

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 September 30, 2018

or

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

For the transition period from _____ to _____

Commission File Number: 0-20322

Starbucks Corporation

(Exact Name of Registrant as Specified in its Charter)



Washington
(State of Incorporation)

91-1325671
(IRS Employer ID)

2401 Utah Avenue South, Seattle, Washington 98134
(206) 447-1575

(Address of principal executive offices, zip code, telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u> | <u>Name of Each Exchange on Which Registered</u> |
|---|--|
| Common Stock, \$0.001 par value per share | Nasdaq Global Select Market |

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 12 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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation of S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the registrant's common stock on April 1, 2018 as reported on the NASDAQ Global Select Market was \$77.8 billion. As of November 9, 2018, there were 1,240.6 million shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on March 20, 2019 have been incorporated by reference into Part III of this Annual Report on Form 10-K.

STARBUCKS CORPORATION
Form 10-K
For the Fiscal Year Ended September 30, 2018
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” “may,” “aims,” “intends,” or “projects.” A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. These forward-looking statements are all based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Our actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, the risks and uncertainties discussed under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Annual Report on Form 10-K and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

General

Starbucks is the premier roaster, marketer and retailer of specialty coffee in the world, operating in 78 markets. Formed in 1985, Starbucks Corporation's common stock trades on the NASDAQ Global Select Market ("NASDAQ") under the symbol "SBUX." We purchase and roast high-quality coffees that we sell, along with handcrafted coffee, tea and other beverages and a variety of high-quality food items through company-operated stores. We also sell a variety of coffee and tea products and license our trademarks through other channels such as licensed stores, grocery and foodservice accounts. In addition to our flagship Starbucks Coffee brand, we sell goods and services under the following brands: Teavana, Seattle's Best Coffee, Evolution Fresh, La Boulange, Ethos, Starbucks Reserve and Princi.

Our objective is to maintain Starbucks standing as one of the most recognized and respected brands in the world. To achieve this, we are continuing the disciplined expansion of our global store base, adding stores in both existing, developed markets such as the U.S., and in newer, higher growth markets such as China, as well as optimizing the mix of company-operated and licensed stores around the world. In addition, by leveraging the experience gained through our traditional store model, we continue to offer consumers new coffee and other products in a variety of forms, across new categories, diverse channels and alternative store formats. We also believe our Starbucks Global Social Impact strategy, commitments related to ethically sourcing high-quality coffee, contributing positively to the communities we do business in and being an employer of choice are contributors to our objective.

In this Annual Report on Form 10-K ("10-K" or "Report") for the fiscal year ended September 30, 2018 ("fiscal 2018"), Starbucks Corporation (together with its subsidiaries) is referred to as "Starbucks," the "Company," "we," "us" or "our."

Segment Financial Information

Segment information is prepared on the same basis that our management reviews financial information for operational decision-making purposes. On August 26, 2018, our Channel Development segment finalized licensing and distribution agreements with Nestlé S.A. ("Nestlé") to sell and market our consumer packaged goods ("CPG") and foodservice products and received an upfront prepaid royalty payment of approximately \$7 billion. As a result, we realigned our organizational and operating segment structures in support of the newly established Global Coffee Alliance. The scope of the arrangement converts the majority of our previously defined Channel Development segment operations, as well as certain smaller businesses previously reported in the Americas, EMEA and Corporate and Other (previously All Other Segments), to licensed operations with Nestlé, and our reportable segments have been restated as if those smaller businesses were previously within our Channel Development segment.

We have four reportable operating segments: 1) Americas, which is inclusive of the U.S., Canada, and Latin America; 2) China/Asia Pacific ("CAP"); 3) Europe, Middle East, and Africa ("EMEA") and 4) Channel Development. We also have several non-reportable operating segments, including Siren Retail, which consists of Starbucks Reserve™ Roastery & Tasting Rooms, Starbucks Reserve brand stores and products and Princi operations, as well as Evolution Fresh and the Teavana retail business which substantially ceased operations during fiscal 2018. Collectively, the combined group of non-reportable operating segments is reported within Corporate and Other. Revenues from our reportable segments and Corporate and Other as a percentage of total net revenues for fiscal 2018 were as follows: Americas (68%), CAP (18%), EMEA (4%), Channel Development (9%) and Corporate and Other (1%).

Our Americas, CAP and EMEA segments include both company-operated and licensed stores. Our Americas segment is our most mature business and has achieved significant scale. Certain markets within our CAP and EMEA operations are either in various stages of development or undergoing transformations of their business models. Therefore, they may require a more extensive support organization, relative to their current levels of revenue and operating income, than our Americas operations.

Our Channel Development segment includes roasted whole bean and ground coffees, Seattle's Best Coffee®, Starbucks- and Teavana-branded single-serve products, a variety of ready-to-drink beverages, such as Frappuccino®, Starbucks Doubleshot®, Starbucks Refreshers® beverages and Teavana™/MC iced tea, and other branded products sold worldwide outside of our company-operated and licensed stores. Historically our consumer packaged goods have been sold directly to grocery, warehouse club and specialty retail stores and through institutional foodservice companies. With the establishment of the Global Coffee Alliance with Nestlé, a large portion of our Channel Development business transitioned to a licensed model in the fourth quarter of fiscal 2018. Additionally, the CPG and foodservice businesses previously included in our Americas, EMEA and Corporate and Other (previously All Other Segments) were also transitioned to a licensed model under the Global Coffee Alliance and realigned to the Channel Development segment. Our collaborative relationships with PepsiCo, Inc., Anheuser-Busch InBev, Tingyi Holding Corp., Arla Foods and others for our global ready-to-drink beverage businesses in this segment are excluded from the Global Coffee Alliance.

Starbucks segment information is included in [Note 16](#), Segment Reporting, to the consolidated financial statements included in Item 8 of Part II of this 10-K.

Revenue Components

We generate the majority of our revenues through company-operated stores and licensed stores.

Company-operated and Licensed Store Summary as of September 30, 2018

| | Americas | As a % of Total Americas Stores | CAP | As a % of Total CAP Stores | EMEA | As a % of Total EMEA Stores | Corporate and Other | As a % of Total Corporate and Other | Total | As a % of Total Stores |
|-------------------------|---------------|---------------------------------|--------------|----------------------------|--------------|-----------------------------|---------------------|-------------------------------------|---------------|------------------------|
| Company-operated stores | 9,684 | 55% | 5,159 | 60% | 490 | 15% | 8 | 40% | 15,341 | 52% |
| Licensed stores | 7,770 | 45% | 3,371 | 40% | 2,830 | 85% | 12 | 60% | 13,983 | 48% |
| Total | 17,454 | 100% | 8,530 | 100% | 3,320 | 100% | 20 | 100% | 29,324 | 100% |

The mix of company-operated versus licensed stores in a given market will vary based on several factors, including our ability to access desirable local retail space, the complexity, profitability and expected ultimate size of the market for Starbucks and our ability to leverage the support infrastructure within a geographic region.

Company-operated Stores

Revenue from company-operated stores accounted for 80% of total net revenues during fiscal 2018 . Our retail objective is to be the leading retailer and brand of coffee and tea in each of our target markets by selling the finest quality coffee, tea and related products, as well as complementary food offerings, and by providing each customer with a unique *Starbucks Experience* . The *Starbucks Experience* is built upon superior customer service and a seamless digital experience as well as clean and well-maintained stores that reflect the personalities of the communities in which they operate, thereby building a high degree of customer loyalty.

Our strategy for expanding our global retail business is to increase our market share in a disciplined manner, by selectively opening additional stores in new and existing markets, as well as increasing sales in existing stores, to support our long-term strategic objective to maintain Starbucks standing as one of the most recognized and respected brands in the world. Store growth in specific existing markets will vary due to many factors, including expected financial returns, the maturity of the market, economic conditions, consumer behavior and local business practices.

Company-operated store data for the year-ended September 30, 2018 :

| | Stores Open as of Oct 1, 2017 | Opened | Closed | Transfers | Net | Stores Open as of Sep 30, 2018 |
|--|-------------------------------------|--------------|--------------|--------------|--------------|--------------------------------------|
| Americas ⁽¹⁾ : | | | | | | |
| U.S. | 8,222 | 401 | (48) | — | 353 | 8,575 |
| Canada | 1,083 | 65 | (39) | — | 26 | 1,109 |
| Brazil | 108 | 4 | — | (112) | (108) | — |
| Total Americas | 9,413 | 470 | (87) | (112) | 271 | 9,684 |
| China/Asia Pacific ⁽²⁾ : | | | | | | |
| China | 1,540 | 528 | (24) | 1,477 | 1,981 | 3,521 |
| Japan | 1,218 | 84 | (16) | — | 68 | 1,286 |
| Thailand | 312 | 41 | (1) | — | 40 | 352 |
| Total China/Asia Pacific | 3,070 | 653 | (41) | 1,477 | 2,089 | 5,159 |
| EMEA: | | | | | | |
| U.K. | 345 | 15 | (23) | (2) | (10) | 335 |
| All Other | 157 | 3 | (5) | — | (2) | 155 |
| Total EMEA | 502 | 18 | (28) | (2) | (12) | 490 |
| Corporate and Other: | | | | | | |
| Teavana | 288 | — | (288) | — | (288) | — |
| Siren Retail | 2 | 6 | — | — | 6 | 8 |
| Total Corporate and Other | 290 | 6 | (288) | — | (282) | 8 |
| Total company-operated | 13,275 | 1,147 | (444) | 1,363 | 2,066 | 15,341 |

⁽¹⁾ Americas store data includes the transfer of 112 company-operated retail stores in Brazil to licensed stores as a result of the sale of our Brazil retail operations in the second quarter of fiscal 2018.

⁽²⁾ China/Asia Pacific store data includes the transfer of 1,477 licensed stores in East China to company-operated retail stores as a result of the purchase of our East China joint venture in the first quarter of fiscal 2018.

Starbucks[®] company-operated stores are typically located in high-traffic, high-visibility locations. Our ability to vary the size and format of our stores allows us to locate them in or near a variety of settings, including downtown and suburban retail centers, office buildings, university campuses and in select rural and off-highway locations. We are continuing the expansion of our stores, inclusive of Drive Thru formats that provide a higher degree of access and convenience, and alternative store formats, which are focused on an elevated *Starbucks Experience* for our customers.

Retail sales mix by product type for company-operated stores:

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------------|------------------------|------------------------|
| Beverages | 74% | 73% | 74% |
| Food | 20% | 20% | 19% |
| Packaged and single-serve coffees and teas | 2% | 3% | 3% |
| Other ⁽¹⁾ | 4% | 4% | 4% |
| Total | 100% | 100% | 100% |

⁽¹⁾ “Other” primarily consists of sales of serveware, ready-to-drink beverages and coffee-making equipment, among other items.

