



Dear Shareholders,

*One year ago, I asked all of us to seriously consider an essential question for our time:
What is the role and responsibility of a for-profit public company?*

For several years now, Starbucks has recognized that building a great, enduring company requires being performance driven through the lens of humanity. Never, we believe, has this been more critical, which is why Starbucks remains deeply committed to striking the delicate balance between profitability and our social conscience.

I am especially proud to share with you that, in fiscal 2014, Starbucks not only achieved another year of record performance, but we did so while doing more for our people and the communities we serve than at any time in our 43-year history.

For the full-year fiscal 2014, Starbucks grew consolidated revenues to a record \$16.4 billion, an 11 percent increase over last year. Growth was driven by a six percent rise in comparable store sales and the opening of 1,599 net new stores globally. Non-GAAP operating income* was a record \$3.1 billion, a 25 percent increase over fiscal 2013 non-GAAP operating income,* with a record non-GAAP operating margin* of 18.6 percent, a notable 210 basis points higher than the prior year non-GAAP operating margin.*

This strong revenue growth and excellent margin improvement led to record non-GAAP earnings per share* of \$2.66, up 21 percent over fiscal 2013 non-GAAP earnings per share.* Through dividends and share repurchases, Starbucks returned \$1.6 billion to shareholders.

During the next five years, we intend to grow to nearly \$30 billion in revenue, 30,000-plus stores globally and double our annual operating income. Indeed, our ambitions are higher than ever, and for this year's letter to shareholders, I am honored to review several milestones as well as the strategic initiatives that will continue to drive our growth, while simultaneously bringing our company's mission, values and guiding principles to life.

* Non-GAAP measure. For GAAP results and a reconciliation of GAAP to non-GAAP measures, please see the table at the end of this letter.

Creating Pathways of Opportunity for Our People and the Communities We Serve

More than 300,000 Starbucks partners wear the green apron, and they remain the cornerstones of our company's success. So it is imperative that, as we grow, we bring our people along with us by sharing that success and supporting their ambitions. Our goal is nothing less than to be the global employer of choice.

For more than two decades, our pay and benefits have reflected that commitment, and in 2014 we made an equally powerful investment by offering full- and part-time U.S. partners the opportunity to finish their bachelor's degrees with tuition reimbursement through the Starbucks College Achievement Plan. This unprecedented online program, in affiliation with Arizona State University, is making history and making it possible for thousands of our partners to complete a college degree.

We also answered the call to honor the men and women who serve in America's military by committing to hire at least 10,000 veterans and military spouses by 2018. These heroic individuals return from their service with tremendous skills and a strong work ethic, and we believe it is our responsibility, as well as a benefit to our company, to support their transitions to civilian life. The veterans hiring initiative, as well as a book I co-wrote, *For Love of Country*, and the HBO Concert for Valor that Starbucks co-hosted, elevated awareness around our nation's veterans and made us incredibly proud.

Creating more opportunities for our partners is just one way we will exceed their expectations so that they can continue to exceed the expectations of our customers.

Growing Our Global Store Portfolio

The discipline and rigor we have established around store development and operations have allowed us to profitably grow our global presence.

Our Americas business, which today serves 54 million customers each week across 15 countries, had impressive revenue growth of nine percent coupled with exceptional margin expansion of 190 basis points.

In the China/Asia Pacific region (CAP), we've nearly doubled the number of stores over the past five years to almost 5,000 locations today while delivering 17 consecutive quarters of revenue growth in excess of 20 percent. China remains our fastest-growing market, with 25,000 partners across more than 80 cities today. In September, we opened two flagship stores in Beijing, a boldly designed 24-hour store in the cosmopolitan Taikoo Li Sanlitun district, and a stunning coffee-tribute store in the city's prestigious Kerry Center, where the 1,000 transactions per day are a testament to our brand's resonance and relevance with Chinese customers.

Our Europe, Middle East and Africa (EMEA) business continues to make fantastic headway. With more than 2,100 stores across 37 countries, EMEA had a greater than 80 percent rise in profit in fiscal 2014, and recently completed its sixth consecutive quarter of positive comparable-store sales growth, which is especially significant given the fragile economies throughout that region.

Everywhere we have a presence, including the United States, we see a long runway for growth in a variety of store formats, from stunning flagships to new mobile stores. What's more, our commitment to sustainable building has never been greater, and in 2014 we completed our 500th LEED®-certified store, far more than any other retailer in the world.

