUSINESS.

(i) PRODUCTS AND MARKETS. The Registrant's business is conducted in its two segments, Water Treatment and Industrial, which are more fully described below:

(A) WATER TREATMENT. The Water Treatment segment specializes in providing water and waste-water treatment equipment and chemicals, as well as services relating to the testing of water samples in Minnesota, Wisconsin, Iowa, North Dakota, South Dakota, Nebraska, Michigan and Wyoming. It also operates as a distributor of all of the Registrant's products to its customers.

(B) INDUSTRIAL. The Industrial segment specializes in providing industrial chemicals and services to the energy, electronics and plating industries. In addition, the Industrial segment provides products and services to food manufacturers and processing plants. The Industrial segment also distributes a variety of pharmaceutical products and sells certain food grade products, primarily the Cheese-Phos(R) liquid phosphate product (discussed more fully in paragraph (iv) below), none of which are material to the Registrant. This segment conducts its business primarily through terminal operations and sales.

-2-

TERMINAL OPERATIONS. The Industrial segment receives, stores and distributes various chemicals in bulk, including liquid caustic soda, phosphoric acid and aqua ammonia; manufactures sodium hypochlorite (bleach); repackages liquid chlorine; and performs custom blending of certain chemicals for customers according to customer formulas. Approximately 80% of the terminal operations business is related to liquid caustic soda. The Industrial segment also operates a liquid caustic soda barge terminal to receive shipments during the period the Mississippi River is open to barge traffic (approximately April 1 through November 15). During the remainder of the year the Registrant relies on stockpiles, as well as supplies shipped in by railroad tank car. Pursuant to operating agreements it has with other chemical companies, the Registrant also receives, stores and ships liquid caustic soda and other chemicals at both the Hawkins "Terminal 1" location and its "Terminal 2" site which is located across the river and downstream from Terminal 1.

Since 1963, flooding of the Mississippi River has required these operations to be temporarily shifted out of its buildings three times, the most recent being in April 1997. No substantial interruptions to sales resulted from the floods because railroad tank cars were successfully used as an alternative means of supply. Although the use of tank cars resulted in additional costs, results of operations were not materially impacted. For approximately two weeks in 1997, the areas around the Registrant's terminal operations were

flooded, preventing shipments to and from these locations. The terminals themselves were not flooded as the facilities were adequately protected by dikes. All shipments were made from alternate locations. The additional costs incurred as a result of the flooding did not materially impact the Registrant's results of operations for fiscal 1997. No assurance can be given that flooding will not recur or that there will not be material damage or interruption to the business of the Registrant in the future.

SALES. The Industrial segment also includes a sales distribution center for industrial chemicals, laboratory chemicals and laboratory supplies. Bulk industrial chemicals are generally repackaged and sold in smaller quantities to the Registrant's customers. Sales are concentrated primarily in Wisconsin, Minnesota, northern Iowa and North and South Dakota. Among the principal chemicals handled by Sales are water purification and pollution control chemicals (such as chlorine) and industrial chemicals (such as anhydrous ammonia, aluminum sulphate, hydrofluosilicic acid, soda ash, phosphates, muriatic acid, aqua ammonia, sulfuric acid and liquid caustic soda). It also specializes in sales to the plating and electronic industries, for which it relies on a specially trained sales staff that works directly with customers on their plating and other processes. This aspect of its operations commenced in 1993 when the Registrant acquired the assets of Industrial Chemical & Equipment Co.

(ii) STATUS OF NEW PRODUCTS. The Registrant began shipping its Cheese-Phos(R) liquid phosphate product (discussed more fully in paragraph (iv) below) in late calendar 1995. Sales of this product through fiscal 1999 were not material to the Registrant's results of operations for the period.

(iii) RAW MATERIALS. The Registrant has approximately 450 suppliers, including many of the major chemical producers in the United States, of which approximately 20 account for a majority of the purchases made by the Registrant. The Registrant typically has written distributorship agreements or supply contracts with its suppliers that are renewed from time to time. Although there

-3-

is no assurance that any contract or understanding with any supplier will not be terminated in the foreseeable future, most of the basic chemicals purchased by the Registrant can be obtained from alternative sources should existing relationships be terminated.

(iv) PATENTS, TRADEMARKS, LICENSES, FRANCHISES, AND CONCESSIONS. There are no patents, trademarks, licenses, franchises or concessions that are currently material to the successful operation of the Registrant's business. The Registrant has, however, obtained a patent on a liquid form of sodium phosphate for use in the processed food industry, as described below; the patent was granted on October 17, 1995 and will expire on November 8, 2013.

Process cheese producers are increasingly moving away from dry forms of sodium ortho phosphates to liquid versions. The advantages of the liquid form include delivery by pumping, greater measurement accuracy and consistency in finished product and the elimination of undissolved chemical dust and the disposal of empty chemical bags. The major drawback of the liquid sodium phosphates currently being used in the cheese processing industry is that it must be stored at between 130 and 160 degrees Fahrenheit to prevent crystallization. Expensive heat storage and steam heated piping is necessary to maintain required temperatures. Back-up generators must also be installed as safeguards against product cooling and solidifying in case of a plant power outage.

The Registrant's patented Cheese-Phos(R) liquid sodium phosphate, which can be stored at room temperature, offers all the advantages of a liquid sodium phosphate product, but eliminates the need for high-heat delivery systems. Although it is not currently possible to project the effect of Cheese-Phos(R) on the Registrant's results of operations for future periods, the Registrant does not currently expect this product to add materially to the Registrant's revenues and profits.

(v) SEASONAL ASPECTS. The sale of water treatment chemicals used in municipal water treatment facilities tends to reach a higher level during the

summer months, which are part of the Registrant's third and fourth fiscal quarters.

(vi) WORKING CAPITAL ITEMS. As a bulk distributor of chemicals, the Registrant is required to carry significant amounts of inventory to meet rapid delivery requirements of customers. Working capital requirements vary on a seasonal basis as a result of the seasonality of the water treatment business.

(vii) DEPENDENCE ON LIMITED NUMBER OF CUSTOMERS. No one customer represents more than approximately four percent of the Registrant's sales, but the loss of its four largest customers could have a material adverse effect on the Registrant's results of operations.

(viii) BACKLOG. Backlog is not material to an understanding of the Registrant's business.

(ix) GOVERNMENT CONTRACTS. No material portion of the Registrant's business is subject to renegotiation of profits or termination of contracts at the election of any state or federal governmental subdivision or agency.

(x) COMPETITIVE CONDITIONS. The Registrant operates in a competitive industry and competes with producers, distributors and sales agents offering chemicals equivalent to all of the products handled by the Registrant. Many such producers and distributors have substantially more

-4-

business and are substantially larger than the Registrant. No one competitor, however, is dominant in Registrant's market. Price and service are the principal methods of competition in the industry.

(xi) RESEARCH AND DEVELOPMENT. The Registrant does not have a formal research and development function; employees are assigned to research and development projects as the need arises. During the past fiscal year, expenditures for research and development were negligible and not material to Registrant's business.

(xii) ENVIRONMENTAL MATTERS. The Registrant is primarily a compounder and distributor, rather than a manufacturer, of chemical products. As such, compliance with current federal, state and local provisions regarding discharge of materials into the environment, or otherwise relating to the protection of the environment, is not anticipated to have any material effect upon the capital expenditures, earnings or competitive position of the Registrant. The Registrant does not currently anticipate making any material capital expenditures for environmental control facilities during fiscal 1999.

(xiii) EMPLOYEES. The number of persons employed by the Registrant and its subsidiaries as of October 3, 1999 was 157.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES. Because the Registrant deals in only one geographic area of the United States, a breakdown of revenue, profitability or assets attributable to different geographic areas is not meaningful to an understanding of Registrant's business.

ITEM 2. PROPERTIES.

The Registrant's principal location consists of approximately eleven acres of land in Minneapolis, Minnesota, with six buildings containing a total of 160,000 square feet of office and warehouse space. The Registrant's principal office, out of which the Sales segment operates, is located in one of these buildings, at 3100 East Hennepin Avenue. The other buildings house the rest of the Registrant's operations. As of the date hereof, the Registrant has installed sprinkler systems in substantially all of its warehouse facilities for fire protection. The Registrant carries insurance covering the replacement of property damaged by fire or flood.

The Registrant is in the process of building a new facility in St. Paul, Minnesota. To date it has committed \$4,000,000 to the completion of the project, which is expected to be in the fall of 2000. It is anticipated that this facility will become the focal point for the Registrant's water disinfection product receiving, filling and shipping.

Information about the Registrant's other principal facilities is presented below. These facilities, as well as those described above, are adequate and suitable for the purposes they serve. Unless noted, each facility is owned and is fully utilized by the Registrant.