Stored Value Cards and Loyalty Program

The Starbucks Card, our branded stored value card program, is designed to provide customers with a convenient payment method, support gifting and increase the frequency of store visits by cardholders, in part through the related Starbucks Rewards™ loyalty program where available, as discussed below. Stored value cards are issued to customers when they initially load them with an account balance. They can be obtained in our company-operated and most licensed stores in North America, China, Japan, Latin America, and many of our markets in our CAP and EMEA segments. Stored value cards can also be obtained on-line, via the Starbucks® Mobile App, and through other U.S. and international retailers. Customers may access their card balances by utilizing their stored value card or the Starbucks® Mobile App in participating stores. Using the Mobile Order and Pay functionality of the Starbucks® Mobile App, customers can also place orders in advance for pick-up at certain participating locations in the U.S. and Canada. In nearly all markets, including the U.S. and Canada, customers who register their Starbucks Cards are automatically enrolled in the Starbucks Rewards™ program. Registered members can receive various benefits depending on factors such as the number of reward points (“Stars”) earned. Refer to [Note 1](#), Summary of Significant Accounting Policies, included in Item 8 of Part II of this 10-K, for further discussion of our stored value cards and loyalty program.

Licensed Stores

Revenues from our licensed stores accounted for 11% of total net revenues in fiscal 2018. Licensed stores generally have a lower gross margin and a higher operating margin than company-operated stores. Under the licensed model, Starbucks receives a reduced share of the total store revenues, but this is more than offset by the reduction in our share of costs as these are primarily incurred by the licensee.

In our licensed store operations, we leverage the expertise of our local partners and share our operating and store development experience. Licensees provide improved, and at times the only, access to desirable retail space. Most licensees are prominent retailers with in-depth market knowledge and access. As part of these arrangements, we sell coffee, tea, food and related products to licensees for resale to customers and receive royalties and license fees from the licensees. We also sell certain equipment, such as coffee brewers and espresso machines, to our licensees for use in their operations. Employees working in licensed retail locations are required to follow our detailed store operating procedures and attend training classes similar to those given to employees in company-operated stores. In a limited number of international markets, we also use traditional franchising and include these stores in the results of operations from our other licensed stores.

Licensed store data for the year-ended September 30, 2018 :

| | Stores Open as of Oct 1, 2017 | Opened | Closed | Transfers | Net | Stores Open as of Sep 30, 2018 |
|--|-------------------------------------|--------------|--------------|----------------|----------------|--------------------------------------|
| Americas ⁽¹⁾ : | | | | | | |
| U.S. | 5,708 | 442 | (119) | — | 323 | 6,031 |
| Mexico | 632 | 76 | — | — | 76 | 708 |
| Latin America | 429 | 83 | (2) | 112 | 193 | 622 |
| Canada | 377 | 44 | (12) | — | 32 | 409 |
| Total Americas | 7,146 | 645 | (133) | 112 | 624 | 7,770 |
| China/Asia Pacific ⁽²⁾ : | | | | | | |
| China | 1,396 | 84 | (3) | (1,477) | (1,396) | — |
| Korea | 1,108 | 138 | (15) | — | 123 | 1,231 |
| Taiwan | 420 | 43 | (5) | — | 38 | 458 |
| Philippines | 324 | 37 | (1) | — | 36 | 360 |
| Indonesia | 317 | 56 | (8) | — | 48 | 365 |
| Malaysia | 248 | 23 | (3) | — | 20 | 268 |
| All Other | 596 | 101 | (8) | — | 93 | 689 |
| Total China/Asia Pacific | 4,409 | 482 | (43) | (1,477) | (1,038) | 3,371 |
| EMEA: | | | | | | |
| U.K. | 606 | 62 | (17) | 2 | 47 | 653 |
| Turkey | 387 | 67 | (1) | — | 66 | 453 |
| United Arab Emirates | 164 | 26 | (4) | — | 22 | 186 |
| Germany | 156 | 10 | (14) | — | (4) | 152 |
| Saudi Arabia | 124 | 46 | (4) | — | 42 | 166 |
| Kuwait | 118 | 24 | — | — | 24 | 142 |
| Spain | 113 | 34 | (5) | — | 29 | 142 |
| All Other | 804 | 157 | (25) | — | 132 | 936 |
| Total EMEA | 2,472 | 426 | (70) | 2 | 358 | 2,830 |
| Corporate and Other: | | | | | | |
| Teavana | 37 | — | (25) | — | (25) | 12 |
| Total Corporate and Other | 37 | — | (25) | — | (25) | 12 |
| Total licensed | 14,064 | 1,553 | (271) | (1,363) | (81) | 13,983 |

⁽¹⁾ Americas store data includes the transfer of 112 company-operated retail stores in Brazil to licensed stores as a result of the sale of our Brazil retail operations in the second quarter of fiscal 2018.

⁽²⁾ China/Asia Pacific store data includes the transfer of 1,477 licensed stores in East China to company-operated retail stores as a result of the purchase of our East China joint venture in the first quarter of fiscal 2018.

Other Revenues

Other revenues primarily are recorded in our Channel Development segment and include sales of packaged coffee, tea and ready-to-drink beverages to customers outside of our company-operated and licensed stores. Historically revenues have included domestic and international sales of our packaged coffee, tea and ready-to-drink products to grocery, warehouse club and specialty retail stores and through institutional foodservice companies which serviced businesses. In the fourth quarter of fiscal 2018, we began licensing the rights to sell and market Starbucks-branded products in authorized channels to Nestlé. As a result, other revenues includes product sales to and licensing revenue from Nestlé under this arrangement and the amortization of the upfront prepaid royalty payment. Our collaborative business relationships for global ready-to-drink products and the associated revenues remain unchanged due to the Global Coffee Alliance with Nestlé.

Product Supply

Starbucks is committed to selling the finest whole bean coffees and coffee beverages. To ensure compliance with our rigorous coffee standards, we control coffee purchasing, roasting and packaging and the global distribution of coffee used in our operations. We purchase green coffee beans from multiple coffee-producing regions around the world and custom roast them to our exacting standards for our many blends and single origin coffees.

The price of coffee is subject to significant volatility. Although most coffee trades in the commodity market, high-altitude *arabica* coffee of the quality sought by Starbucks tends to trade on a negotiated basis at a premium above the “C” coffee commodity price. Both the premium and the commodity price depend upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors in the producing countries, including weather, natural disasters, crop disease, general increase in farm inputs and costs of production, inventory levels and political and economic conditions. Price is also impacted by trading activities in the *arabica* coffee futures market, including hedge funds and commodity index funds. In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee supplies.

We buy coffee using fixed-price and price-to-be-fixed purchase commitments, depending on market conditions, to secure an adequate supply of quality green coffee. Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore the price, at which the base “C” coffee commodity price component will be fixed has not yet been established. For most contracts, either Starbucks or the seller has the option to “fix” the base “C” coffee commodity price prior to the delivery date. For other contracts, Starbucks and the seller may agree upon pricing parameters determined by the base “C” coffee commodity price. Until prices are fixed, we estimate the total cost of these purchase commitments. Total green coffee purchase commitments as of September 30, 2018 were \$1.1 billion, comprised of \$996 million under fixed-price contracts and an estimated \$166 million under price-to-be-fixed contracts. As of September 30, 2018, none of our price-to-be-fixed contracts were effectively fixed through the use of futures contracts. Most price-to-be-fixed contracts as of September 30, 2018 were at the Company’s option to fix the base “C” coffee commodity price component. Total purchase commitments, together with existing inventory, are expected to provide an adequate supply of green coffee through fiscal 2019.

We depend upon our relationships with coffee producers, outside trading companies and exporters for our supply of green coffee. We believe, based on relationships established with our suppliers, the risk of non-delivery on such purchase commitments is remote.

To help ensure the future supply of high-quality green coffee and to reinforce our leadership role in the coffee industry, Starbucks operates nine farmer support centers. The farmer support centers are staffed with agronomists and sustainability experts who work with coffee farming communities to promote best practices in coffee production designed to improve both coffee quality, yields and agronomy support to address climate and other impacts.

In addition to coffee, we also purchase significant amounts of dairy products, particularly fluid milk, to support the needs of our company-operated stores. We believe, based on relationships established with our dairy suppliers, that the risk of non-delivery of sufficient fluid milk to support our stores is remote.

Products other than whole bean coffees and coffee beverages sold in Starbucks® stores include tea and a number of ready-to-drink beverages that are purchased from several specialty suppliers, usually under long-term supply contracts. Food products, such as pastries, breakfast sandwiches and lunch items, are purchased from national, regional and local sources. We also purchase a broad range of paper and plastic products, such as cups and cutlery, from several companies to support the needs of our retail stores as well as our manufacturing and distribution operations. We believe, based on relationships established with these suppliers and manufacturers, that the risk of non-delivery of sufficient amounts of these items is remote.

Competition

Our primary competitors for coffee beverage sales are specialty coffee shops offering premium and artisanal products and experiences. In almost all markets in which we do business, there are numerous competitors in the specialty coffee beverage business. We believe that our customers choose among specialty coffee retailers primarily on the basis of product quality, service and convenience, as well as price. We continue to experience direct competition from large competitors in the U.S. quick-service restaurant sector and the U.S. ready-to-drink coffee beverage market, in addition to well-established companies in many international markets. We also compete with restaurants and other specialty retailers for prime retail locations and qualified personnel to operate both new and existing stores.

Our coffee and tea products sold through our Channel Development segment compete directly against specialty coffees and teas sold through grocery stores, warehouse clubs, specialty retailers, convenience stores and foodservice accounts and compete indirectly against all other coffees and teas on the market.

Trademarks, Copyrights, Patents and Domain Names

Starbucks owns and has applied to register numerous trademarks and service marks in the U.S. and in other countries throughout the world. Some of our trademarks, including Starbucks, the Starbucks logo, Starbucks Reserve, Seattle’s Best Coffee, Teavana, Frappuccino, Starbucks VIA and La Boulange are of material importance. The duration of trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

We own numerous copyrights for items such as product packaging, promotional materials, in-store graphics and training materials. We also hold patents on certain products, systems and designs. In addition, Starbucks has registered and maintains numerous Internet domain names, including “Starbucks.com,” “Starbucks.net,” “Starbucksreserve.com,” “Seattlesbest.com” and “Teavana.com.”

