Dear Shareholders,

It is my honor to write my first letter to you as chief executive of Starbucks Coffee Company, and following another fiscal year of innovation, market expansion and exciting growth.

In April, Howard and I enjoyed a seamless transition as he assumed the role of executive chairman. Our ongoing collaborative relationship has reaffirmed the partnership we established almost a decade ago.

Fiscal 2017 was a period of many intentional, impactful moves while we navigated a retail industry experiencing profound disruption in consumer behavior. More brick-and-mortar stores closed last year than in any year since the Great Recession, which began in 2007. Yet in the face of such headwinds, the 2,250 net new stores that Starbucks opened globally this past year delivered a record first-year performance, further evidence that despite ongoing industry disruption, the Starbucks brand continues to resonate with customers around the world. As we continue to address these shifting industry dynamics, we are staying true to the mission and core values that built Starbucks Coffee Company over the past four decades.

Fiscal 2017 also was an inflection point in our journey in China, our second largest and fastest-growing market. Our recent acquisition of the East China joint venture and the opening of the Shanghai Starbucks Reserve™ Roastery are exciting moves that will accelerate performance in this important region in the coming year. Together the U.S. and China are two powerful drivers of future growth.

I'd like to highlight the significance of China and other key factors that contributed to, and will continue to drive, our focus on creating shareholder value. While not an exhaustive review of our progress or our plans, this letter will showcase some of our successes and how we are well positioned for the future.

Delivering Growth and Returning Cash to Shareholders

For the full-year fiscal 2017, Starbucks grew consolidated revenue to a record $22.4 billion, a 5 percent increase versus the prior year. After excluding $412.4 million for an extra week in the fourth quarter of fiscal 2016, consolidated net revenues in fiscal 2017 grew 7 percent versus the prior year. Growth was primarily driven by a 3 percent rise in global comparable store sales; the opening of more than 2,250 net new stores, bringing our global store total to more than 27,000; and share gains in at-home coffee.

Here are a few performance highlights for fiscal 2017[1]:

- GAAP operating income of $4.1 billion declined 1 percent compared to the prior year.
  - Non-GAAP operating income increased by 8 percent to $4.4 billion.
- GAAP operating margin of 18.5 percent declined 110 basis points compared to the prior year.
  - Non-GAAP operating margin expanded 10 basis points to 19.7 percent.
- GAAP Earnings Per Share of $1.97 grew 4 percent versus the prior year.
  - Non-GAAP Earnings Per Share grew 11 percent to $2.06.
- Through dividends and share repurchases, Starbucks returned a record $3.5 billion to shareholders in 2017.

Looking ahead, we are intent on remaining a growth company that delivers strong comparable store sales, revenues and profits. We plan to achieve these goals by staying true to several high-priority commitments.

Positioning for Long-Term Growth in China

We have established two major growth engines for Starbucks: the U.S. and China. The latter will drive an increasing portion of overall profit coming from outside the U.S.

China is an economic powerhouse with rapid GDP growth and an expanding middle class. The country holds decades of growth potential for Starbucks. After almost 20 years in this region, our more than 3,100 stores have become community destinations, attracting new customers and bringing in existing customers more often. The magnificent December opening of the Shanghai Starbucks Reserve™ Roastery, the world's largest Starbucks® location, is elevating our brand throughout Asia while signaling our unwavering commitment to this key market.

As we continue to open a new store in China every 15 hours, investing in our store partners here will remain essential. I have seen our partners' commitment to providing the signature *Starbucks Experience* firsthand, and it is driven by a deep respect for coffee and belief in our mission, as well as gratitude for access to breakthrough benefits, such as housing allowances and critical illness insurance for parents.

The experience our strong China leadership team creates for our partners, as well as Starbucks partnerships with leading Chinese companies such as Alibaba and Tencent, ensures we will continue to perform like no other American retailer in this growing market.

[1] GAAP results in fiscal 2016 and 2017 include items which are excluded from non-GAAP results. A reconciliation of non-GAAP measures with their corresponding GAAP measures is available at the end of this letter.