Segment -----	Location -----	Primary Use -----	Approx. Square Feet -----
Industrial	St. Paul, MN(1)	Office, Warehouse and Garage	32,000
Water Treatment	Fargo, ND(2)	Office and Warehouse	22,800

-5-

Fond du Lac, WI(3)	Warehouse	20,300
Washburn, ND	Office and Warehouse	14,000
Billings, MT	Office and Warehouse	6,000
Sioux Falls, SD(4)	Warehouse	18,000
Rapid City, SD	Warehouse	3,600
Superior, WI	Office and Warehouse	17,000
Slater, IA	Warehouse	8,700

(1) The Registrant's terminal operations are located at two sites on opposite sides of the Mississippi River, made up of three buildings, nine outside storage tanks with a total capacity of approximately 8,900,000 gallons for the storage of liquid caustic soda, as well as numerous smaller tanks for storing and mixing chemicals. The land is leased by the Registrant from the Port Authority of the City of St. Paul, Minnesota for a basic rent plus an amount based on the tonnage unloaded at both sites each year. The applicable leases run until December 31, 2003, at which time the Registrant has an option to renew the leases for an additional five-year period on the same terms and conditions subject to renegotiation of rent. The Registrant also has options to renew these leases for additional successive five-year renewal periods (extending until 2018) for which the rent may be adjusted pursuant to the rental renegotiation provisions contained in the leases.

(2) Part of this facility is leased to a third party (5,000 square feet).

(3) Part of this facility is leased to third parties (10,000 square feet).

(4) Part of this facility is leased to a third party (6,000 square feet).

The Registrant also owns several trucks, tractors, trailers and vans.

ITEM 3. LEGAL PROCEEDINGS.

As of the date of this filing, the Registrant is not involved in any pending legal proceeding other than ordinary routine litigation incidental to their business, except as follows:

LYNDE COMPANY WAREHOUSE FIRE. On March 1, 1995, the Registrant and its former subsidiary The Lynde Company were named as defendants in an action entitled DONNA M. COOKSEY, ET AL. V. HAWKINS CHEMICAL, INC. AND THE LYNDE COMPANY ("Cooksey"), which was brought in state district court in Hennepin County, Minnesota. The plaintiffs sought damages for personal injury and other damages alleged to have been caused by the release of hazardous substances as a result of a fire at an office/warehouse facility used by The Lynde Company. The Registrant entered into a settlement agreement with the plaintiffs, pursuant to which the Registrant has agreed to pay certain of the plaintiffs' costs

and expenses as well as certain compensation to the class pursuant to a Matrix and Plan of Distribution which form a part of the settlement agreement (the "Settlement Agreement"). The Settlement Agreement was approved by the court by Order dated January 30, 1998. Most, but not all, claimants, have now been paid pursuant to the Agreement. During fiscal 1995, the Registrant

-6-

recorded \$750,000 to cover expected legal and settlement costs for this litigation and an additional \$1,771,439 in fiscal 1997 and paid an additional \$300,000 for other fire-related costs.

The Registrant's primary and umbrella insurers denied a tender of the defense of the lawsuit and had denied any obligation to indemnify the Registrant for damages claimed by third parties in connection with the fire. On July 7, 1995, the Registrant commenced suits against The North River Insurance Company and the Westchester Fire Insurance Company, the primary and umbrella insurers, respectively, in the United States District Court for the District of Minnesota. By decision dated October 21, 1998, the United States Eighth Circuit Court of Appeals affirmed decisions of the District Court that both insurers were obligated to defend the Registrant in connection with the Cooksey lawsuit. The two insurers have subsequently settled with the Registrant by reimbursing the Registrant for substantially all amounts incurred in defending and settling the Cooksey action, in an amount of \$2,851,708.

Approximately 17 claimants under the Settlement Agreement have not yet resolved their claims. The Registrant anticipates that the defense and payment of those remaining claims, which are subject to arbitration, will be covered by its umbrella insurer.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders during the fourth quarter of fiscal 1999.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT.

The executive officers of the Registrant, their ages and offices held, as of December 15, 1999 are set forth below:

Name ----	Age ---	Office -----
Dean L. Hahn	66	Chairman of the Board and Chief Executive Officer(1)
Donald L. Shipp	64	Vice Chairman of the Board(2)
John R. Hawkins	48	President and Chief Operating Officer(3)
Marvin E. Dee	50	Vice President, Chief Financial Officer, Secretary and Treasurer
Kurt R. Norman	44	Vice President(4)

- (1) Mr. Hahn will retire as Chairman and CEO effective February 16, 2000.
- (2) Mr. Shipp will retire as Vice Chairman effective September 30, 2000.
- (3) Mr. Hawkins has been elected Chairman and CEO effective February 16, 2000.
- (4) Mr. Norman has been elected President and COO effective February 16, 2000.

DEAN L. HAHN has been the Chairman of the Board and Chief Executive Officer of the Registrant since 1996 and he was the President of the Registrant from 1983 to 1996.

DONALD L. SHIPP has been the Vice Chairman of the Board since December

1998. He was the President of the Registrant from 1996 to December 1998, Executive Vice President from 1983

-7-

to 1996 and the President of Feed-Rite Controls, Inc., a former subsidiary of the Registrant, from 1967 to 1996.

JOHN R. HAWKINS has been the Registrant's President and Chief Operating Officer since December 1998 and was its Secretary from 1991 to December 1999. He was an Executive Vice President from 1997 to December 1998 and Vice President of Sales from 1987 to 1997.

MARVIN E. DEE has been Vice President and Chief Financial Officer since September 1999 and its Secretary and Treasurer since December 1999. He was the Chief Financial Officer of Nath Companies from 1997 to September 1999, the Vice President of Finance and Treasurer of Tricord Systems, Inc. from 1993 to 1997 and Senior Director of Accounting of NordicTrack, Inc. in 1993 and the Controller of NordicTrack from 1991 to 1992.

KURT R. NORMAN has been a Vice President of the Registrant since February 1999. He was the Vice President of the Water Treatment segment from 1996 to February 1999 and he was General Manager from 1988 to 1996.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The information under the caption "Quarterly Stock Data" on page 19 of the 1999 Annual Report is incorporated herein by this reference.

ITEM 6. SELECTED FINANCIAL DATA.

The information under the caption "Selected Financial Data Table" on page 4 of the 1999 Annual Report is incorporated herein by this reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information under the caption "Management's Discussion and Analysis" on pages 5 through 9 of the 1999 Annual Report is incorporated herein by this reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

The information under the caption "Management's Discussion and Analysis" on pages 5 through 9 of the 1999 Annual Report is incorporated herein by this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Financial Statements of the Registrant and the Independent Auditors' Report on pages 10 through 19 of the 1999 Annual Report are incorporated herein by this reference.

-8-

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

No changes in accountants or disagreements between the Registrant and its accountants regarding accounting principles or financial statement disclosure have occurred during the Registrant's two most recent fiscal years or any subsequent interim period.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the 2000 Proxy Statement is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information under the caption "Compensation of Executive Officers and Directors" in the 2000 Proxy Statement is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information under the caption "Security Ownership of Management and Beneficial Ownership" in the 2000 Proxy Statement is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information under the captions "Election of Directors" and "Related Party Transactions" in the 2000 Proxy Statement is incorporated herein by this reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) FINANCIAL STATEMENTS OF REGISTRANT.

The following financial statements of Hawkins Chemical, Inc., together with the Independent Auditors' Report, found under appropriate headings in the Registrant's 1999 Annual Report, are hereby incorporated by reference in this Annual Report on Form 10-K.

Balance Sheets at October 3, 1999 and September 27, 1998.

Statements of Income for the Years Ended October 3, 1999, September 27, 1998 and September 28, 1997.

-9-

Statements of Shareholders' Equity for the Years Ended October 3, 1999, September 27, 1998 and September 28, 1997.

Statements of Cash Flows for the Years Ended October 3, 1999, September 27, 1998 and September 28, 1997.

Notes to Financial Statements.

Independent Auditors' Report.

(a) (2) FINANCIAL STATEMENT SCHEDULES OF REGISTRANT.

The additional financial data listed below is included as a schedule to this Annual Report on Form 10-K and should be read in conjunction with the financial statements presented in Part II, Item 8. Schedules not included with this additional financial data have been omitted because they are not required or the required information is included in the financial statements or the notes.

Independent Auditors' Report on Schedule.

Schedule for the Years Ended October 3, 1999, September 27, 1998 and September 28, 1997.

Schedule II - Valuation and Qualifying Accounts.

(a) (3) EXHIBITS.

The exhibits to this Annual Report on Form 10-K are listed on the Exhibit Index on page 14.

A copy of any of the exhibits listed or referred to above will be furnished at a reasonable cost to any person who was a shareholder of the Registrant as of December 30, 1999 upon receipt from any such person of a written request for any such exhibit. Such request should be sent to Hawkins Chemical, Inc., 3100 East Hennepin Avenue, Minneapolis, Minnesota, 55413, Attention: Corporate Secretary.

There are no management contracts or compensatory plans or arrangements required to be filed as an exhibit to this Annual Report on Form 10-K pursuant to Item 14(a)(3).

(b) REPORTS ON FORM 8-K.

None.

-10-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned.

HAWKINS CHEMICAL, INC.