Seasonality and Quarterly Results

Our business is subject to moderate seasonal fluctuations, of which our fiscal second quarter typically experiences lower revenues and operating income. Additionally, as Starbucks Cards are issued to and loaded by customers during the holiday season, we tend to have higher cash flows from operations during the first quarter of the fiscal year. However, since revenues from Starbucks Cards are recognized upon redemption and not when cash is loaded onto the Card, the impact of seasonal fluctuations on the consolidated statements of earnings is much less pronounced. As a result of moderate seasonal fluctuations, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

Employees

Starbucks employed approximately 291,000 people worldwide as of September 30, 2018. In the U.S., Starbucks employed approximately 191,000 people, with approximately 183,000 in company-operated stores and the remainder in support facilities, store development, and roasting, manufacturing, warehousing and distribution operations. Approximately 100,000 employees were employed outside of the U.S., with approximately 97,000 in company-operated stores and the remainder in regional support operations. The number of Starbucks employees represented by unions is not significant. We believe our current relations with our employees are good.

Executive Officers of the Registrant

| Name | Age | Position |
|--------------------|-----|--|
| Kevin R. Johnson | 58 | president and chief executive officer |
| Rosalind G. Brewer | 56 | group president, Americas and chief operating officer |
| Cliff Burrows | 59 | group president, Siren Retail |
| John Culver | 58 | group president, International, Channel Development and Global Coffee & Tea |
| Rachel A. Gonzalez | 49 | executive vice president, general counsel and secretary |
| Patrick J. Grismer | 56 | executive vice president, effective November 12, 2018; executive vice president, chief financial officer and chief accounting officer, effective November 30, 2018 |
| Lucy Lee Helm | 61 | executive vice president, chief partner officer |
| Scott Maw | 51 | executive vice president, chief financial officer (retiring November 30, 2018) |
| Vivek Varma | 52 | executive vice president, Public Affairs |

Kevin R. Johnson has served as president and chief executive officer since April 2017, and has been a Starbucks director since March 2009. Mr. Johnson served as president and chief operating officer from March 2015 to April 2017. Mr. Johnson served as Chief Executive Officer of Juniper Networks, Inc., a leading provider of high-performance networking products and services, from September 2008 to December 2013. He also served on the Board of Directors of Juniper Networks from September 2008 through February 2014. Prior to joining Juniper Networks, Mr. Johnson served as President, Platforms and Services Division for Microsoft Corporation, a worldwide provider of software, services and solutions. Mr. Johnson was a member of Microsoft’s Senior Leadership Team and held a number of senior executive positions over the course of his 16 years at Microsoft. Prior to joining Microsoft in 1992, Mr. Johnson worked in International Business Machine Corp.’s systems integration and consulting business.

Rosalind G. Brewer has served as group president, Americas and chief operating officer since October 2017, and has been a director of Starbucks since March 2017. Ms. Brewer served as President and Chief Executive Officer of Sam’s Club, a membership-only retail warehouse club and a division of Walmart Inc., from February 2012 to February 2017. Previously, Ms.

Brewer was Executive Vice President and President of Walmart's East Business Unit from February 2011 to January 2012; Executive Vice President and President of Walmart South from February 2010 to February 2011; Senior Vice President and Division President of the Southeast Operating Division from March 2007 to January 2010; and Regional General Manager, Georgia Operations, from 2006 to February 2007. Prior to joining Walmart, Ms. Brewer was President of Global Nonwovens Division for Kimberly-Clark Corporation, a global health and hygiene products company, from 2004 to 2006 and held various management positions at Kimberly-Clark Corporation from 1984 to 2006. She serves as the Chair of the Board of Trustees for Spelman College and formerly served on the Board of Directors for Lockheed Martin Corporation and Molson Coors Brewing Company.

Cliff Burrows joined Starbucks in April 2001 and has served as group president, Siren Retail, since September 2016, which includes the Starbucks Reserve™ Roastery & Tasting Rooms, Starbucks Reserve brand and Princi operations. From July 2015 to September 2016, he served as group president, U.S. and Americas. From February 2014 to June 2015, he served as group president, U.S., Americas and Teavana. From May 2013 to February 2014, he served as group president, Americas and U.S., EMEA (Europe, Middle East and Africa) and Teavana. Mr. Burrows served as president, Starbucks Coffee Americas and U.S. from October 2011 to May 2013 and as president, Starbucks Coffee U.S. from March 2008 to October 2011. He served as president, EMEA from April 2006 to March 2008. He served as vice president and managing director, U.K. prior to April 2006. Prior to joining Starbucks, Mr. Burrows served in various management positions with Habitat Designs Limited, a furniture and housewares retailer.

John Culver joined Starbucks in August 2002 and has served as group president, International, Channel Development and Global Coffee & Tea, since July 2018. From October 2017 to July 2018, Mr. Culver served as group president, International and Channels. From September 2016 to October 2017, he served as group president, Starbucks Global Retail. From May 2013 to September 2016, he served as group president, China, Asia Pacific, Channel Development and Emerging Brands. Mr. Culver served as president, Starbucks Coffee China and Asia Pacific from October 2011 to May 2013. From December 2009 to October 2011, he served as president, Starbucks Coffee International. Mr. Culver served as executive vice president; president, Global Consumer Products, Foodservice and Seattle's Best Coffee from February 2009 to September 2009, and then as president, Global Consumer Products and Foodservice from October 2009 to November 2009. He previously served as senior vice president; president, Starbucks Coffee Asia Pacific from January 2007 to February 2009, and vice president; general manager, Foodservice from August 2002 to January 2007.

Rachel A. Gonzalez joined Starbucks and has served as executive vice president, general counsel and secretary since joining Starbucks in April 2018. Prior to joining Starbucks, Ms. Gonzalez served as executive vice president and chief administrative officer of Sabre Corporation, a technology provider to the travel industry, from May 2017 to April 2018 and as Sabre's executive vice president and general counsel from September 2014 to May 2017. From March 2013 to September 2014, Ms. Gonzalez served as executive vice president, general counsel and corporate secretary of Dean Foods Company, a food and beverage company, and as its executive vice president, general counsel designate from November 2012 to March 2013. She served as chief counsel, corporate and securities of Dean Foods from 2008 to November 2012. From 2006 to 2008, Ms. Gonzalez served as senior vice president and group counsel for Affiliated Computer Services, Inc., an information technology service provider. Prior to that, Ms. Gonzalez was a partner with the law firm of Morgan, Lewis & Bockius LLP, where she focused on corporate finance, mergers and acquisitions, SEC compliance and corporate governance. Ms. Gonzalez serves on the Board of Directors of Dana Incorporated.

Patrick J. Grismer joined Starbucks in November 2018, as executive vice president, effective November 12, 2018 and will be executive vice president, chief financial officer and chief accounting officer, effective November 30, 2018. From March 2016 to November 2018, Mr. Grismer served as Executive Vice President, Chief Financial Officer of Hyatt Hotels Corporation, a global hospitality company. From May 2012 to February 2016, Mr. Grismer served as Chief Financial Officer at Yum! Brands, Inc., a global restaurant company. He previously held a number of roles at Yum!, including Chief Planning and Control Officer and Chief Financial Officer for Yum! Restaurants International. Prior to that, Mr. Grismer served in various roles at The Walt Disney Company including Vice President, Business Planning and Development for The Disneyland Resort and Chief Financial Officer for the Disney Vacation Club. Mr. Grismer began his career with Price Waterhouse.

Lucy Lee Helm joined Starbucks in September 1999, and has served as executive vice president, chief partner officer since August 2017. From May 2012 to August 2017, Ms. Helm served as executive vice president, general counsel and secretary. She served as senior vice president and deputy general counsel from October 2007 to April 2012 and served as interim general counsel and secretary from April 2012 to May 2012. Ms. Helm previously served as vice president, assistant general counsel from June 2002 to September 2007 and as director, corporate counsel from September 1999 to May 2002. During her tenure at Starbucks, Ms. Helm has led various teams of the Starbucks legal department, including the Litigation and Brand protection team, the Global Business (Commercial) team and the Litigation and Employment team. Prior to joining Starbucks, Ms. Helm was a principal at the Seattle law firm of Riddell Williams P.S. from 1990 to 1999, where she was a trial lawyer specializing in commercial, insurance coverage and environmental litigation.

Scott Maw joined Starbucks in August 2011, and has served as executive vice president, chief financial officer since February 2014. He will retire from the Company on November 30, 2018. From October 2012 to February 2014, he served as senior vice president, Corporate Finance and as corporate controller from August 2011 to October 2012. Prior to joining Starbucks, Mr. Maw served as chief financial officer of SeaBright Insurance Company from February 2010 to August 2011. From October 2008 to February 2010, Mr. Maw served as chief financial officer of the Consumer Banking division of JPMorgan Chase & Co., having held a similar position at Washington Mutual Bank prior to its acquisition by Chase. From 1994 to 2003, he served in various finance leadership positions at General Electric Company. Mr. Maw serves on the Board of Directors of Avista Corporation.

Vivek Varma joined Starbucks in September of 2008, and has served as executive vice president, Public Affairs since May 2010. From September 2008 to May 2010, Mr. Varma served as senior vice president, Public Affairs. Prior to joining Starbucks, Mr. Varma was general manager of communications and public relations for the Platforms and Services Division of Microsoft Corporation, a worldwide provider of software, services and solutions, from April 2006 to September 2008. From January 2002 to April 2006, Mr. Varma served in a number of other positions with Microsoft, including as senior director of corporate communications and public relations in Microsoft's Corporate Marketing Group.

Global Social Impact

We are committed to being a deeply responsible company in the communities where we do business. Our focus is on ethically sourcing high-quality coffee and tea, reducing our environmental impacts and contributing positively to communities around the world. Starbucks Global Social Impact strategy and commitments are integral to our overall business strategy. As a result, we believe we deliver benefits to our stakeholders, including employees, business partners, customers, suppliers, shareholders, community members and others. For an overview of Starbucks Global Social Impact strategy and commitments, please visit www.starbucks.com/responsibility.

Available Information

Starbucks 10-K reports, along with all other reports and amendments filed with or furnished to the Securities and Exchange Commission ("SEC"), are publicly available free of charge on the Investor Relations section of our website at investor.starbucks.com or at www.sec.gov as soon as reasonably practicable after these materials are filed with or furnished to the SEC. Our corporate governance policies, code of ethics and Board committee charters and policies are also posted on the Investor Relations section of Starbucks website. The information on our website is not part of this or any other report Starbucks files with, or furnishes to, the SEC.

Item 1A. Risk Factors

You should carefully consider the risks described below. If any of the risks and uncertainties described in the cautionary factors described below actually occurs, our business, financial condition and results of operations, and the trading price of our common stock could be materially and adversely affected. Moreover, we operate in an increasingly competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all these factors on our business, financial condition or results of operations.