Amplifying Our Core, High-Growth Businesses

Excellence in execution has never been more critical in retail, and in 2017 we began to streamline operations to amplify our focus on the core drivers of shareholder value. Our streamline activities are anchored in three areas:

> ***Tuning Business Models by Geography*** In 2017 we accelerated efforts to ensure that each of the countries where we operate has the most effective business model. In Mainland China, for example, we are transitioning from a partially licensed model to a fully company-owned model, which will nearly double the number of company-owned stores. In other markets, we transitioned to a fully licensed model. These and similar transitions will continue to elevate market-by-market performance.
>
> ***Sharpening Focus on High-Growth Businesses*** We made three significant moves in fiscal 2017. First, the decision to sell TAZO allows us to put more energy into our premium tea brand, Teavana™/MC. Second, with Teavana performing so well in Starbucks® stores and destined for grocery aisles, closing our Teavana™/MC retail stores makes it possible to redirect resources to proven successes. And by closing our online store, we are able to take full advantage of the superior ecommerce platforms of our channel partners.
>
> ***Driving Operational Excellence and Innovation Agility*** Our heightened efforts to improve processes, leverage new technology and tighten costs also will help us bring innovation to market more rapidly and scale more efficiently.

These efforts and other upcoming streamline activities will further contribute to shareholder value in FY18 and beyond.

Elevating Our Brand Through Coffee and Innovation

Amid the seismic shifts rocking retail, our investments reflect our long-held view that success will come to retailers providing superior products and service at experiential destinations threaded with an engaging digital and mobile customer relationship. For us, this means staying true to our coffee heritage while evolving our relevance.

> ***Coffee, Beverage and Food*** Starbucks will never cede the high ground of premium coffee and is committed to ethically sourcing high-quality *arabica* beans as we pursue beverage innovation. In 2017 Cold Brew, Iced Espresso and Teavana™/MC Shaken Iced Tea Infusions, as well as Draft Nitro beverages, drove sales, and we introduced a delicious variety of snacks and meals.
>
> ***Digital, Mobile and Rewards*** Our digital relationships with customers provide convenience and value while introducing new products and becoming part of consumers' lifestyles. Going forward, the power of our unique digital flywheel platform will expand as we open it to more customers, add features and launch in more countries.
>
> ***Our Starbucks Reserve Brand and Roasteries*** Our magnificent Roasteries in Seattle and Shanghai have reaffirmed our coffee and tea leadership while capturing imaginations with their immersive interiors, coffee-forward beverages and the recent addition of Italian artisanal bakery, Princi. New Roasteries in key cities, as well as a Starbucks Reserve brand presence in thousands of stores, will enhance our global brand and drive business to existing Starbucks® stores.

Staying True to Our Values

Starbucks success has always been linked to the meaningful relationships we have with our partners and how we serve our communities. These factors help us attract and retain high-caliber talent who share our values. A few highlights from this past year:

Our history of caring for our partners continued in 2017 as our groundbreaking partnership with Arizona State University, which provides tuition reimbursement to partners pursuing a bachelor's degree online, just celebrated its 1,000th graduate.

Support of U.S. veterans and military spouses, Opportunity Youth and refugees through hiring is benefiting our culture and performance. And our efforts and commitment to respect the environment and diverse neighborhoods make us a valued member of communities where we do business.

Around the world our partners also completed almost 2,400 service projects, as well as responded with compassion to those impacted by tragic natural disasters. Our decision to keep paying partners whose schedules were disrupted by these events is indicative of the values that have informed our choices for decades and will continue to make us a sought-out retail employer.

Appreciating Our Starbucks Partners

The mission, values and principles that guided our company for decades continue to inspire all of us, and I personally want to express my gratitude to our exceptional leaders and the more than 330,000 hardworking partners who proudly wear the green apron for their service to this uniquely special company. It is my honor to serve you.