Dated: December 30, 1999

By /s/ Dean L. Hahn

Dean L. Hahn, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has also been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By /s/ Dean L. Hahn Dated: December 30, 1999

Dean L. Hahn, Chief Executive Officer, Director

By /s/ Donald L. Shipp Dated: December 30, 1999

Donald L. Shipp, Director

By /s/ John R. Hawkins Dated: December 30, 1999

John R. Hawkins, President, Director

By /s/ Howard M. Hawkins Dated: December 30, 1999

Howard M. Hawkins, Director

By /s/ John S. McKeon Dated: December 30, 1999

John S. McKeon, Director

By /s/ Duane M. Jergenson Dated: December 30, 1999

Duane M. Jergenson, Director

By /s/ G. Robert Gey Dated: December 30, 1999

G. Robert Gey, Director

By /s/ Marvin E. Dee Dated: December 30, 1999

Marvin Dee, Chief Financial Officer,
Vice President, Secretary, Treasurer
(chief financial and accounting officer)

INDEPENDENT AUDITORS' REPORT ON SCHEDULE

We have audited the financial statements of Hawkins Chemical, Inc. (the "Company") as of October 3, 1999 and September 27, 1998, and for each of the three years in the period ended October 3, 1999, and have issued our report thereon dated December 3, 1999; such financial statements and report are included in the 1999 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the financial statement schedule of the Company, listed in Item 14(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, this financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
 Minneapolis, Minnesota
 December 3, 1999

SCHEDULE II

HAWKINS CHEMICAL, INC.

VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED OCTOBER 3, 1999, SEPTEMBER 27, 1998 AND SEPTEMBER 28, 1997

DESCRIPTION -----	BALANCE AT BEGINNING OF YEAR	ADDITIONS -----		DEDUCTIONS WRITE-OFFS	BALANCE AT END OF YEAR
		CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS		
Reserve deducted from asset to which it applies - allowance for doubtful accounts:					
YEAR ENDED:					
October 3, 1999.....	\$378,726	\$131,771	---	\$130,497	\$380,000
	-----	-----		-----	-----
YEAR ENDED:					
September 27, 1998.....	\$361,830	\$32,700	---	\$15,804	\$378,726
	-----	-----		-----	-----
YEAR ENDED:					
September 28, 1997.....	\$344,002	\$31,200	---	\$13,372	\$361,830
	-----	-----		-----	-----

INDEX TO EXHIBITS

Exhibit No. -----	Description of Exhibit -----	Method of Filing -----
3.1*	Amended and Second Restated Articles of Incorporation as amended through June 7, 1999.	Filed herewith electronically.
3.2	Second Amended and Superseding By-Laws	Incorporated by reference to

as amended through February 15, 1995.

Exhibit 3.2 to the Registrant's
Annual Report on Form 10-K
for the year ended October 1,
1995.

4	See Exhibits 3.1 and 3.2 above.	
13.1*	Portions of Annual Report to Security Holders for period ended October 3, 1999.	Filed herewith electronically.
23.1*	Independent Auditor' Consent.	Filed herewith electronically.
27.1*	Financial Data Schedule.	Filed herewith electronically.

* Denotes previously unfiled documents.

AMENDED AND SECOND RESTATED
ARTICLES OF INCORPORATION
OF
HAWKINS CHEMICAL, INC.
ADOPTED ON FEBRUARY 17, 1983

As Amended through June 7, 1999
(All such Amendments are specifically identified)

ARTICLE I

The name of this Corporation is HAWKINS CHEMICAL, INC.

ARTICLE II

The duration of this Corporation shall be perpetual.

ARTICLE III

The purposes for which this Corporation is organized are as follows:

- a. General business purposes.
- b. To do everything necessary, proper, advisable and convenient for the accomplishment of the purposes hereinabove set forth, and to do all other things incidental thereto or connected therewith, which are not forbidden by the laws under which this Corporation is organized, by other laws, or by these Articles of Incorporation.
- c. To carry out the purposes hereinabove set forth in any state, territory, district or possession of the United States, or in any foreign country, to the extent that such purposes are not forbidden by the laws thereof; and, in the case of any state, territory, district or possession of the United States, or any foreign country, in which one or more of such purposes are forbidden by law, to limit, in any certificate for application to do business, the purpose or purposes which the Corporation proposes to carry on therein to such as are not forbidden by the law thereof.

ARTICLE IV

This Corporation shall have all the powers granted to private corporations organized for profit by said Minnesota Business Corporation Act, and, in furtherance, and not in limitation, of

the powers conferred by the laws of the State of Minnesota upon corporations organized for the foregoing purposes, the Corporation shall have the power:

- a. To issue bonds, debentures or other obligations of the Corporation, to guaranty obligations of others and to contract indebtedness without limit as to amount for any of the objects and purposes of the Corporation, and to secure the same by mortgage or mortgages, deed or deeds of trust, or pledge, or lien, on any or all of the real or personal property, or both, of the Corporation.
- b. To acquire, hold, mortgage, pledge or dispose of the shares, bonds, securities or other evidences of indebtedness of the United States of America, or of any domestic or foreign corporation, and while the holder of such shares, to exercise all the privileges of ownership, including the right to vote thereon, to the same extent as a natural person might or could do, by the president of this Corporation or by proxy appointed by him, unless some other person, by resolution of the Board of Directors, shall be appointed to vote such shares.

- c. To purchase or otherwise acquire on such terms and in such manner as the By-Laws of this Corporation from time to time provide, and to own and hold, shares of the capital stock of this Corporation, and to reissue the same from time to time.
- d. When and as authorized by the vote of the holders of not less than a majority of the shares entitled to vote, at a shareholders' meeting called for that purpose or when authorized upon written consent of the holders of a majority of such shares, to sell, lease, exchange or otherwise dispose of all, or substantially all, of its property and assets, including its good will, upon such terms and for such considerations, which may be money, shares, bonds, or other instruments for the payment of money or other property, as the Board of Directors deems expedient or advisable.
- e. To acquire, hold, lease, encumber, convey, or otherwise dispose of, either alone or in conjunction with others, real and personal property within or without the state; and to take real and personal property by will or gift.
- f. To acquire, hold, take over as a going concern and thereafter to carry on, mortgage, sell or otherwise dispose of, either alone or in conjunction with others, the rights, property and business of any person, entity, partnership, association, or corporation heretofore or hereafter engaged in any business, the purpose of which is similar to the purposes set forth in Article III of these Articles of Incorporation.
- g. To enter into any lawful arrangement for sharing of profits, union of interest, reciprocal association, or cooperative association with any corporation, association, partnership, individual, or other legal entity, for the carrying on of any business, the purpose of which is similar to the purposes set forth in Article

-2-

III of these Articles of Incorporation, and, insofar as it is lawful, to enter into any general or limited partnership, the purpose of which is similar to such purposes.

ARTICLE V

(As amended on February 28, 1989)

An agreement for consolidation or merger with one or more foreign or domestic corporations may be authorized by vote of the shareholders entitled to exercise at least two-thirds of the shares entitled to vote unless the necessary affirmative vote to authorize any particular merger or consolidation is reduced by the Board of Directors, which reduction shall be to not less than a majority of the shares entitled to vote.

ARTICLE VI

The location and post office address of the registered office of this Corporation in the State of Minnesota is 3100 East Hennepin Avenue, Minneapolis, Minnesota 55413.

ARTICLE VII

(As amended on June 7, 1999)

The aggregate number of shares which this Corporation shall have authority to issue is 30,000,000, with a par value of \$.05 per share, having an aggregate par value of \$1,500,000, which shall be known as "Common Shares."

- a. The holders of Common Shares shall be entitled to receive, when and as declared by the Board of Directors, out of earnings or surplus legally available therefor, dividends, payable either in cash, in property, or in shares of the

capital stock of the corporation.

- b. The Common Shares may be allotted as and when the Board of Directors shall determine, and, under and pursuant to the laws of the State of Minnesota, the Board of Directors shall have the power to fix or alter, from time to time, in respect to shares then unallotted, any or all of the following: the dividend rate; the redemption price; the liquidation price; the conversion rights and the sinking or purchase fund rights of shares of any class, or of any series of any class. The Board of Directors shall also have the power to fix the terms, provisions and

-3-

conditions of options to purchase or subscribe for shares of any class or classes, including the price and conversion basis thereof, and to authorize the issuance thereof.

- c. No holder of shares of the Corporation shall be entitled to any cumulative voting rights.
- d. No holder of stock of the Corporation shall have any preferential, pre-emptive, or other right of subscription to any shares of any class of stock of the Corporation allotted or sold or be allotted or sold and now or hereafter authorized, or to any right of subscription to any part thereof.

ARTICLE VIII

Section 1. The business of this Corporation shall be managed by a Board of Directors, who shall be elected at the annual meeting of the shareholders; provided, however, that vacancies in the Board of Directors may be filled by the remaining Directors, and each person so elected shall be a Director until his successor is elected at an annual meeting of shareholders or at a special meeting duly called therefor. Until otherwise fixed by the By-Laws, the Board shall consist of three members. A Director need not be a shareholder.

Section 2. The Board of Directors shall have all of the powers of the Corporation, subject to such action restricting said powers as may legally be taken from time to time by the shareholders either at an annual meeting or at a special meeting duly called therefor.