- ***Economic conditions in the U.S. and international markets could adversely affect our business and financial results.***

As a retailer that is dependent upon consumer discretionary spending, our results of operations are sensitive to changes in or uncertainty about macro-economic conditions. Our customers may have less money for discretionary purchases and may stop or reduce their purchases of our products or trade down to Starbucks or competitors' lower priced products as a result of job losses, foreclosures, bankruptcies, increased fuel and energy costs, higher interest rates, inflation, higher taxes, reduced access to credit, economic uncertainty and potential negative impacts relating to federal economic policy changes and recent international trade disputes. These factors may also result in a general downturn in the restaurant industry. Decreases in customer traffic and/or average value per transaction will negatively impact our financial performance as reduced revenues without a corresponding decrease in expenses result in sales de-leveraging, which creates downward pressure on margins and also negatively impacts comparable store sales, net revenues, operating income and earnings per share. There is also a risk that if negative economic conditions or uncertainty persist for a long period of time or worsen, consumers may make long-lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis.

- ***Our success depends substantially on the value of our brands and failure to preserve their value, either through our actions or those of our business partners, could have a negative impact on our financial results.***

We believe we have built an excellent reputation globally for the quality of our products, for delivery of a consistently positive consumer experience and for our global social impact programs. The Starbucks brand is recognized throughout the world and we have received high ratings in global brand value studies. To be successful in the future, particularly outside of the U.S., where the Starbucks brand and our other brands are less well-known, we believe we must preserve, grow and leverage the value

of our brands across all sales channels. Brand value is based in part on consumer perceptions on a variety of subjective qualities.

Additionally, our business strategy, including our plans for new stores, branded products and other initiatives, relies significantly on a variety of business partners, including licensee and joint venture relationships, particularly in our international markets, and third-party manufacturers, distributors and retailers, particularly for our entire global Channel Development business. Licensees, retailers and foodservice operators are often authorized to use our logos and provide branded food, beverage and other products directly to customers. We provide training and support to, and monitor the operations of, certain of these business partners, but the product quality and service they deliver may be diminished by any number of factors beyond our control, including financial pressures they may face. We believe customers expect the same quality of products and service from our licensed-store operators as they do from us and we strive to ensure customers receive the same quality of products and service experience whether they visit a company-operated store or a licensed store. We also source our food, beverage and other products from a wide variety of domestic and international business partners in our supply chain operations, and in certain cases such products are produced or sourced by our licensees directly. And although foodservice operators are authorized to use our logos and provide branded products as part of their foodservice business, we do not monitor the quality of non-Starbucks products served in those locations. Additionally, inconsistent uses of our brand and other of our intellectual property assets, as well as failure to protect our intellectual property, including from unauthorized uses of our brand or other of our intellectual property assets, can erode consumer trust and our brand value and have a material negative impact on our financial results.

Business incidents, whether isolated or recurring and whether originating from us or our business partners, that erode consumer trust, such as actual or perceived breaches of privacy or violations of domestic or international privacy laws, contaminated food, product recalls, store employees or other food handlers infected with communicable diseases or other potential incidents discussed in this risk factors section, particularly if the incidents receive considerable publicity, including rapidly through social or digital media (including for malicious reasons), or result in litigation, and failure to respond appropriately to these incidents (or being perceived to not have reacted appropriately), can significantly reduce brand value, trigger boycotts of our stores or products or demonstrations at our stores, result in civil and criminal liability and have a negative impact on our financial results. Consumer demand for our products and our brand equity could diminish significantly if we, our employees or our licensees or other business partners fail to preserve the quality of our products, act or are perceived to act in an unethical, illegal, racially-biased or unequal treatment basis or socially irresponsible manner, including with respect to the sourcing, content or sale of our products, service and treatment at Starbucks stores or the use of customer data for general or direct marketing or other purposes, fail to comply with laws and regulations, publicly take controversial positions or actions or fail to deliver a consistently positive consumer experience in each of our markets, including by failing to invest in the right balance of wages and benefits to attract and retain employees that represent the brand well.

- ***Incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the health effects of consuming our products, could harm our business.***

Instances or reports, whether true or not, of unclean water supply or food-safety issues, such as food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, either during growing, manufacturing, packaging, storing or preparation, have in the past severely injured the reputations of companies in the food and beverage processing, grocery and quick-service restaurant sectors and could affect us as well. Any report linking us to the use of unclean water, food or beverage-borne illnesses, tampering, adulteration, contamination, mislabeling or other food or beverage-safety issues could damage our brand value and severely hurt sales of our food and beverage products and possibly lead to product liability claims, litigation (including class actions) or damages. Clean water is critical to the preparation of coffee, tea and other beverages, as well as ice for our cold beverages, and our ability to ensure a clean water and ice supply to our stores can be limited, particularly in some international locations. We are also continuing to incorporate more products in our food and beverage lineup that require freezing or refrigeration, including produce (such as fruits and vegetables in our salads and juices), dairy products (such as milk and cheeses), non-dairy alternative products (such as soymilk and almondmilk), ice for our cold drinks and meats. We also face risk by relying on third-party food suppliers to provide and transport ingredients and finished products to our stores. We monitor the operations of certain of these business partners, but the product quality and service they deliver may be diminished by any number of factors beyond our control, which make it more difficult to detect contamination or other defect in these products. Additionally, we are evolving our product lineup to include more local or smaller suppliers for some of our products who may not have as rigorous quality and safety systems and protocols as larger or more national suppliers. If customers become ill from food or beverage-borne illnesses, tampering, adulteration, contamination, mislabeling or other food or beverage-safety issues, we could be forced to temporarily close some stores and/or supply chain facilities, as well as recall products. In addition, instances of food or beverage-safety issues, even those involving solely the restaurants or stores of competitors or of suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), could, by resulting in negative publicity about us or the foodservice industry in general, adversely affect our sales on a regional or global basis. A decrease in customer traffic as a result of food-safety concerns or negative publicity, or as a result of a temporary

closure of any of our stores, product recalls or food or beverage-safety claims or litigation, could materially harm our business and results of operations.

Some of our products contain caffeine, dairy products, sugar and other compounds and allergens, the health effects of which are the subject of public and regulatory scrutiny, including the suggestion that excessive consumption of caffeine, dairy products, sugar and other compounds can lead to a variety of adverse health effects. Particularly in the U.S., there is increasing consumer awareness of health risks, including obesity, due in part to increased publicity and attention from health organizations, as well as increased consumer litigation based on alleged adverse health impacts of consumption of various food and beverage products. While we have a variety of beverage and food items, including items that are coffee-free and have reduced calories, an unfavorable report on the health effects of caffeine or other compounds present in our products, whether accurate or not, imposition of additional taxes on certain types of beverages, or negative publicity or litigation arising from certain health risks could significantly reduce the demand for our beverages and food products and could materially harm our business and results of operations.

- ***The unauthorized access, use, theft or destruction of customer or employee personal, financial or other data or of Starbucks proprietary or confidential information that is stored in our information systems or by third parties on our behalf could impact our reputation and brand and expose us to potential liability and loss of revenues.***

Many of our information technology systems, such as those we use for our point-of-sale, web and mobile platforms, including online and mobile payment systems, delivery services and rewards programs, and for administrative functions, including human resources, payroll, accounting and internal and external communications, as well as the information technology systems of our licensees, franchisees and other third-party business partners and service providers, whether cloud-based or hosted in proprietary servers, contain personal, financial or other information that is entrusted to us by our customers and employees. Many of our information technology systems also contain Starbucks proprietary and other confidential information related to our business, such as business plans, product development initiatives and designs. Similar to many other retail companies and because of the prominence of our brand, we are consistently subject to attempts to compromise our information technology systems. To the extent we or a third party were to experience a material breach of our or such third party's information technology systems that result in the unauthorized access, theft, use, destruction or other compromises of customers' or employees' data or confidential information of the Company stored in such systems, including through cyber-attacks or other external or internal methods, it could result in a material loss of revenues from the potential adverse impact to our reputation and brand, our ability to retain or attract new customers and the potential disruption to our business and plans. Such security breaches also could result in a violation of applicable U.S. and international privacy and other laws, and subject us to private consumer, business partner, or securities litigation and governmental investigations and proceedings, any of which could result in our exposure to material civil or criminal liability. For example, the European Union adopted a new regulation that became effective in May 2018, called the General Data Protection Regulation ("GDPR"), which requires companies to meet new requirements regarding the handling of personal data, including its use, protection and transfer and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet the GDPR requirements could result in penalties of up to 4% of annual worldwide revenue. The GDPR also confers a private right of action on certain individuals and associations. Our reputation and brand and our ability to attract new customers could also be adversely impacted if we fail, or are perceived to have failed, to properly respond to these incidents. Such failure to properly respond could also result in similar exposure to liability.

Compliance with the GDPR and other applicable international and U.S. privacy, cybersecurity and related laws can be costly and time-consuming. Significant capital investments and other expenditures could also be required to remedy cybersecurity problems and prevent future breaches, including costs associated with additional security technologies, personnel, experts and credit monitoring services for those whose data has been breached. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems.

Media or other reports of existing or perceived security vulnerabilities in our systems or those of our third-party business partners or service providers can also adversely impact our brand and reputation and materially impact our business, even if no breach has been attempted or has occurred. Additionally, the techniques and sophistication used to conduct cyber-attacks and breaches of information technology systems, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks are launched or have been in place for a period of time. We continue to make significant investments in technology, third-party services and personnel to develop and implement systems and processes that are designed to anticipate cyber-attacks and to prevent or minimize breaches of our information technology systems or data loss, but these security measures cannot provide assurance that we will be successful in preventing such breaches or data loss.