To our shareholders, I thank you for your trust as we navigate these exciting, unprecedented times. I have every confidence that our company's commitment to care for our partners, to serve our communities, to innovate and to pursue operational excellence in every market will keep us proud and on the right path for long-term, sustainable growth.

With great respect,

Kevin Johnson
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 incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, potential negative effects of material breaches of our information technology systems to the extent we experience a material breach, material failures of our information technology systems, costs associated with, and the successful execution of, the company's initiatives and plans, including the recently completed purchase of the remaining 50% ownership of our East China joint venture and our continuing growth in China, the acceptance of the company's products by our customers, the impact of competition, coffee, dairy and other raw materials 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 October 1, 2017. The company assumes no obligation to update any of these forward-looking statements.

Starbucks Corporation

RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES

($ in millions)

Consolidated	**Year Ended** FY17 (52 Weeks Ended)	FY16 (53 Weeks Ended)	**Change**
Operating income, as reported (GAAP)	$ 4,134.7	$ 4,171.9	(0.9)%
Sale of Singapore retail operations [(1)]	1.4	—	
Greater China transaction costs	3.9	—	
Restructuring and impairment charges [(2)]	164.8	—	
Starbucks Japan acquisition-related items [(3)]	57.7	57.4	
Sale of Germany retail operations [(4)]	—	2.8	
The Starbucks Foundation donation	50.0	—	
Non-GAAP operating income	4,412.5	4,232.1	4.3%
Impact of the extra week–Q4 FY16	—	137.3	
Non-GAAP operating income	$ 4,412.5	$ 4,094.8	7.8%
Operating margin, as reported (GAAP)	18.5%	19.6%	(110) bps
Sale of Singapore retail operations [(1)]	—	—	
Greater China transaction costs	—	—	
Restructuring and impairment charges [(2)]	0.7	—	
Starbucks Japan acquisition-related items [(3)]	0.3	0.3	
Sale of Germany retail operations [(4)]	—	—	
The Starbucks Foundation donation	0.2	—	
Non-GAAP operating margin	19.7%	19.9%	(20) bps
Impact of the extra week	—	0.3	
Non-GAAP operating margin	19.7%	19.6%	10 bps
Diluted net earnings per share, as reported (GAAP)	$ 1.97	$ 1.90	3.7%
Sale of Singapore retail operations [(1)]	(0.06)	—	
Greater China transaction costs	—	—	
Restructuring and impairment charges [(2)]	0.11	—	
Starbucks Japan acquisition-related items [(3)]	0.04	0.04	
Sale of Germany retail operations [(4)]	(0.01)	—	
The Starbucks Foundation donation	0.03	—	
Income tax effect on Non-GAAP adjustments [(5)]	(0.04)	(0.01)	
Other tax matters [(6)]	—	(0.01)	
Non-GAAP net earnings per share	$ 2.06	$ 1.91	7.9%
Impact of the extra week–Q4 FY16	—	(0.09)	
Income tax effect on the impact of the extra week–Q4 FY16 [(5)]	—	0.03	
Non-GAAP net earnings per share	$ 2.06	$ 1.85	11.4%

(1) Transaction costs of $1.4 million associated with the transfer of Singapore company-operated retail stores to licensed stores are recorded within operating income; gain from the sale of $83.9 million is recorded within interest income and other, net.

(2) Represents restructuring and impairment charges of $153.5 million associated with our restructuring efforts. Inventory write-offs of $11.3 million related to these efforts were recorded within cost of sales including occupancy costs.

(3) Includes ongoing amortization expense of acquired intangible assets associated with the acquisition and post-acquisition integration costs, such as incremental information technology and compensation-related costs.

(4) Costs incurred in Q3 FY16 associated with the sale of Germany retail operations are recorded within operating income. Gain and subsequent adjustment on sale of Germany retail operations is recorded within interest income and other, net.

(5) Income tax effect on non-GAAP adjustments was determined based on the nature of the underlying items and their relevant jurisdictional tax rates.

(6) Other tax matters include incremental benefit from additional domestic manufacturing deductions claimed in our U.S. consolidated tax returns for periods prior to the years presented.

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