Section 3. The Board of Directors shall have authority to make and alter By-Laws, subject to the power of the shareholders to change or repeal such By-Laws, provided, however, that the Board shall not make or alter any By-Law fixing the number, qualifications, or term of office of Directors.

Section 4. Any contract or other transaction between the Corporation and any corporation, association or firm of which one or more of its Directors are shareholders, members, directors, officers or employees, or in which they are interested, shall be valid for all purposes,

-4-

notwithstanding the presence and participation of such Director or Directors at the meeting of the Board of Directors of the Corporation which acts upon or in reference to such contract or transaction, if the fact of such interest shall be disclosed or known to the Board of Directors, and the Board of Directors shall, nevertheless, authorize, approve and ratify such contract or transaction by a vote of a majority of the Directors present, such interested Director or Directors to be counted in determining whether a quorum is present, but not to be counted in calculating the majority necessary to carry such vote. This Section shall not be construed to invalidate any contract or transaction which would otherwise be valid under the laws applicable thereto.

Section 5. The annual meeting of the Board of Directors shall be held immediately following the annual meeting of the shareholders, and at the same

place.

Section 6. (As adopted on February 28, 1989) A Director of this Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a Director, except to the extent such exemption from liability or limitation thereof is not permitted under Chapter 302A of the Minnesota Statutes as the same exists or may hereafter be amended.

If Chapter 302A of the Minnesota Statutes hereafter is amended to authorize the further elimination or limitation of the liabilities of directors, then, in addition to the limitation on personal liability provided herein, the liability of a Director of the Corporation shall be limited to fullest extent permitted by the amended Chapter 302A of the Minnesota Statutes.

Any repeal or modification of this Section 6 of Article VIII by the shareholders of the Corporation shall be prospective only and shall not adversely affect any limitation on the personal liability of a Director of the Corporation existing at the time of such repeal or modification.

-5-

ARTICLE IX

The names and post office addresses of the existing members of the Board of Directors at the time of the adoption of these Second Restated Articles of Incorporation are as follows:

Howard J. Hawkins
3660 Glenhurst Avenue
Minneapolis, Minnesota 55416

Norman P. Anderson
225 Holly Road
Hopkins, Minnesota 55343

Carl J. Ahlgren
1721 Shryer Avenue West
St. Paul, Minnesota 55113

Dean L. Hahn
13404 Knob Hill Road
Burnsville, Minnesota 55337

Howard M. Hawkins
22312 Sugarbush Road
Elk River, Minnesota 55330

E. Thomas Rempfer
4113 Highwood Road
Minneapolis, Minnesota 55416

Donald L. Shipp
Route 1, Box 54
Center City, Minnesota 55012

C. Charles Jackson, Jr.
465 Bovey Road
Wayzata, Minnesota 55391

ARTICLE X

Any provision contained in these Articles of Incorporation may be amended solely by the affirmative vote of the holders of a majority of the shares entitled to vote.

ARTICLE XI

These Second Restated Articles of Incorporation supersede and take the place of existing Reinstated Articles of Incorporation and all amendments thereto.

-6-

SELECTED FINANCIAL DATA TABLE

Fiscal Year	1999	1998	1997	1996	1995	1994
Sales from continuing operations	\$95,459,661	\$94,722,511	\$87,745,980	\$80,886,062	\$83,332,624	\$71,423,471
Income from continuing operations	9,698,642	8,213,869	7,790,487	6,476,410	5,723,963	5,044,410
Basic and diluted earnings per common share from continuing operations	.87	.71	.67	.56	.49	.44
Cash dividends declared per common share	.27	.20	.18	.15	.19	.11
Cash dividends paid per common share	.25	.19	.16	.14	.12	.11
Total assets	68,999,827	66,535,475	63,652,616	56,487,356	53,690,814	45,974,984
Long-term debt	328,040	423,402	512,525	572,453	628,461	680,805

ALL PER SHARE DATA HAS BEEN RESTATED TO REFLECT THE 5% STOCK DIVIDENDS IN 1997, 1996 AND 1994 AND THE 10% STOCK DIVIDEND IN 1995.

4

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE INFORMATION CONTAINED IN THIS ANNUAL REPORT INCLUDES FORWARD-LOOKING STATEMENTS AS DEFINED IN SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS INVOLVE A NUMBER OF RISKS AND UNCERTAINTIES, INCLUDING DEMAND FROM MAJOR CUSTOMERS, COMPETITION, CHANGES IN PRODUCT OR CUSTOMER MIX OR REVENUES, CHANGES IN PRODUCT COSTS AND OPERATING EXPENSES, AND OTHER FACTORS DISCLOSED THROUGHOUT THIS ANNUAL REPORT AND THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. THE ACTUAL RESULTS THAT THE COMPANY ACHIEVES MAY DIFFER MATERIALLY FROM ANY FORWARD-LOOKING STATEMENTS DUE TO SUCH RISKS AND UNCERTAINTIES. THE COMPANY UNDERTAKES NO OBLIGATION TO REVISE ANY FORWARD-LOOKING STATEMENTS IN ORDER TO REFLECT EVENTS OR CIRCUMSTANCES THAT MAY ARISE AFTER THE DATE OF THIS REPORT. READERS ARE URGED TO CAREFULLY REVIEW AND CONSIDER THE VARIOUS DISCLOSURES MADE BY THE COMPANY IN THIS REPORT AND IN THE COMPANY'S OTHER REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION THAT ATTEMPT TO ADVISE INTERESTED PARTIES OF THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE COMPANY'S FINANCIAL CONDITION, RESULTS OF OPERATIONS OR CASH FLOWS.

OVERALL SUMMARY

Net sales in fiscal 1999 increased 0.8% to \$95,459,661 from \$94,722,511 in fiscal 1998. Net income in fiscal 1999 increased 18.1% to \$9,698,642 from \$8,213,869 in fiscal 1998. Basic and diluted earnings per share in fiscal 1999 were \$.87 compared to \$.71 in fiscal 1998. Return on average shareholders' equity was 17.8% for 1999, compared to 16.0% for fiscal 1998. Book value per share at October 3, 1999 was \$5.07 compared to \$4.67 one year ago.

RESULTS OF OPERATIONS

The general economic environment in our markets has improved slightly with the overall improvement in the economy. While this improvement had a favorable impact on earnings, management will continue to focus efforts on programs aimed at improving profitability and controlling costs.

NET SALES

For the year ended October 3, 1999, sales increased \$737,150, a 0.8% increase from 1998, due to a decrease of \$57,762 in Industrial segment sales and an increase of \$794,912 in Water Treatment segment sales. The Industrial

decrease is due to a significant decrease in the selling price of caustic soda partially offset by an increase in volumes of caustic soda and the majority of other product sales in this segment. The Water Treatment segment increase is due to an increase in volumes.

For the year ended September 27, 1998, sales increased \$6,976,531, an 8.0% increase from fiscal 1997, due to an increase of \$5,281,794 in the Industrial segment sales, and \$1,694,737 in the Water Treatment segment sales. The Industrial segment sales increased due to an increase in the volume and selling price (and the cost) of caustic soda and to increasing business in food grade products and pharmaceutical chemicals, which accounted for slightly more than one-half of the increase. The increase in Water Treatment segment sales was due to an increase in volumes.

GROSS MARGINS

Gross margin, as a percentage of sales, was 25.1% in fiscal 1999, 23.6% in fiscal 1998 and 24.3% in fiscal 1997. The gross margin variations are due to a number of variables in the segments as explained below.

Gross margin, as a percentage of sales, for the Industrial segment was 22.5% in fiscal 1999, 22.0% in fiscal 1998 and 22.8% in fiscal 1997. The 1999 increase over 1998 was due to the Company's ability to maintain relatively constant profit margins of a

5

major product line while the cost of the materials were decreasing. The 1998 decrease over 1997 was due to lower profit margins on a major product line while the cost and selling price of the product line was increasing throughout the year. The Company attempts to maintain relatively constant dollar margins as the cost of this product line increases and decreases. The cost of this product is normally subject to fluctuations and such fluctuations are expected to continue in future periods. By maintaining relatively stable dollar margins, the gross margin percentage will decrease when the cost of the product is increasing and will increase when the cost of the product is decreasing. The Company has also generally been able to, and expects to continue to, adjust its selling prices as the cost of materials and other expenses change, thereby maintaining relatively stable gross margins.

The Company's caustic soda operations are located on the Mississippi River, enabling the Company to receive caustic soda through barge transportation. When the river has flooded, the Company has received caustic soda by tank cars. Although the use of tank cars has resulted in additional costs, results of operations have not been materially impacted. Based on this experience, the Company does not expect any future flooding to have a material impact on the Company's financial condition, results of operations, or cash flows.

Gross margin, as a percentage of sales, for the Water Treatment segment was 31.2% in fiscal 1999, 27.4% in fiscal 1998 and 27.9% in fiscal 1997. The 1999 increase over 1998 was due to a decrease in materials costs. The 1998 gross margin was relatively constant versus 1997.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses increased 8.8% and 7.1% in fiscal 1999 and fiscal 1998 respectively, over the previous years. The 1999 increase over 1998 was mainly due to increases in the sales staff and to increases in employee salaries and benefits costs. The 1998 increase over 1997 was due to increases in employee salaries and benefits cost and to costs related to upgrading the computer and phone systems.