- ***We rely heavily on information technology in our operations and growth initiatives, and any material failure, inadequacy, interruption or security failure of that technology could harm our ability to effectively operate and grow our business and could adversely affect our financial results.***

We rely heavily on information technology systems across our operations, including for administrative functions, point-of-sale processing and payment in our stores and online, management of our supply chain, Starbucks Cards, online business, delivery services, mobile technology, including mobile payments and ordering apps, reloads and loyalty functionality and various other processes and transactions, and many of these systems are interdependent on one another for their functionality. Additionally, the success of several of our initiatives to drive growth, including our priority to increase digital relationships with our customers to drive incremental traffic and spend, is highly dependent on our technology systems. Our ability to effectively manage our business, launch digital and other initiatives, and coordinate the production, distribution, administration and sale of our products depends significantly on the reliability, integrity and capacity of these systems. We also rely on third-party providers and platforms for some of these information technology systems and support. Additionally, our systems hardware, software and services provided by third-party service providers are not fully redundant within a market or across our markets. Although we have operational safeguards in place, they may not be effective in preventing the failure of these systems or platforms to operate effectively and be available. Such failures may be caused by various factors, including power outages, catastrophic events, physical theft, computer and network failures, inadequate or ineffective redundancy, problems with transitioning to upgraded or replacement systems or platforms, flaws in third-party software or services, errors or improper use by our employees or third party service providers, or a breach in the security of these systems or platforms, including through cyber-attacks such as those that result in the blockage of our or our third-party business partners' or service providers' systems and platforms and those discussed in more detail in this risk factors section. If our incident response, disaster recovery and business continuity plans do not resolve these issues in an effective manner they could result in an interruption in our operations and could cause material negative impacts to our product availability and sales, the efficiency of our operations and our financial results. In addition, remediation of any problems with our systems could result in significant, unplanned expenses.

- ***We may not be successful in implementing important strategic initiatives or effectively managing growth, which may have an adverse impact on our business and financial results.***

There is no assurance that we will be able to implement important strategic initiatives in accordance with our expectations or that they will generate expected returns, which may result in an adverse impact on our business and financial results. These strategic initiatives are designed to create growth, improve our results of operations and drive long-term shareholder value, and include:

- being an employer of choice and investing in employees to deliver a superior customer experience;
- building our leadership position around coffee;
- driving convenience, brand engagement and digital relationships through our mobile, loyalty, delivery and digital capabilities both domestically and internationally;
- simplifying store administrative tasks to allow store partners to better engage with customers;
- increasing the scale of the Starbucks store footprint with disciplined global expansion and introducing flexible and unique store formats;
- moving to a more licensed store model in some markets and a more company-owned model in other markets;
- creating new occasions in stores across all dayparts with new product offerings, including our growing lunch food and beverage product lineup;
- continuing the global growth of our Channel Development business through our supply, distribution and licensing agreements with Nestlé and other Channel Development business partners;
- delivering continued growth in our cold beverage business, including our tea business through the Teavana brand in our Starbucks[®] retail stores and other channels and internationally; and
- reducing our general and administrative costs.

In addition to other factors listed in this risk factors section, factors that may adversely affect the successful implementation of these initiatives, which could have a material adverse impact on our business and financial results, include the following:

- increases in labor costs, including wages and benefits, which, in a retail business such as ours, are two of our most significant costs, both domestically and internationally; these increases include significant and sudden increases in labor costs triggered by regulatory actions regarding wages and scheduling and benefits requirements; they also include increased health care and workers' compensation insurance costs, as well as increased wages and costs of other

benefits necessary to attract and retain high quality employees with the right skill sets, whether due to changing industry practices, competition or our expansion into new channels or technology dependent operations;

- not successfully developing and implementing new technologies necessary to effectuate our growth strategies, including increasing our digital relationships with customers to drive growth, due to inability to attract and retain qualified high-tech personnel or other factors;
- increasing competition in channels in which we operate or seek to operate from new and existing large competitors or well-funded smaller ones that sell high-quality specialty coffee beverages;
- continuing disruption in retail caused by on-line commerce, resulting in reduced foot traffic to “brick & mortar” retail stores;
- consumers shifting categories of where they spend their discretionary income away from outside-the-home food and beverage;
- imposition of additional taxes by jurisdictions, such as on certain types of beverages or based on number of employees;
- construction cost increases associated with new store openings and remodeling of existing stores; delays in store openings for reasons beyond our control or a lack of desirable real estate locations available for lease at reasonable rates, either of which could keep us from meeting annual store opening targets in the U.S. and internationally;
- not successfully scaling our supply chain infrastructure as our product offerings increase and as we continue to expand, including our emphasis on a broad range of high-quality food offerings;
- the ability of our licensee partners to implement our growth platforms and product innovation;
- lack of customer acceptance of new products (including due to price increases necessary to cover the costs of new products or higher input costs), brands (such as the global expansion of the Teavana brand in our Starbucks[®] retail stores and other channels) and platforms (such as features of our mobile technology, changes in our loyalty rewards programs and our delivery services initiatives), or customers reducing their demand for our current offerings as new products are introduced;
- the degree to which we enter into, maintain, develop and are able to negotiate appropriate terms and conditions of, and enforce, commercial and other agreements and the performance of our business partners under such agreements;
- not successfully consummating and implementing favorable strategic transactions or integrating acquired businesses, including our East China business;
- the effects of the Tax Cuts and Jobs Act and related guidance and regulations that may be promulgated; and
- the deterioration in our credit ratings, which could limit the availability of additional financing and increase the cost of obtaining financing to fund our initiatives.

Our Channel Development business is heavily reliant on Nestlé, which acquired the right to sell and distribute our packaged goods and foodservice products to retailers and operators, with few exceptions. If Nestlé fails to perform its distribution and marketing commitments under our agreements and/or fails to support, protect and grow our brand in Channel Development, our Channel Development business could be adversely impacted for a period of time, present long-term challenges to our brand, limit our ability to grow our Channel Development business and have a material adverse impact on our business and financial results. Additionally, our Channel Development business is also in part dependent on the level of support our retail business partners provide our products, and in some markets there are only a few retailers. If our retail business partners do not provide sufficient levels of support for our products, which is at their discretion, it could limit our ability to grow our Channel Development business.

Also, a relatively small number of licensee partners own a large number of licensed stores. If such licensee partners are not able to access sufficient funds or financing, or are otherwise unable to successfully operate and grow their businesses, including their licensed stores, it could have a material adverse effect on our results in the markets in which they operate their licensed stores.

Effectively managing growth can be challenging, particularly as we continue to expand into new channels outside the retail store model, implement our arrangement with Nestlé for most of our global Channel Development business and grow our Teavana brand in our Starbucks[®] retail stores and other channels, as well as expand into new markets internationally where we must balance the need for flexibility and a degree of autonomy for local management against the need for consistency with our goals, philosophy and standards. Growth can make it increasingly difficult to ensure a consistent supply of high-quality raw materials, to locate and hire sufficient numbers of key employees, to maintain an effective system of internal controls for a globally dispersed enterprise and to train employees worldwide to deliver a consistently high-quality product and customer

experience. Furthermore, if we are not successful in implementing these strategic initiatives, such as large acquisitions and integrations, we may be required to evaluate whether certain assets, including goodwill and other intangibles, have become impaired. In the event we record an impairment charge, it could have a material impact on our financial results.

• ***We face intense competition in each of our channels and markets, which could lead to reduced profitability.***

The specialty coffee market is intensely competitive, including with respect to product quality, innovation, service, convenience, such as delivery service and mobile ordering, and price, and we face significant and increasing competition in all these areas in each of our channels and markets. Accordingly, we do not have leadership positions in all channels and markets. In the U.S., the ongoing focus by large competitors in the quick-service restaurant sector on selling high-quality specialty coffee beverages could lead to decreases in customer traffic to Starbucks® stores and/or average value per transaction adversely affecting our sales and results of operations. Similarly, continued competition from well-established competitors, or competition from large new entrants or well-funded smaller companies in our domestic and international markets could hinder growth and adversely affect our sales and results of operations in those markets. Many small competitors also continue to open coffee specialty stores in many of our markets across the world, which in the aggregate may also lead to significant decreases of customer traffic to our stores in those markets. Increased competition globally in packaged coffee and tea and single-serve and ready-to-drink coffee beverage markets, including from new and large entrants to this market could adversely affect the profitability of the Channel Development segment. Furthermore, declines in general consumer demand for specialty coffee products for any reason, including due to consumer preference for other products or flattening demand for our products, could have a negative effect on our business.

• ***We are highly dependent on the financial performance of our Americas operating segment.***

Our financial performance is highly dependent on our Americas operating segment, as it comprised approximately 68% of consolidated total net revenues in fiscal 2018. If the Americas operating segment revenue trends slow or decline, especially in our U.S. and Canada markets, our other segments may be unable to make up any significant shortfall and our business and financial results could be adversely affected. And because the Americas segment is relatively mature and produces the large majority of our operating cash flows, such a slowdown or decline could result in reduced cash flows for funding the expansion of our international business and other initiatives and for returning cash to shareholders.

• ***We are increasingly dependent on the success of certain international markets in order to achieve our growth targets.***

Our future growth increasingly depends on the growth and sustained profitability of certain international markets. Some or all of our international market business units (“MBUs”), which we generally define by the countries in which they operate, may not be successful in their operations or in achieving expected growth, which ultimately requires achieving consistent, stable net revenues and earnings. The performance of these international operations may be adversely affected by economic downturns in one or more of the countries in which our large MBUs operate. A decline in performance of one or more of our significant international MBUs could have a material adverse impact on our consolidated results.

The CAP segment is now one of our two significant profit centers driving our global returns, along with our Americas segment. In particular, our China MBU contributes meaningfully to both consolidated and CAP net revenues and earnings. China is currently our fastest growing market and second largest market overall. With our recent acquisition of the East China business, the China market is now 100% company owned and, along with the U.S. market. Due to the significance of our China market for our profit and growth, we are exposed to risks in China, including the risks mentioned elsewhere below and the following:

- the effects of current U.S.-China relations, including rounds of tariff increases and retaliations and increasing restrictive regulations, potential boycotts and increasing anti-Americanism;
- entry of new competitors to the specialty coffee market in China;
- changes in economic conditions in China and potential negative effects to the growth of its middle class, wages, labor, inflation discretionary spending and real estate and supply chain costs;
- ongoing government regulatory reform, including relating to food safety, tariffs and tax, bringing uncertainty and inconsistent interpretations, which may be contrary to ours, as well as potential significant increases in compliance costs;
- food-safety related matters, including compliance with food-safety regulations and ability to ensure product quality and safety; and
- the ability to successfully integrate the East China business.

Additionally, some factors that will be critical to the success of our international operations overall are different than those affecting our U.S. stores and licensees. Tastes naturally vary by region, and consumers in some MBUs may not embrace our products to the same extent as consumers in the U.S. or other international markets. Occupancy costs and store operating expenses can be higher internationally than in the U.S. due to higher rents for prime store locations or costs of compliance with

country-specific regulatory requirements. Because many of our international operations are in an early phase of development, operating expenses as a percentage of related revenues are often higher compared to more developed operations, such as in the U.S. Additionally, our international joint venture partners or licensees may face capital constraints or other factors that may limit the speed at which they are able to expand and develop in a certain market.