As we grow, we will continue to license stores in regions where leveraging the resources of a business partner makes the most sense; yet we will maintain full ownership in markets where harnessing our own capabilities allows us to ignite growth in channels beyond our stores. This was a key driver behind our acquisition of Starbucks Japan. Eighteen years after opening our first store outside North America in Tokyo's Ginza district, we have assumed full ownership so we can accelerate growth in Starbucks second-largest market in retail store revenue, which currently serves four million customers weekly in just over 1,000 locations.

Indeed, everything we have achieved around the world has paved the way for more opportunities, for which we have the operational excellence, the discipline, the leadership and the courage to pursue.

Growing Loyalty and Mobile Commerce

No other retail company can match how effectively Starbucks has integrated a loyalty program with mobile commerce. The combined power of My Starbucks Rewards®, with its eight million active users in fiscal 2014, and our digital platform, which yields nearly seven million mobile payment transactions per week, still cannot be overstated—and it is only getting more powerful. Their combined value to customers has become integral to the *Starbucks Experience*, and we are confident that they will continue to drive sales exponentially.

We are especially excited for the national launch in 2015 of Starbucks Mobile Order and Pay, a seamless upgrade to the existing Starbucks app which makes it possible to order customized beverages and food and pay using a Starbucks Card before even entering a Starbucks store. Beyond convenience, Mobile Order and Pay's intrinsic value resides in its potential to increase our loyalty program's membership as well as increase unique store visits and per-visit purchases. Expected to be accretive to Starbucks business, Mobile Order and Pay is the latest—but certainly not the last—addition to what is arguably the most successful mobile commerce platform in the world.

Creating More In-Store, Channel and Tea Occasions

We are well underway in the transformation of our food platform. The introduction of a variety of delicious, high-quality pastries, sandwiches, salads, sweet treats and grab-and-go snacks is further broadening our food offerings for existing customers while creating new reasons to visit our stores mornings through evenings. The successful rollout of La Boulange™ products into all U.S. stores, both company-operated and licensed, as well as the introduction of Starbucks Evenings menus with beer and wine in select locations, is further moving Starbucks toward becoming a food destination, and doubling food sales over the next five years.

We are also creating more occasions for customers outside our stores. In our high-margin Channel Development segment, fiscal 2014 revenues grew by 11 percent. Today, our innovative products are available in more than one million venues in 39 countries, from hotels to college campuses to fine restaurants. What's more, our innovations in the single-cup and ready-to-drink markets are positioning us to take further advantage of the enormous volume of coffee consumption that occurs outside of café environments, and we plan to nearly double our Channel Development operating income over the next five years.

We also remain committed to transforming the \$109 billion global tea market through reimagined Teavana stores as well as through new tea offerings and related products inside Starbucks stores. The 2014 introduction of Teavana® Oprah Chai, followed by shaken iced teas within our Starbucks stores, drove impressive increases in our tea sales. In 2015, we will emphasize tea bars in existing Teavana locations so customers can experience and enjoy the fine teas we offer.

Food, premium single-cup, ready-to-drink and tea are enormous opportunities for Starbucks, and we will continue to innovate and aggressively pursue these growing markets with the same rigor and discipline as we have pursued our core business.

Staying True to Our Coffee Core

For all our growth and exciting innovation, Starbucks is and will remain a coffee company. We are sourcing the highest-quality *arabica* coffee from more than 30 countries, and because our success is directly linked to our farmers' success, we continue to pay a premium for high-quality coffee and provide access to loans as well as technical assistance. Indeed, Starbucks remains committed to ethically sourcing 100 percent of our coffee by the end of 2015, a major milestone culminating from our 15-year partnership with Conservation International.

Rarely, however, are companies able to innovate and create significant new growth within their core business. Today, we have that opportunity with Starbucks Reserve® coffee, our super-premium brand of rare and exotic small-lot coffees. In December, we unveiled the Starbucks Reserve® Roastery & Tasting Room, a 15,000-square-foot Seattle location that is more engaging than any experience in all of the retail industry. The Roastery is a beautifully reimagined third-place environment wrapped around a fully functioning roasting facility. Here, the art of roasting comes to life just feet away from customers, who can witness the journey of every bean as it travels from burlap sack to roaster to cooling kettle and on to the coffee bar for brewing, then into the cup. It truly is a magical experience.

With the Roastery's celebrated opening, we also declared a higher level of commitment to Starbucks Reserve®. Going forward, all Starbucks Reserve® coffees will be roasted and packaged at the Roastery, and Starbucks Reserve®-only stores will open across the world, as will a few Starbucks Reserve® Roastery & Tasting Room concepts in key cities globally.

More than a single store, the Roastery is a metaphor for our company. With it, we have once again embraced our entrepreneurial DNA, exercised the curiosity and courage to go beyond what's expected while staying true to our core, and maintained the discipline required to achieve a balance of art and commerce.