LITIGATION AND SETTLEMENT COSTS RELATED TO 1995 FIRE

The Company paid and expensed \$2.9 million in settlement and legal costs and for other costs in connection with the Company's defense of a lawsuit filed against it in Minnesota entitled DONNA M. COOKSEY, ET AL. V. HAWKINS CHEMICAL, INC. AND THE LYNDE COMPANY. The plaintiffs in the lawsuit sought damages for personal injury and other damages alleged to have been caused by the release of hazardous substances as a result of a fire at an office/warehouse facility occupied by The Lynde Company, formerly a wholly owned subsidiary of the Company. The Company entered into a Settlement Agreement with the plaintiffs. Most, but not all, of the claimants have now been paid under the Settlement Agreement.

The Company's primary and umbrella insurers denied coverage and refused to

defend the lawsuit. During fiscal 1999, the Company prevailed in its claims against its insurers and has been reimbursed \$2,851,708 for substantially all of its settlement and legal expenses. In addition, the Company anticipates that the defense and payment of the remaining claims, of approximately 17 claimants, will be covered by the umbrella insurer.

SPECIAL CHARGES

The Company entered into termination agreements with three former employees due to corporate organizational changes. During fiscal 1999, the Company recorded Special Charges in the Statement of Income of \$1,112,127.

6

OTHER INCOME

Interest income decreased 9.4% in fiscal 1999 as compared to the previous year due to investing a larger amount of the cash available for investment in tax-free municipal bonds, which generally have a lower rate of return, since earnings from them are not taxable for Federal income tax purposes. Interest income was up 7.3% in fiscal 1998 as compared to the previous year due to a higher rate of return on the cash available for investments. Interest expense decreased in fiscal 1999 and fiscal 1998 as compared to the previous year. Most of the interest expense is the result of the Company issuing a note payable to the seller in connection with the acquisition of the assets of Industrial Chemical & Equipment Company in 1993. The gain on the sale of The Lynde Company relates to the Company's sale of the subsidiary on May 29, 1997. Other miscellaneous income increased in fiscal 1999 as compared to fiscal 1998 and decreased in fiscal 1998 as compared to fiscal 1997 due to gains on the sale of land in fiscal 1999 and fiscal 1997.

PROVISION FOR INCOME TAXES

The effective income tax rate was 39.4% for the fiscal year ended October 3, 1999, 38.9% for the fiscal year ended September 27, 1998, and 38.8% for the fiscal year ended September 28, 1997. The 1999 increase over 1998 was due to incremental income taxed at a higher rate. The 1998 difference from 1997 was due mainly to variations in tax-free income on investments in municipal bonds.

INFLATION

Inflation has not had a significant impact on the Company during the past three fiscal years, as selling prices have generally been adjusted as the cost of materials and other expenses have changed. On occasion, however, slight fluctuations in the cost of a single, large-volume product historically have not been reflected in the selling price of that product.

FINANCIAL CONDITION

LIQUIDITY

Cash provided by operations in fiscal 1999 was \$13,847,248 compared with \$6,127,052 in fiscal 1998 and \$5,675,264 in fiscal 1997. The increase in fiscal 1999 over 1998 was due primarily to a decrease in inventories caused by the decrease in the cost of a major product line and recovery of the litigation expenses. The increase in fiscal 1998 over 1997 was due primarily to the increase in net income.

Cash and investments available-for-sale increased by \$4,461,930 to \$22,202,874 at the end of fiscal 1999. The Company is investing excess cash primarily in conservative investments. Cash equivalents consist of bank certificates of deposit having a maturity of three months or less. Investments consist of investment contracts with high-rated, stable insurance companies and marketable securities consisting of variable rate municipal bonds carried at fair value which approximates cost. Cash equivalents and investments are highly liquid and are available upon demand generally with only a minor penalty.

In fiscal 1997, the Company sold the inventory and operations of The Lynde Company, a wholly-owned subsidiary which specialized in swimming pool chemicals, for approximately \$2,590,000. The Company recorded a gain on the sale of approximately \$1.3 million. At closing, the Company received \$500,000 cash and a note receivable for the balance. The term of the note receivable is six years and is due March 2003; it bears interest at 8%.

CAPITAL EXPENDITURES

Capital expenditures in fiscal 1999, 1998 and 1997 were \$2,449,894, \$5,051,641 and \$4,017,543, respectively. Of the 1999 capital expenditures, transportation equipment additions accounted for \$0.9 million, building

improvements and additions amounted to \$0.8 million, and warehouse, laboratory and office machinery and equipment accounted for \$0.7 million.

7

COMMON STOCK REPURCHASES

During fiscal 1999, the Company acquired and retired 499,614 shares of common stock for \$4,888,288. During fiscal 1998, the Company acquired and retired 153,000 shares of common stock for \$1,568,296.

OUTLOOK

Management does not anticipate the need for stock or debt issuances in the short or long-term, as cash, investments and cash flows from operations have been more than adequate to fund working capital, capital investments, dividend needs and common stock repurchases. If the need for additional financing arises, however, management will consider issuance of debt or equity if such financing can be obtained on favorable terms. Although management continually looks for companies to acquire and for ways to modernize its facilities and equipment, no material commitments for acquisitions or capital expenditures currently exist, except that approximately \$4,000,000 has been committed for the construction of a facility in St. Paul on the Mississippi River.

Other than as discussed above, management is not aware of any matters or trends that have materially affected the results of operations for fiscal 1999 that are not expected to have either short or long-term implications, nor is it aware of any trends or other matters that have not materially affected results in fiscal 1999 but are expected to have a material effect on future periods.

YEAR 2000 READINESS

As generally known, the Year 2000 issue pertains to the inability of some computer hardware and software and other electronic devices to operate properly as January 1, 2000 approaches, and beyond. The Company has taken actions intended to minimize the impact of the Year 2000 issue, although it is impossible to eliminate these risks entirely.

The Company's major information technology (IT) systems and infrastructure have been upgraded or replaced in the ordinary course of business over the last three years. Approximately \$608,000 has been spent through October 3, 1999, to upgrade the Company's primary IT systems, IT infrastructure and security systems, and to replace the telephone, voicemail, and timekeeping systems to Year 2000 compliant systems.

The Company implemented a Year 2000 compliance testing program of its hardware, software and equipment. Testing included, but was not limited to, IT systems, IT infrastructure, security systems, telephone systems, manufacturing and laboratory equipment, and timekeeping systems.

The Company relies on computer processing for its business activities and the Year 2000 issue creates risk for the Company from unforeseen problems in the Company's systems and from third parties with whom the Company does business. The failure of the Company's systems and/or third party systems could have a material adverse effect on the Company's results of operations, liquidity, and financial condition.

Year 2000 readiness of third parties with whom the Company does business, particularly suppliers of critical products and providers of utility and communication services, could impair the Company's ability to deliver products and services and could cause system failures or errors, business interruptions and, in a worst case scenario, the inability to engage in normal business practices for an unknown length of time. This worst case scenario, if it should occur, could have a material adverse effect on the Company's operations, liquidity or financial condition, particularly if the disruption continues for a significant length of time.

8

While third party risk related to the Year 2000 issues is difficult to quantify or control, the Company has taken steps to try to minimize the potential adverse effect that could arise. The Company has sent Year 2000 surveys to its suppliers asking for the compliance status of suppliers' products and internal operations. The responses received by the Company indicate that most of its suppliers expect to be Year 2000 compliant. The Company developed

third party contingency plans as it identified partners evidencing inadequate Year 2000 preparations. Contingency plans include plans to accumulate extra inventory and/or establish alternative sources of supply and channels of distribution. However, even with diligent planning, third party providers pose an uncertain risk that cannot be entirely eliminated.

Due to the general uncertainty inherent in the Year 2000 issue, resulting in part from the uncertainty of the Year 2000 issue readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 issue failures will have a material impact on the Company's results of operations, liquidity, or financial condition.

MARKET RISK

At the end of fiscal 1999, the Company had an investment portfolio of fixed income securities of \$2,304,188, excluding \$21,847,878 of those classified as cash and cash equivalents and variable rate securities. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company would not expect to recognize an adverse impact in income or cash flows.

ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In July 1999, FASB issued SFAS No. 137 delaying the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000, with earlier adoption encouraged. Management has not yet determined the effects SFAS No. 133 will have on its financial position or the results of its operations. The Company will be required to adopt SFAS No. 133 in fiscal 2001.