Our international operations are also subject to additional inherent risks of conducting business abroad, such as:

- foreign currency exchange rate fluctuations, or requirements to transact in specific currencies;
- changes or uncertainties in economic, legal, regulatory, social and political conditions in our markets, as well as negative effects on U.S. businesses due to increasing anti-American sentiment in certain markets;
- interpretation and application of laws and regulations, including tax, tariffs, labor, merchandise, anti-bribery and privacy laws and regulations;
- uncertainties and effects of the implementation of the United Kingdom's referendum to withdraw membership from the European Union (refer to as "Brexit"), including financial, legal, tax and trade implications;
- restrictive actions of foreign or U.S. governmental authorities affecting trade and foreign investment, especially during periods of heightened tension between the U.S. and such foreign governmental authorities, including protective measures such as export and customs duties and tariffs, government intervention favoring local competitors, and restrictions on the level of foreign ownership;
- import or other business licensing requirements;
- the enforceability of intellectual property and contract rights;
- limitations on the repatriation of funds and foreign currency exchange restrictions due to current or new U.S. and international regulations;
- in developing economies, the growth rate in the portion of the population achieving sufficient levels of disposable income may not be as fast as we forecast;
- difficulty in staffing, developing and managing foreign operations and supply chain logistics, including ensuring the consistency of product quality and service, due to governmental actions affecting supply chain logistics, distance, language and cultural differences, as well as challenges in recruiting and retaining high quality employees in local markets;
- local laws that make it more expensive and complex to negotiate with, retain or terminate employees;
- delays in store openings for reasons beyond our control, competition with locally relevant competitors or a lack of desirable real estate locations available for lease at reasonable rates, any of which could keep us from meeting annual store opening targets and, in turn, negatively impact net revenues, operating income and earnings per share; and
- disruption in energy supplies affecting our markets.

Moreover, many of the foregoing risks are particularly acute in developing countries, which are important to our long-term growth prospects.

- ***Increases in the cost of high-quality arabica coffee beans or other commodities or decreases in the availability of high-quality arabica coffee beans or other commodities could have an adverse impact on our business and financial results.***

We purchase, roast and sell high-quality whole bean *arabica* coffee beans and related coffee products. The price of coffee is subject to significant volatility and has and may again increase significantly due to one or more of the factors described below. The high-quality *arabica* coffee of the quality we seek tends to trade on a negotiated basis at a premium above the "C" price. This premium depends upon the supply and demand at the time of purchase and the amount of the premium can vary significantly. Increases in the "C" coffee commodity price do increase the price of high-quality *arabica* coffee and also impact our ability to enter into fixed-price purchase commitments. We frequently enter into supply contracts whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore price, at which the base "C" coffee commodity price component will be fixed has not yet been established. These are known as price-to-be-fixed contracts. The supply and price of coffee we purchase can also be affected by multiple factors in the producing countries, such as weather (including the potential effects of climate change), natural disasters, crop disease, general increase in farm inputs and costs of production, inventory levels and political and economic conditions, as well as the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee supplies. Speculative trading in coffee commodities can also influence coffee prices. Because of the significance of coffee beans to our operations, combined with our ability to only partially mitigate future price risk through purchasing practices and hedging activities, increases in the cost of high-quality *arabica* coffee beans could have a material

adverse impact on our profitability. In addition, if we are not able to purchase sufficient quantities of green coffee due to any of the above factors or to a worldwide or regional shortage, we may not be able to fulfill the demand for our coffee, which could have a material adverse impact on our profitability.

We also purchase significant amounts of dairy products, particularly fluid milk, to support the needs of our company-operated retail stores. Additionally, and although less significant to our operations than coffee or dairy, other commodities, including but not limited to tea and those related to food and beverage inputs, such as cocoa, produce, baking ingredients, meats, eggs and energy, as well as the processing of these inputs, are important to our operations. Increases in the cost of dairy products and other commodities, or lack of availability, whether due to supply shortages, delays or interruptions in processing, or otherwise, especially in international markets, could have a material adverse impact on our profitability.

- ***Our financial condition and results of operations are sensitive to, and may be adversely affected by, a number of factors, many of which are largely outside our control.***

Our operating results have been in the past and will continue to be subject to a number of factors, many of which are largely outside our control. Any one or more of the factors listed below or described elsewhere in this risk factors section could have a material adverse impact our business, financial condition and/or results of operations:

- increases in real estate costs in certain domestic and international markets;
 - adverse outcomes of litigation;
 - severe weather or other natural or man-made disasters affecting a large market or several closely located markets that may temporarily but significantly affect our retail business in such markets; and
 - especially in our larger or fast growing markets, labor discord or disruption, geopolitical events, war, terrorism (including incidents targeting us), political instability, boycotts, increasing anti-American sentiment in certain markets, social unrest, and natural disasters, including health pandemics that lead to avoidance of public places or restrictions on public gatherings such as in our stores.
- ***Interruption of our supply chain could affect our ability to produce or deliver our products and could negatively impact our business and profitability.***

Any material interruption in our supply chain, such as material interruption of roasted coffee supply due to the casualty loss of any of our roasting plants, interruptions in service by our third party logistic service providers or common carriers that ship goods within our distribution channels, trade restrictions, such as increased tariffs or quotas, embargoes or customs restrictions, natural disasters or political disputes and military conflicts that cause a material disruption in our supply chain could have a negative material impact on our business and our profitability.

Additionally, our food, beverage and other products are sourced from a wide variety of domestic and international business partners in our supply chain operations, and in certain cases are produced or sourced by our licensees directly. We rely on these suppliers to provide high quality products and to comply with applicable laws. Our ability to find qualified suppliers who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S., especially countries or regions with diminished infrastructure, developing or failing economies or experiencing political instability or social unrest, and as we increase our fresh and prepared food offerings. For certain products, we may rely on one or very few suppliers. A supplier's failure to meet our standards, provide products in a timely and efficient manner, or comply with applicable laws is beyond our control. These issues, especially for those products for which we rely on one or few suppliers, could have a material negative impact on our business and profitability.

- ***Failure to meet market expectations for our financial performance and fluctuations in the stock market as a whole will likely adversely affect the market price and volatility of our stock.***

Failure to meet market expectations going forward, particularly with respect to operating margins, earnings per share, comparable store sales, operating cash flows, shareholder returns and net revenues, will likely result in a decline and/or increased volatility in the market price of our stock. In addition, price and volume fluctuations in the stock market as a whole may affect the market price of our stock in ways that may be unrelated to our financial performance.

- ***The loss of key personnel or difficulties recruiting and retaining qualified personnel could adversely impact our business and financial results.***

Much of our future success depends on the continued availability and service of senior management personnel. The loss of any of our executive officers or other key senior management personnel could harm our business. We must continue to recruit, retain and motivate management and other employees sufficiently, both to maintain our current business and to execute our strategic initiatives, some of which involve ongoing expansion in business channels outside of our traditional company-operated store model. Our success also depends substantially on the contributions and abilities of our retail store employees whom we rely on to give customers a superior in-store experience and elevate our brand. Accordingly, our performance

depends on our ability to recruit and retain high quality employees to work in and manage our stores, both domestically and internationally. Our ability to attract and retain both corporate and retail personnel is also acutely impacted in certain international and domestic markets where the competition for a relatively small number of qualified employees is intense or in markets where large high-tech companies are able to offer more competitive salaries and benefits, as well as where there is a strong economy with many available jobs and intense competition for the available workforce. Additionally, there is intense competition for qualified technology systems developers necessary to develop and implement new technologies for our growth initiatives, including increasing our digital relationships with customers. If we are unable to recruit, retain and motivate employees sufficiently to maintain our current business and support our projected growth, our business and financial performance may be adversely affected.

• ***Failure to comply with applicable laws and changing legal and regulatory requirements could harm our business and financial results.***

Our policies and procedures are designed to comply with all applicable laws, accounting and reporting requirements, tax rules and other regulations and requirements, including those imposed by the SEC, Nasdaq, and foreign countries, as well as applicable trade, labor, healthcare, privacy (including the European Union’s GDPR, discussed in more detail in this risk factors section), food and beverage, sanitation, safety, environmental, labeling, anti-bribery and corruption and merchandise laws. The complexity of the regulatory environment in which we operate and the related cost of compliance are both increasing due to additional or changing legal and regulatory requirements, our ongoing expansion into new markets and new channels, and the fact that foreign laws occasionally conflict with domestic laws. In addition to potential damage to our reputation and brand, failure by us or our business partners to comply with the various applicable laws and regulations, as well as changes in laws and regulations or the manner in which they are interpreted or applied, may result in litigation, civil and criminal liability, damages, fines and penalties, increased cost of regulatory compliance and restatements of our financial statements and have an adverse impact on our business and financial results.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

The significant properties used by Starbucks in connection with its roasting, manufacturing, warehousing, distribution and corporate administrative operations, serving all segments, are as follows:

| Location | Approximate Size in Square Feet | Purpose |
|----------------------------|--|--------------------------------------|
| Rancho Cucamonga, CA | 265,000 | Manufacturing |
| Washington, DC | 130,000 | Warehouse and distribution |
| Augusta, GA | 131,000 | Manufacturing |
| Minden, NV (Carson Valley) | 1,080,000 | Roasting and distribution |
| York, PA | 1,957,000 | Roasting, distribution and warehouse |
| Gaston, SC (Sandy Run) | 117,000 | Roasting and distribution |
| Lebanon, TN | 680,000 | Warehouse and distribution |
| Stratford, CT | 196,000 | Warehouse and distribution |
| Auburn, WA | 491,000 | Warehouse and distribution |
| Kent, WA | 510,000 | Roasting and distribution |
| Seattle, WA | 1,283,000 | Corporate administrative |
| Shanghai, China | 211,000 | Corporate administrative |
| Amsterdam, Netherlands | 97,000 | Roasting and distribution |
| Samutprakarn, Thailand | 81,000 | Warehouse and distribution |

We own most of our roasting facilities and lease the majority of our warehousing and distribution locations. As of September 30, 2018, Starbucks had 15,341 company-operated stores, almost all of which are leased. We also lease space in various locations worldwide for regional, district and other administrative offices, training facilities and storage. In addition to the locations listed above, we hold inventory at various locations managed by third-party warehouses.

Item 3. *Legal Proceedings*

See [Note 15](#), Commitments and Contingencies, to the consolidated financial statements included in Item 8 of Part II of this 10-K for information regarding certain legal proceedings in which we are involved.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II**Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities****SHAREHOLDER INFORMATION****MARKET INFORMATION AND DIVIDEND POLICY**

Starbucks common stock is traded on NASDAQ, under the symbol "SBUX."

As of November 9, 2018, we had approximately 18,100 shareholders of record. This does not include persons whose stock is in nominee or "street name" accounts through brokers.