Building a Great, Enduring Company

In fiscal 2014, the strength of our multichannel global business positioned us to deliver another year of record growth.

Going forward, we believe our extraordinary partners, our culture of innovation, our diverse portfolio, our long-term strategies and our best-in-class operations provide a strong foundation for sustained profitable growth. Behind our resources and extraordinary performance, however, remains a level of humility; we know that success is not an entitlement and we must continue to earn it every single day.

We also know that we must do more.

In today's world, change is constant and it is quick. Yet by staying true to our mission, values and guiding principles, the Starbucks brand continues to resonate. That, we believe, is proof that it is possible to build a world-class company with a conscience. As we continue to create meaningful opportunities for our people and our communities—while striving to deliver record performance—Starbucks is redefining our role and responsibility, forever.

In closing, I want to recognize Troy Alstead, Starbucks coo, for his tremendous contributions to Starbucks growth and success in his 23 years with the company. As a much beloved and highly respected Starbucks partner, we wish him well as he embarks upon his well-deserved "coffee break" (sabbatical). At the same time, I am so proud to welcome our new president and coo, Kevin Johnson. A five-year member of Starbucks Board of Directors, Kevin brings extensive senior executive experience with a large multinational company and experience with the inherent challenges in managing a complex organization and leading global businesses focused on both consumer and business needs. Kevin will be a valuable addition to my leadership team, and we look forward to his arrival in March.

On behalf of our leadership team and all of Starbucks partners, I thank you for another year of support, and for your belief in our incredible future.



Warm regards,

A handwritten signature in black ink, reading "Howard Schultz". The signature is fluid and cursive, with the first name "Howard" and last name "Schultz" clearly legible.

chairman, president and
chief executive officer

Forward Looking Statements

Certain statements contained herein are “forward-looking statements” within the meaning of the applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as “anticipate,” “expect,” “believe,” “could,” “estimate,” “feel,” “forecast,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are based upon information available to Starbucks as of the date hereof, and Starbucks actual results or performance could differ materially from those stated or implied due to risks and uncertainties associated with its business. These risks and uncertainties include, but are not limited to, fluctuations in U.S. and international economies and currencies, our ability to preserve, grow and leverage our brands, potential negative effects of material breaches of our information technology systems if any were to occur, costs associated with, and the successful execution of, the company’s initiatives and plans, the acceptance of the company’s products by our customers, the impact of competition, coffee, dairy and other raw material prices and availability, the effect of legal proceedings, and other risks detailed in the company filings with the Securities and Exchange Commission, including the “Risk Factors” section of the Starbucks Annual Report on Form 10-K for the fiscal year ended September 28, 2014. The company assumes no obligation to update any of these forward-looking statements.

Reconciliation of Selected GAAP Measures to Non-GAAP Measures (unaudited)

| | Year Ended Sep 28, 2014 | Year Ended Sep 29, 2013 | Change |
|--|----------------------------|----------------------------|-----------------------|
| Operating income/(loss), as reported (GAAP) | \$3,081.10 | \$(325.4) | nm¹ |
| Litigation charge/(credit) | (20.2) | 2,784.10 | |
| Costs from transactions in Q4 2014 ² | 2.4 | – | |
| Non-GAAP operating income | \$3,063.30 | \$2,458.7 | 24.6% |
| Operating margin, as reported (GAAP) | 18.7% | (2.2)% | nm¹ |
| Litigation charge/(credit) | (0.1) | 18.7 | |
| Costs from transactions in Q4 2014 ² | – | – | |
| Non-GAAP operating income | 18.6% | 16.5% | 210 bps |
| Diluted net earnings per share, as reported (GAAP) | \$2.71 | \$0.01 | 27,000.0% |
| Litigation charge/(credit) | (0.02) | 2.25 | |
| Gain on sale of equity in Mexico joint venture | – | (0.03) | |
| Gain on sale of equity in Chile and Argentina joint ventures | – | (0.03) | |
| Net benefit from transactions in Q4 2014 ³ | (0.03) | – | |
| Non-GAAP net earnings per share | \$2.66 | \$2.19 | 21.5% |

¹ nm - not meaningful

² Includes a portion of the transaction costs incurred in Q4 FY14 related to the planned acquisition of Starbucks Japan and costs related to the sale of our Australia retail operations in Q4 FY14. The remaining majority of the impact from these transactions is included in net interest income and other.

³ The net benefit from transactions in Q4 2014 relates primarily to a \$0.05 gain on the sale of our Malaysia equity method investment, partially offset by a loss on the sale of our Australia retail operations and transaction costs incurred in Q4 FY14 related to the planned acquisition of Starbucks Japan.