9

STATEMENTS OF INCOME

	For the Fiscal Years Ended		
	October 3, 1999	September 27, 1998	September 28, 1997
Net sales	\$ 95,459,661	\$ 94,722,511	\$ 87,745,980
Cost of sales	(71,515,491)	(72,380,576)	(66,413,954)
Gross profit	23,944,170	22,341,935	21,332,026
Selling, general and administrative expenses	(11,066,346)	(10,170,255)	(9,499,558)
Litigation settlement proceeds	2,851,708		
Litigation and settlement costs relating to 1995 fire			(1,771,439)
Special charges	(1,112,127)		
Income from operations	14,617,405	12,171,680	10,061,029
Other income (deductions):			
Interest income	1,121,939	1,237,789	1,153,322
Interest expense	(36,867)	(43,516)	(47,439)
Gain on sale of The Lynde Company			1,324,827
Miscellaneous	303,095	83,084	234,518
Total other income, net	1,388,167	1,277,357	2,665,228
INCOME BEFORE INCOME TAXES	16,005,572	13,449,037	12,726,257
Provision for income taxes	(6,306,930)	(5,235,168)	(4,935,770)
NET INCOME	\$ 9,698,642	\$ 8,213,869	\$ 7,790,487
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	11,130,970	11,594,752	11,603,895
BASIC AND DILUTED EARNINGS PER SHARE	\$ 0.87	\$ 0.71	\$ 0.67

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

BALANCE SHEETS

	October 3, 1999	September 27, 1998

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,778,174	\$ 3,197,015
Investments available-for-sale	17,424,700	14,543,929
Trade receivables - less allowance for doubtful accounts: 1999, \$380,000; 1998, \$378,726	11,329,211	11,436,690
Notes receivable	301,920	271,027
Inventories	8,379,228	10,816,460
Prepaid expenses and other	2,536,448	1,848,662
	-----	-----
Total current assets	44,749,681	42,113,783
PROPERTY, PLANT AND EQUIPMENT:		
Land	631,662	645,194
Buildings and improvements	18,368,313	17,593,650
Machinery and equipment	7,674,678	7,302,134
Transportation equipment	5,693,192	5,211,745
Office furniture and equipment	2,100,029	1,978,677
	-----	-----
Less accumulated depreciation	34,467,874	32,731,400
	-----	-----
Net property, plant and equipment	15,802,875	14,307,911
	-----	-----
Net property, plant and equipment	18,664,999	18,423,489
OTHER ASSETS:		
Intangible assets - less accumulated amortization: 1999, \$456,113; 1998, \$393,015	601,101	664,199
Investments held-to-maturity	1,949,192	1,848,843
Notes receivable - noncurrent	2,844,220	3,302,923
	-----	-----
Other	190,634	182,238
	-----	-----
Total other assets	5,585,147	5,998,203
	-----	-----
TOTAL ASSETS	\$68,999,827	\$66,535,475

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 5,032,268	\$ 4,970,341
Current portion of long-term debt	95,362	89,123
Dividends payable	1,314,154	1,147,090
Accrued payroll and employee benefits	2,106,213	3,245,815
Container deposits	1,545,255	1,503,889
Other accruals	1,187,167	664,347
	-----	-----
Total current liabilities	11,280,419	11,620,605
LONG-TERM DEBT	328,040	423,402
OTHER LONG-TERM LIABILITIES	786,202	-----
DEFERRED INCOME TAXES	1,029,950	1,011,500
COMMITMENTS AND CONTINGENCIES (NOTES 4, 6 AND 9)		
SHAREHOLDERS' EQUITY:		
Common stock - authorized: 30,000,000 shares of \$.05 par value; issued and outstanding: 1999 - 10,951,281 shares; 1998 - 11,450,895 shares	547,564	572,545
Additional paid-in capital	40,129,749	41,960,535
Retained earnings	14,897,903	10,946,888
	-----	-----
Total shareholders' equity	55,575,216	53,479,968
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$68,999,827	\$66,535,475
	-----	-----

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

11

STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares	Amount		
BALANCE AT SEPTEMBER 29, 1996	11,051,690	\$ 552,585	\$ 38,679,630	\$ 3,782,917
Stock dividend	552,205	27,610	3,837,825	(3,865,435)
Cash dividend				(2,041,623)
Income tax savings from dividends paid on ESOP shares				177,778
Net income				7,790,487
	-----	-----	-----	-----
BALANCE AT SEPTEMBER 28, 1997	11,603,895	580,195	42,517,455	5,844,124

Cash dividend				(2,307,479)
Stock acquired and retired	(153,000)	(7,650)	(556,920)	(1,003,726)
Income tax savings from dividends paid on ESOP shares				200,100
Net income				8,213,869
<hr/>				
BALANCE AT SEPTEMBER 27, 1998	11,450,895	572,545	41,960,535	10,946,888
<hr/>				
Cash dividend				(2,981,686)
Stock acquired and retired	(499,614)	(24,981)	(1,830,786)	(3,032,521)
Income tax savings from dividends paid on ESOP shares				266,580
Net income				9,698,642
<hr/>				
BALANCE AT OCTOBER 3, 1999	10,951,281	\$ 547,564	\$ 40,129,749	\$ 14,897,903

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

12

STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended		
	October 3, 1999	September 27, 1998	September 28, 1997
<hr/>			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,698,642	\$ 8,213,869	\$ 7,790,487
Gain on sale of The Lynde Company			(1,324,827)
Litigation and settlement costs relating to 1995 fire		(1,083,866)	1,175,286
Reconciliation to cash flows:			
Depreciation and amortization	2,099,491	1,993,112	1,686,622
Deferred income taxes	(970,950)	750,894	(307,800)
Earnings on other assets	(108,745)	(112,084)	(91,076)
Loss (gain) from property disposals	(256,808)	20,992	(110,807)
Changes in operating accounts (requiring) providing cash:			
Trade receivables	107,479	(318,699)	(1,377,706)
Inventories	2,437,232	(2,235,755)	(1,221,750)
Accounts payable	61,927	(759,243)	(979,850)
Accrued liabilities	210,786	116,463	383,058
Other	568,194	(458,631)	53,627
Net cash provided by operating activities	13,847,248	6,127,052	5,675,264
<hr/>			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(2,449,894)	(5,051,641)	(4,017,543)
Purchase of investments	(4,766,585)	(2,563,852)	(1,475,475)
Sale of investments	1,885,814		
Proceeds from property disposals	428,799	164,691	191,946
Cash received on sale of assets and business of The Lynde Company			500,000
Payments received on notes receivable	427,810	288,708	196,120
Net cash used in investing activities	(4,474,056)	(7,162,094)	(4,604,952)
<hr/>			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt repayment	(89,123)	(59,928)	(56,008)
Cash dividends paid	(2,814,622)	(2,204,740)	(1,881,408)
Acquisition and retirement of stock	(4,888,288)	(1,568,296)	
Net cash used in financing activities	(7,792,033)	(3,832,964)	(1,937,416)
<hr/>			
Net increase (decrease) in cash and cash equivalents	1,581,159	(4,868,006)	(867,104)
Cash and cash equivalents at beginning of year	3,197,015	8,065,021	8,932,125
<hr/>			
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,778,174	\$ 3,197,015	\$ 8,065,021
<hr/>			
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Note receivable on sale of The Lynde Company			\$ 2,090,083
<hr/>			
Cash paid during the year for:			
Interest	\$ 43,106	\$ 47,711	\$ 51,359
Income taxes	\$ 6,079,339	\$ 5,739,297	\$ 4,334,567

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

13

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

Hawkins Chemical, Inc. (the Company) has two reportable segments: Industrial and Water Treatment. The Industrial segment specializes in providing industrial chemicals and services to the energy, electronics, and plating industries. In addition, the Industrial segment provides products and services to food manufacturers and processing plants and the pharmaceutical industry. The Water Treatment segment specializes in providing water and waste-water treatment equipment and chemicals and services relating to the testing of water samples. Prior to December 30, 1998, the basis of the financial statements included the accounts of Hawkins Chemical, Inc. and its' wholly-owned subsidiary, Hawkins Water Treatment Group, Inc. All significant inter-company transactions and balances have been eliminated. Effective December 30, 1998, the subsidiary was merged into Hawkins Chemical, Inc.

FISCAL YEAR

The Company's fiscal year is a 52/53-week year ending on the Sunday closest to September 30. The fiscal year ended October 3, 1999, was a fifty-three week year and the fiscal years ended September 27, 1998 and September 28, 1997 were fifty-two week years.

CASH EQUIVALENTS

Cash equivalents include all liquid debt instruments (primarily cash funds and certificates of deposits) purchased with an original maturity of three months or less. Cash equivalents are carried at cost, which approximates market value.

INVESTMENTS AVAILABLE-FOR-SALE

Investments classified as available-for-sale securities consist of insurance contracts and variable rate marketable securities (primarily municipal bonds and annuity contracts) that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity or changes in the availability or yield of alternative investments. These securities are carried at market value which approximates cost.

INVENTORIES

Inventories, consisting primarily of finished goods, are primarily valued at the lower of cost or net realizable value, with cost being determined using the last-in, first-out (LIFO) method.

PROPERTY, PLANT AND EQUIPMENT

Property is stated at cost and depreciated over the lives of the assets using both straight-line and declining-balance methods. Estimated lives are: 10 to 50 years for buildings and improvements; 3 to 15 years for machinery and equipment; 3 to 10 years for transportation equipment; and 3 to 10 years for office furniture and equipment.