Future decisions to pay cash dividends continue to be at the discretion of the Board of Directors and will be dependent on our operating performance, financial condition, capital expenditure requirements and other factors that the Board of Directors considers relevant.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information regarding repurchases of our common stock during the quarter ended September 30, 2018 :

| Period ⁽¹⁾ | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾ | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽³⁾ |
|--------------------------------------|----------------------------------|------------------------------|---|---|
| July 2, 2018 - July 29, 2018 | 19,506,300 | \$ 50.54 | 19,506,300 | 87,808,124 |
| July 30, 2018 - August 26, 2018 | 15,000,000 | 52.70 | 15,000,000 | 72,808,124 |
| August 27, 2018 - September 30, 2018 | 24,000,000 | 55.10 | 24,000,000 | 48,808,124 |
| Total | 58,506,300 | \$ 52.96 | 58,506,300 | |

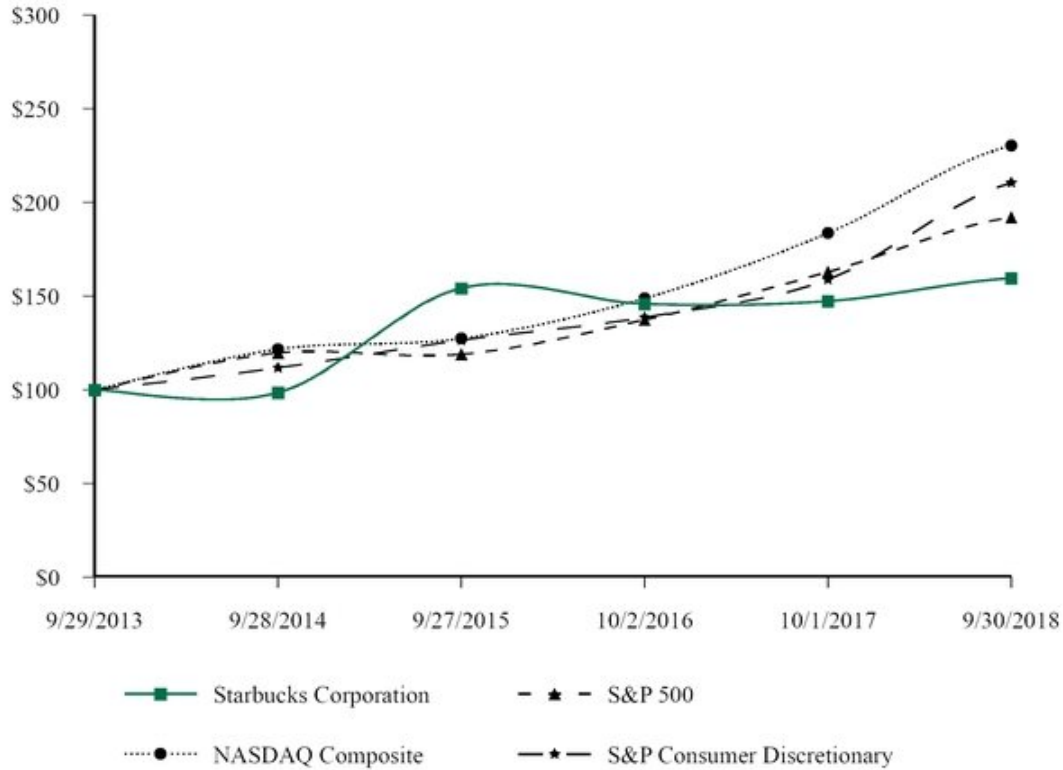
⁽¹⁾ Monthly information is presented by reference to our fiscal months during the fourth quarter of fiscal 2018 .

⁽²⁾ Share repurchases are conducted under our ongoing share repurchase program announced in September 2001, which has no expiration date.

⁽³⁾ This column includes the total remaining number of shares available for repurchase under the authorization announced on April 26, 2018 as part of our ongoing share repurchase program. These amounts do not include the additional 120 million shares authorized for repurchase announced on November 1, 2018. Shares under our ongoing share repurchase program may be repurchased in open market transactions, including pursuant to a trading plan adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, or through privately negotiated transactions. The timing, manner, price and amount of repurchases will be determined at the Company's discretion, and the share repurchase program may be suspended, terminated or modified at any time for any reason.

Performance Comparison Graph

The following graph depicts the total return to shareholders from September 29, 2013 through September 30, 2018, relative to the performance of the Standard & Poor's 500 Index, the NASDAQ Composite Index and the Standard & Poor's 500 Consumer Discretionary Sector, a peer group that includes Starbucks. All indices shown in the graph have been reset to a base of 100 as of September 29, 2013, and assume an investment of \$100 on that date and the reinvestment of dividends paid since that date. The stock price performance shown in the graph is not necessarily indicative of future price performance.



| | Sep 29, 2013 | Sep 28, 2014 | Sep 27, 2015 | Oct 2, 2016 | Oct 1, 2017 | Sep 30, 2018 |
|----------------------------|--------------|--------------|--------------|-------------|-------------|--------------|
| Starbucks Corporation | \$ 100.00 | \$ 98.58 | \$ 154.19 | \$ 145.93 | \$ 147.36 | \$ 159.57 |
| S&P 500 | 100.00 | 119.73 | 119.00 | 137.36 | 162.92 | 192.10 |
| NASDAQ Composite | 100.00 | 121.64 | 127.37 | 148.79 | 183.54 | 230.21 |
| S&P Consumer Discretionary | 100.00 | 111.77 | 126.50 | 138.69 | 158.83 | 210.51 |

Item 6. Selected Financial Data

The following selected financial data is derived from the consolidated financial statements. The data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors,” and the consolidated financial statements and notes.

Financial Information (in millions, except per share data):

| <u>As of and for the Fiscal Year Ended</u> ⁽¹⁾ | Sept 30, 2018 (52 Wks) | Oct 1, 2017 (52 Wks) | Oct 2, 2016 (53 Wks) | Sep 27, 2015 (52 Wks) | Sep 28, 2014 (52 Wks) |
|---|------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Results of Operations | | | | | |
| Net revenues: | | | | | |
| Company-operated stores | \$ 19,690.3 | \$ 17,650.7 | \$ 16,844.1 | \$ 15,197.3 | \$ 12,977.9 |
| Licensed stores | 2,652.2 | 2,355.0 | 2,154.2 | 1,861.9 | 1,588.6 |
| Other | 2,377.0 | 2,381.1 | 2,317.6 | 2,103.5 | 1,881.3 |
| Total net revenues | <u>\$ 24,719.5</u> | <u>\$ 22,386.8</u> | <u>\$ 21,315.9</u> | <u>\$ 19,162.7</u> | <u>\$ 16,447.8</u> |
| Operating income/(loss) | \$ 3,883.3 | \$ 4,134.7 | \$ 4,171.9 | \$ 3,601.0 | \$ 3,081.1 |
| Net earnings including noncontrolling interests ⁽²⁾ | 4,518.0 | 2,884.9 | 2,818.9 | 2,759.3 | 2,067.7 |
| Net earnings/(loss) attributable to noncontrolling interests | (0.3) | 0.2 | 1.2 | 1.9 | (0.4) |
| Net earnings attributable to Starbucks ⁽²⁾ | 4,518.3 | 2,884.7 | 2,817.7 | 2,757.4 | 2,068.1 |
| EPS — diluted ⁽²⁾ | 3.24 | 1.97 | 1.90 | 1.82 | 1.35 |
| Cash dividends declared per share | 1.32 | 1.05 | 0.85 | 0.68 | 0.55 |
| Net cash provided by operating activities ⁽³⁾ | 11,937.8 | 4,251.8 | 4,697.9 | 3,881.5 | 722.2 |
| Capital expenditures (additions to property, plant and equipment) | 1,976.4 | 1,519.4 | 1,440.3 | 1,303.7 | 1,160.9 |
| Balance Sheet | | | | | |
| Total assets | \$ 24,156.4 | \$ 14,365.6 | \$ 14,312.5 | \$ 12,404.1 | \$ 10,745.0 |
| Long-term debt (including current portion) | 9,440.1 | 3,932.6 | 3,585.2 | 2,335.3 | 2,041.3 |
| Shareholders’ equity | 1,169.5 | 5,450.1 | 5,884.0 | 5,818.0 | 5,272.0 |

⁽¹⁾ Our fiscal year ends on the Sunday closest to September 30. The fiscal year ended on October 2, 2016 included 53 weeks, with the 53rd week falling in our fourth fiscal quarter.

⁽²⁾ Fiscal 2018 results include a gain not subject to income tax of \$1.4 billion resulting from the acquisition of our East China joint venture. The impact of the gain to our diluted EPS was \$0.99.

⁽³⁾ Net cash provided by operating activities for fiscal 2014 through fiscal 2017 have been adjusted for the adoption of new accounting guidance related to excess tax benefits as discussed in [Note 1](#), Summary of Significant Accounting Policies.

Comparable Store Sales:

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 | Sep 27, 2015 | Sep 28, 2014 |
|---|-------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Percentage change in comparable store sales ⁽¹⁾ | | | | | |
| Americas | | | | | |
| Sales growth | 2 % | 3 % | 6% | 7% | 6% |
| Change in transactions | (1)% | — % | 1% | 3% | 2% |
| Change in ticket | 3 % | 4 % | 5% | 4% | 3% |
| China/Asia Pacific ⁽²⁾ | | | | | |
| Sales growth | 1 % | 3 % | 3% | 9% | 7% |
| Change in transactions | (1)% | 1 % | 1% | 8% | 6% |
| Change in ticket | 2 % | 1 % | 2% | 1% | —% |
| EMEA ⁽³⁾ | | | | | |
| Sales growth | — % | 1 % | —% | 4% | 5% |
| Change in transactions | (3)% | (1)% | 1% | 2% | 3% |
| Change in ticket | 3 % | 1 % | —% | 1% | 2% |
| Consolidated | | | | | |
| Sales growth | 2 % | 3 % | 5% | 7% | 6% |
| Change in transactions | (1)% | — % | 1% | 3% | 3% |
| Change in ticket | 3 % | 3 % | 4% | 4% | 3% |

⁽¹⁾ Includes only Starbucks[®] company-operated stores open 13 months or longer. Comparable store sales exclude the effect of fluctuations in foreign currency exchange rates. For fiscal year 2016, comparable store sales percentages were calculated excluding the 53rd week.

⁽²⁾ Beginning in December of fiscal 2016, comparable store sales include the results of the 1,009 company-operated stores acquired as part of the acquisition of Starbucks Japan in the first quarter of fiscal 2015.