INTANGIBLES

The excess of the purchase price and related costs over the fair value of the net assets acquired is being amortized over 15 or 40 years.

INVESTMENTS HELD-TO-MATURITY

Held-to-maturity securities consist of Minnesota municipal bonds which the Company has the intent and ability to hold to maturity, and are valued at amortized historical cost, increased for accretion of discounts and reduced by amortization of premiums, computed by the constant-yield method.

RECOVERABILITY OF LONG-LIVED ASSETS

The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. The Company determines potential impairment by comparing the carrying value of the assets with expected net cash flows expected to be provided by operating activities of the business or related products. Should the sum of the expected future net cash flows be less than the carrying value, the Company would determine whether an impairment loss should be recognized. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the asset based on market value that is based on the discounted cash flows expected to be generated by the asset.

INCOME TAXES

The Company utilizes Statement of Financial Accounting Standard (SFAS) No. 109, "Accounting for Income Taxes." Under SFAS No. 109, the deferred tax assets and liabilities are recognized based on differences between the financial statements and the tax bases of assets and liabilities using presently enacted tax rates.

REVENUE RECOGNITION

The Company recognizes revenues upon shipment of the product.

14

EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of common shares outstanding.

COMPREHENSIVE INCOME

On September 28, 1998, the Company retroactively adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income includes all changes in shareholders' equity except those resulting from investments by and distributions to owners. SFAS No. 130 is not currently applicable for the Company because the Company did not have any material items of other comprehensive income in any of the periods presented.

CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash, investments available-for-sale and trade receivables. The Company sells its principal products to a large number of customers in many different industries. To reduce credit risk, the Company routinely assesses the financial strength of its customers. The Company invests its excess cash balances in certificates of deposit at a single financial institution. At October 3, 1999, the Company had certificates of deposits in excess of federally insured limits of approximately \$4,700,000.

At the end of fiscal 1999, the Company also had an investment portfolio of fixed income securities, excluding \$21,847,878 of those classified as cash and cash equivalents and variable rate securities, of \$2,304,188. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company would not expect to recognize an adverse impact in income or cash flows.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

RISK AND UNCERTAINTIES

There are no concentrations of business transacted with a particular customer or supplier nor concentrations of revenue from a particular service or geographic area that would severely impact the Company in the near term.

ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In July 1999, FASB issued SFAS No. 137 delaying the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000, with earlier adoption encouraged. Management has not yet determined the effects SFAS No. 133 will have on its financial position or the results of its operations. The Company will be required to adopt SFAS No. 133 in fiscal 2001.

2. INVENTORIES

Inventories consist of the following:

October 3,	September 27,
1999	1998

Finished goods (FIFO basis).....	\$8,949,497	\$12,841,114
LIFO reserve.....	(570,269)	(2,024,654)
Net inventory.....	\$8,379,228	\$10,816,460

Inventories valued under the LIFO method for the fiscal years ended October 3, 1999 and September 27, 1998, were approximately \$8,876,432 and \$12,238,000, respectively. The balance of the inventory was valued under the FIFO method.

In fiscal 1999, the LIFO reserve decreased by \$1,454,385. As a result, the ending LIFO cost was less than the ending cost determined using the first-in, first-out (FIFO) method by \$570,269. The decrease in the LIFO reserve was caused by a significant decrease in the cost of a single, large-volume component of inventory.

3. NOTES RECEIVABLE

At October 3, 1999 and September 27, 1998, the net balance outstanding on a note receivable from the sale of Tessman Seed was \$468,625 and \$615,091, respectively. The note receivable is due in equal installments of \$146,466 with interest at 8%.

The balance outstanding on a note receivable from the sale of a building was \$1,004,869 and \$1,033,629 at October 3, 1999 and September 27, 1998, respectively. The note receivable is secured by the building and is due in monthly installments of \$9,201 including interest at 8% through January 1, 2004, when the remaining balance of \$849,985 is due.

In fiscal 1997, the Company sold the inventory and operations of The Lynde Company (Lynde), a wholly owned subsidiary which specialized in swimming pool chemicals, for approximately \$2,590,000. The Company recorded a gain on the sale of \$1,324,827. At closing, the Company received \$500,000 cash and a note receivable for the balance. The note receivable requires principal payments through March 2003 plus interest at 8%. At October 3, 1999 and September 27, 1998, the balance outstanding on the note receivable was \$1,672,646 and \$1,925,230, respectively. Revenues from Lynde for the fiscal year ended September 28, 1997 were \$725,500 and recorded a net loss in 1997 of \$19,600 through the effective date of the sale.

4. LONG-TERM DEBT

Long-term debt at October 3, 1999 and September 27, 1998 is summarized as follows:

	1999	1998
Note payable, due in annual installments to 2002	\$423,402	\$512,525
Less current portion	95,362	89,123
Total	\$328,040	\$423,402

Long-term debt maturities for the five fiscal years subsequent to 1999 are: 2000 - \$95,362, 2001 - \$102,037, 2002 - \$109,180 and 2003 - \$116,823.

5. SHAREHOLDERS' EQUITY

The stock dividend in fiscal 1997 was accounted for by transferring the fair value of the issued stock from retained earnings to the categories of permanent capitalization as common stock (par value) and additional paid-in capital. During fiscal 1999, the Company acquired and retired 499,614 shares of common

stock for \$4,888,288. During fiscal 1998, the Company acquired and retired 153,000 shares of common stock for \$1,568,296.

6. LEASES

The Company has various operating leases for land and buildings on which some of its operations are located. Total rental expense for the years ended October 3, 1999, September 27, 1998 and September 28, 1997 was \$53,843, \$47,612, and \$46,003, respectively. Future minimum lease payments due under operating leases with an initial term of one year or more at October 3, 1999 are \$142,945 in 2000, \$129,757 in 2001, \$131,030 in 2002, \$132,305 in 2003 and \$98,238 in 2004.

7. PENSION AND EMPLOYEE STOCK OWNERSHIP PLANS

The Company has a defined contribution pension plan covering substantially all of its non-union employees. Pension expense for the years ended October 3, 1999, September 27, 1998 and September 28, 1997 was \$578,975, \$545,650 and \$459,367, respectively. The Company's cost for the pension plan is determined as 7% of each employee's covered compensation. Amounts charged to pension expense and contributed to union multi-employer pension plans (not included in the above amounts) were not material. It is the Company's policy to fund all pension costs accrued.

The Company has an employee stock ownership plan covering substantially all of its non-union employees. Contributions are made at the discretion of the Board of Directors subject to a maximum amount allowed under the Internal Revenue Code. Contributions for the years ended October 3, 1999, September 27, 1998 and September 28, 1997 were \$1,049,779, \$984,455 and \$889,979, respectively. The Company does not currently offer any post-retirement benefits, deferred stock or stock-based compensation plans.

16

8. SPECIAL CHARGES

The Company has entered into termination agreements with three former employees. During fiscal 1999, the Company recorded Special Charges in the Statement of Income of \$1,112,127. At October 3, 1999, the Company is required to make future payments to the individuals for periods of 15 months to 6 years. The present value of the future payments to be paid in fiscal 2000 is included in Other Accruals and the present value of the remaining payments is included in Other Long-term Liabilities.

9. CONTINGENCIES

During 1995, there was a fire in the office/warehouse of The Lynde Company, a former wholly-owned subsidiary of the Company. Charges of \$1,771,439 in 1997 and \$750,000 in 1995 were recorded to cover legal fees and settlement costs in connection with the Company's defense of a lawsuit filed against it as a result of the fire. Other costs paid amounted to approximately \$300,000. Most, but not all, of the claimants have now been paid under a settlement agreement and the Company anticipates that the remaining claims will be covered by the Company's umbrella insurer as to the cost of defense and claims payment.

The Company's primary and umbrella insurers denied coverage and refused to defend the lawsuit. During fiscal 1999, the Company prevailed in its claims against its insurers and has been reimbursed for substantially all of its settlement and legal expenses.

In addition, the Company is involved in various legal actions arising from the normal course of business. Management is of the opinion that any judgement or settlement resulting from pending or threatened litigation would not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

10. INCOME TAXES

The provisions (benefits) for income taxes are as follows:

1999

1998

1997

Federal - current	\$5,862,780	\$3,316,868	\$4,143,883
States - current	1,415,100	1,167,300	1,099,687
Deferred	(970,950)	751,000	(307,800)
Total provision	\$6,306,930	\$5,235,168	\$4,935,770

A reconciliation of the provision for income taxes, based on income from continuing operations, to the applicable federal statutory income tax rate of 35% is as follows:

	1999	1998	1997
Statutory federal income tax	\$5,601,950	\$4,707,163	\$4,454,190
State income taxes, net of federal deduction	919,815	770,418	687,454
Tax-exempt income	(165,390)	(122,876)	(108,856)
Other, net	(49,445)	(119,537)	(97,018)
Total	\$6,306,930	\$5,235,168	\$4,935,770

The tax effects of items comprising the Company's net deferred tax asset (liability) are as follows:

	1999	1998
Current deferred taxes:		
Trade receivables	\$ 153,000	\$ 150,000
Inventory	965,000	411,000
Accruals	596,900	164,500
Total*	\$ 1,714,900	\$ 725,500
Noncurrent deferred taxes:		
Gain on sale of		
The Lynde Company	\$ (336,850)	\$ (399,500)
Property basis difference	(693,100)	(612,000)
Total	\$ (1,029,950)	\$ (1,011,500)

*Included in prepaid expenses and other on the balance sheet.

11. SEGMENT INFORMATION

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1999, which changes the way the Company reports information about its operating segments. The information for 1998 and 1997 has been restated to conform to the 1999 presentation.

The Company has two reportable segments: Industrial and Water Treatment. The Industrial segment specializes in providing industrial chemicals and services to the energy, electronics, and plating industries. In addition, the Industrial segment provides products and services to the food manufacturers and processing

plants and the pharmaceutical industry. The Water Treatment segment specializes in providing water and waste-water treatment equipment and chemicals and in services relating to the testing of water samples.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The cost for each segment is based on product cost, and expenses are based on actual costs incurred along with cost allocation of shared and centralized function. The Company evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses.

Reportable segments are defined by product and type of customer. Segments are responsible for the sales, marketing and development of their products and services. The segments do not have separate accounting, administration, customer service or purchasing functions.

REPORTABLE SEGMENTS	INDUSTRIAL	WATER TREATMENT	TOTAL
1999			
Net sales	\$ 66,683,006	\$ 28,776,655	\$ 95,459,661
Cost of sales	51,704,801	19,810,690	71,515,491
Gross margin	14,978,205	8,965,965	23,944,170
Operating income	6,599,410	5,166,287	11,765,697
Identifiable assets	\$ 36,763,233	\$ 5,357,446	\$ 42,120,679

1998			
Net sales	\$ 66,740,768	\$ 27,981,743	\$ 94,722,511
Cost of sales	52,066,529	20,314,047	72,380,576
Gross margin	14,674,239	7,667,696	22,341,935
Operating income	7,234,675	4,937,005	12,171,680
Identifiable assets	\$ 39,102,635	\$ 5,812,153	\$ 44,914,788

1997			
Net sales	\$ 61,458,974	\$ 26,287,006	\$ 87,745,980
Cost of sales	47,452,145	18,961,809	66,413,954
Gross margin	14,006,829	7,325,197	21,332,026
Operating income	6,996,615	4,835,853	11,832,468
Identifiable assets	\$ 33,815,085	\$ 5,961,111	\$ 39,776,196

PROFIT RECONCILIATION			
	1999	1998	1997
Total income for reportable segments	\$ 11,765,697	\$ 12,171,680	\$ 11,832,468
Unallocated corporate income (expense)	2,851,708		(1,771,439)
Total operating income	\$ 14,617,405	\$ 12,171,680	\$ 10,061,029

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Hawkins Chemical, Inc.:

We have audited the accompanying balance sheets of Hawkins Chemical, Inc. (the Company) as of October 3, 1999 and September 27, 1998, and the related statements of income, shareholders' equity and cash flows for each of the three years in the period ended October 3, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Hawkins Chemical, Inc. at October 3, 1999 and September 27, 1998, and the results of its operations and cash flows for each of the three years in the period ended October 3, 1999 in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
 Minneapolis, Minnesota
 December 3, 1999

QUARTERLY STOCK DATA

	High	Low
Fiscal 1999		
4th Quarter	\$ 9	\$ 7 1/2
3rd Quarter	9 3/4	8
2nd Quarter	10 1/2	9 3/4
1st Quarter	12	10
Fiscal 1998		
4th Quarter	12 1/8	9 7/8
3rd Quarter	14	11 1/4
2nd Quarter	11 3/8	9 3/4
1st Quarter	12 3/4	9 1/2

CASH DIVIDENDS

	Declared	Paid
Fiscal 2000		
1st Quarter		\$.12
Fiscal 1999		
4th Quarter	\$.12	
3rd Quarter		\$.15
2nd Quarter	\$.15	
1st Quarter		\$.10
Fiscal 1998		
4th Quarter	\$.10	
3rd Quarter		\$.10
2nd Quarter	\$.10	
1st Quarter		\$.09

The common stock of Hawkins Chemical, Inc. is as quoted on the NASDAQ National Market System. The price information represents closing sale prices reported in the NASDAQ/NMS Monthly Statistical Report. There were 777 common shareholder accounts on October 3, 1999.

BOARD OF DIRECTORS AND CORPORATE OFFICERS

BOARD OF DIRECTORS

<p>DEAN L. HAHN* CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER DIRECTOR SINCE 1974 EXECUTIVE COMMITTEE</p>	<p>JOHN R. HAWKINS*** PRESIDENT AND CHIEF OPERATING OFFICER DIRECTOR SINCE 1989 EXECUTIVE COMMITTEE</p>	<p>JOHN S. MCKEON PRESIDENT, GOLDEN VALLEY MICROWAVE FOODS, INC. DIRECTOR SINCE 1984 AUDIT, COMPENSATION AND EXECUTIVE COMMITTEES</p>
<p>G. ROBERT GEY PRESIDENT, PENTAIR SERVICE EQUIPMENT BUSINESS DIRECTOR SINCE 1999 AUDIT AND COMPENSATION COMMITTEES</p>	<p>DUANE M. JERGENSON VICE PRESIDENT OF OPERATIONS, TAYLOR CORPORATION DIRECTOR SINCE 1996 AUDIT AND COMPENSATION COMMITTEES</p>	<p>DONALD L. SHIPP** VICE CHAIRMAN OF THE BOARD DIRECTOR SINCE 1977 EXECUTIVE COMMITTEE</p>
<p>HOWARD M. HAWKINS PAST VICE PRESIDENT AND TREASURER OF HAWKINS DIRECTOR SINCE 1976 EXECUTIVE COMMITTEE</p>		

OFFICERS

<p>DEAN L. HAHN* CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER</p>	<p>KURT R. NORMAN**** VICE PRESIDENT</p>	<p>* DEAN L. HAHN WILL RETIRE AS CHAIRMAN AND CEO EFFECTIVE FEBRUARY 16, 2000. HE WILL REMAIN A DIRECTOR.</p>
<p>DONALD L. SHIPP** VICE CHAIRMAN OF THE BOARD</p>	<p>MARVIN E. DEE VICE PRESIDENT, CHIEF FINANCIAL OFFICER, SECRETARY, TREASURER</p>	<p>** DONALD L. SHIPP WILL RETIRE AS VICE CHAIRMAN EFFECTIVE SEPTEMBER 30, 2000. HE WILL REMAIN A DIRECTOR.</p>
<p>JOHN R. HAWKINS*** PRESIDENT AND CHIEF OPERATING OFFICER</p>		<p>*** JOHN R. HAWKINS WAS ELECTED CHAIRMAN AND CEO EFFECTIVE FEBRUARY 16, 2000.</p>
		<p>**** KURT R. NORMAN WAS ELECTED PRESIDENT AND CHIEF OPERATING OFFICER EFFECTIVE FEBRUARY 16, 2000.</p>

SUMMARY OF OPERATIONS BY QUARTER

UNAUDITED	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)										
Net sales.....	\$23,311	\$22,667	\$22,764	\$22,316	\$24,960	\$25,720	\$24,425	\$24,020	\$95,460	\$94,723
Gross profit.....	5,187	5,116	5,242	4,890	6,606	6,182	6,909	6,154	23,944	22,342
Net income.....	3,426	1,898	1,789	1,717	2,441	2,229	2,043	2,370	9,699	8,214
Basic and diluted earnings per share...	.30	.16	.16	.15	.22	.19	.19	.20	.87	.71

*Includes special charges of \$1,112 (\$674 after tax or \$.06 per share) which should have been recorded in the first quarter of fiscal 1999 (See Note 8).

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-41323 of Hawkins Chemical, Inc. (the "Company") on Form S-8 of our reports dated December 3, 1999 included and incorporated by reference in the Annual Report on Form 10-K for the Company for the year ended October 3, 1999.

DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
December 30, 1999

<ARTICLE> 5

<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		OCT-03-1999
<PERIOD-START>		SEP-28-1998
<PERIOD-END>		OCT-03-1999
<CASH>		4,778,174
<SECURITIES>		17,424,700
<RECEIVABLES>		11,709,211
<ALLOWANCES>		380,000
<INVENTORY>		8,379,228
<CURRENT-ASSETS>		44,749,681
<PP&E>		34,467,874
<DEPRECIATION>		15,802,875
<TOTAL-ASSETS>		68,999,827
<CURRENT-LIABILITIES>		11,280,419
<BONDS>		328,040
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		547,564
<OTHER-SE>		55,027,652
<TOTAL-LIABILITY-AND-EQUITY>		68,999,827
<SALES>		95,459,661
<TOTAL-REVENUES>		95,459,661
<CGS>		71,515,491
<TOTAL-COSTS>		71,515,491
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		36,867
<INCOME-PRETAX>		16,005,572
<INCOME-TAX>		6,306,930
<INCOME-CONTINUING>		9,698,642
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		9,698,642
<EPS-BASIC>		.87
<EPS-DILUTED>		.87