⁽³⁾ Company-operated stores represent 15% of the EMEA segment store portfolio as of September 30, 2018.

Store Count Data:

| <u>As of and for the Fiscal Year Ended</u> | Sept 30, 2018 (52 Wks) | Oct 1, 2017 (52 Wks) | Oct 2, 2016 (53 Wks) | Sep 27, 2015 (52 Wks) | Sep 28, 2014 (52 Wks) |
|---|------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| Net stores opened/(closed) and transferred during the year: | | | | | |
| Americas ⁽¹⁾ | | | | | |
| Company-operated stores | 271 | 394 | 348 | 276 | 317 |
| Licensed stores | 624 | 558 | 456 | 336 | 381 |
| China/Asia Pacific ⁽²⁾ | | | | | |
| Company-operated stores | 2,089 | 259 | 359 | 1,320 | 250 |
| Licensed stores | (1,038) | 777 | 622 | (482) | 492 |
| EMEA ⁽³⁾ | | | | | |
| Company-operated stores | (12) | (21) | (214) | (80) | (9) |
| Licensed stores | 358 | 353 | 494 | 302 | 180 |
| Corporate and Other ⁽⁴⁾ | | | | | |
| Company-operated stores | (282) | (68) | (17) | 6 | 12 |
| Licensed stores | (25) | 2 | (6) | (1) | (24) |
| Total | 1,985 | 2,254 | 2,042 | 1,677 | 1,599 |
| Stores open at year end: | | | | | |
| Americas ⁽¹⁾ | | | | | |
| Company-operated stores | 9,684 | 9,413 | 9,019 | 8,671 | 8,395 |
| Licensed stores | 7,770 | 7,146 | 6,588 | 6,132 | 5,796 |
| China/Asia Pacific ⁽²⁾ | | | | | |
| Company-operated stores | 5,159 | 3,070 | 2,811 | 2,452 | 1,132 |
| Licensed stores | 3,371 | 4,409 | 3,632 | 3,010 | 3,492 |
| EMEA ⁽³⁾ | | | | | |
| Company-operated stores | 490 | 502 | 523 | 737 | 817 |
| Licensed stores | 2,830 | 2,472 | 2,119 | 1,625 | 1,323 |
| Corporate and Other ⁽⁴⁾ | | | | | |
| Company-operated stores | 8 | 290 | 358 | 375 | 369 |
| Licensed stores | 12 | 37 | 35 | 41 | 42 |
| Total | 29,324 | 27,339 | 25,085 | 23,043 | 21,366 |

⁽¹⁾ Americas store data includes the transfer of 112 company-operated retail stores in Brazil to licensed stores as a result of the sale of our Brazil retail operations in the second quarter of fiscal 2018 and the closure of 132 Target Canada licensed stores in the second quarter of fiscal 2015.

⁽²⁾ China/Asia Pacific store data has been adjusted for the transfer of certain company-operated stores to licensed stores in the fourth quarter of fiscal 2014. China/Asia Pacific store data also includes the transfer of 1,009 Japan stores from licensed stores to company-operated as a result of the acquisition of Starbucks Japan in the first quarter of fiscal 2015, the transfer of 133 Singapore stores from company-operated stores to licensed stores in the fourth quarter of fiscal 2017 and the transfer of 1,477 licensed stores in East China to company-operated retail stores as a result of the purchase of our East China joint venture in the first quarter of fiscal 2018.

⁽³⁾ EMEA store data also includes the transfer of 144 Germany company-operated retail stores to licensed stores as a result of the sale to AmRest Holdings SE in the third quarter of fiscal 2016.

⁽⁴⁾ As of September 30, 2018, Corporate and Other included 12 licensed Teavana-branded stores.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Our fiscal year ends on the Sunday closest to September 30. The fiscal years ended on September 30, 2018 and October 1, 2017 included 52 weeks. The fiscal year ended on October 2, 2016 included 53 weeks, with the extra week falling in our fourth fiscal quarter. Comparable store sales percentages for fiscal 2016 are calculated excluding the 53rd week. All references to store counts, including data for new store openings, are reported net of related store closures, unless otherwise noted.

Financial Highlights

- Total net revenues increased 10% to \$24.7 billion in fiscal 2018 compared to \$22.4 billion in fiscal 2017 .
- Global comparable store sales grew 2% driven by a 3% increase in average ticket.
- Consolidated operating income decreased to \$3.9 billion in fiscal 2018 compared to operating income of \$4.1 billion in fiscal 2017 . Fiscal 2018 operating margin was 15.7% compared to 18.5% in fiscal 2017 . Operating margin compression in fiscal 2018 was primarily driven by food and beverage-related mix shifts, largely in the Americas segment, the impact of our ownership change in East China at the end of the first quarter of fiscal 2018, higher restructuring and impairment costs and higher salaries and benefits related to digital platforms, technology infrastructure and innovations.
- Restructuring and impairment charges increased to \$224 million in fiscal 2018 compared to \$154 million in fiscal 2017. Increased costs were primarily related to higher asset impairments associated with the decision to close certain Starbucks[®] company-operated stores in the U.S. and Canada, higher goodwill impairment charges related to our Switzerland retail reporting unit and EMEA restructuring costs.
- Earnings per share ("EPS") for fiscal 2018 increased to \$3.24 , compared to EPS of \$1.97 in fiscal 2017. The increase was primarily driven by the gains from the acquisition of our East China joint venture and the sale of our Tazo brand. Additionally, the net favorable impact from the Tax Cuts and Jobs Act (the "Tax Act") also contributed to the increase.
- Cash flows from operations were \$11.9 billion in fiscal 2018 compared to \$4.3 billion in fiscal 2017 . The change was primarily due to receipt of the upfront payment from Nestlé related to the Global Coffee Alliance.
- Capital expenditures were \$2.0 billion in fiscal 2018 compared to \$1.5 billion in fiscal 2017 .
- We returned \$8.9 billion to our shareholders in fiscal 2018 through share repurchases and dividends compared to \$3.5 billion in fiscal 2017.

Overview

Starbucks results for fiscal 2018 reflect the impact of certain restructuring and streamlining efforts, beginning in the fourth quarter of fiscal 2017, to focus on accelerating growth in high-returning businesses and removing non-core, slow growth activities. These efforts primarily include the acquisition of our East China joint venture, the conversion of our Singapore, Taiwan and Brazil operations to licensed models, the closure of Teavana^{™/MC} retail stores, the sale of the Tazo brand, the licensing of our CPG and foodservice businesses to Nestlé, and the closure of certain company-operated stores in the U.S. and Canada, among other actions. These streamlining efforts span across all segments and our corporate functions.

On August 26, 2018, our Channel Development segment finalized licensing and distribution agreements with Nestlé to sell and market our CPG and foodservice products. The scope of the arrangement converts the majority of our previously defined Channel Development segment operations, as well as certain smaller businesses previously reported in the Americas, EMEA and Corporate and Other (previously All Other Segment), from company-owned to licensed operations with Nestlé. As a result, we realigned our organizational and operating segment structures in support of the newly established Global Coffee Alliance. Our reportable segments have been restated as if those smaller businesses were previously within our Channel Development segment.

Concurrent with the change in reportable operating segments, we revised our prior period financial information to reflect comparable financial information for the new segment structure. Further, in an effort to report operating expenses in line with the corresponding revenue generating activities, we have changed the classification of certain costs, primarily within our CAP segment and mainly from other operating expenses to general and administrative expenses. This reclassification has been retrospectively applied and was determined to be immaterial.

Starbucks largest acquisition to date affects our CAP segment. As a result of acquiring the remaining interest in our East China joint venture at the end of the first quarter of fiscal 2018, we began recording 100% of its revenues and expenses on our consolidated statements of earnings at the beginning of the second quarter of fiscal 2018. This is in contrast with our previous joint venture model, where we recorded only revenues and expenses from products sales to and royalties received from East China, as well as our proportionate share of the joint venture's net profit. The change from equity method to consolidation

method lowered the operating margin of our Consolidated and CAP segment, primarily due to incremental depreciation and amortization expenses and lower income from equity investees.

Starbucks results for fiscal 2018 continued to demonstrate the strength of our global business model and our ability to successfully make disciplined investments in our business and our partners. Consolidated total net revenues increased 10% to \$24.7 billion, primarily driven by incremental revenues from 1,997 net new store openings over the past 12 months, incremental revenues from the impact of our ownership change in East China, 2% growth in global comparable store sales and favorable foreign currency translation. These increases were partially offset by the absence of revenue related to the closure of our Teavana^{TM/MC} retail stores, initiated in the fourth quarter of fiscal 2017 and substantially ceased during fiscal 2018 and the sale of our Singapore retail operations to a licensed partner in the fourth quarter of fiscal 2017. Consolidated operating income declined \$251 million, or 6%, to \$3.9 billion. Operating margin declined 280 basis points to 15.7%, primarily due to food and beverage-related mix shifts, largely in the Americas segment, the impact of our ownership change in East China, higher restructuring and impairment costs and higher salaries and benefits related to digital platforms, technology infrastructure and innovations. Earnings per share of \$3.24 increased 64% over the prior year earnings per share of \$1.97.

Americas revenue grew by 7% to \$16.7 billion, primarily driven by incremental revenues from 895 net new store openings over the last 12 months and comparable store sales growth of 2%, partially offset by the absence of revenue related to the conversion of our Brazil retail business to fully licensed operations in the second quarter of fiscal 2018. Operating income declined \$39 million to \$3.6 billion and operating margin of 21.6% declined 180 basis points from a year ago, primarily due to food and beverage-related mix shifts, increased investments in our store partners and the impact of the May 29th anti-bias training. These increases were partially offset by sales leverage.

In our CAP segment, revenue grew by 38% to \$4.5 billion, primarily driven by the impact of our ownership change in East China at the end of the first quarter of fiscal 2018, incremental revenues from 756 net new stores over the past 12 months. These increases were partially offset by the absence of revenue related to the sale of our Singapore retail operations to fully licensed operations in the fourth quarter of fiscal 2017. Operating income grew 13% to \$867 million, while operating margin declined 420 basis points to 19.4%, primarily due to the impact of our ownership change in East China. We now operate 8,530 stores in 15 markets in our CAP segment making this our second largest reportable segment.

In our EMEA segment, revenue grew by 9% to \$1.0 billion, primarily driven by increased revenues from the opening of 356 net new licensed stores over the past 12 months and favorable foreign currency translation. Operating margin declined 400 basis points to 5.9% primarily due to higher impairment of goodwill related to our Switzerland retail business and restructuring costs, including severance, asset impairments and business process optimization expenses. These decreases were partially offset by lapping of a prior year tax settlement.

Channel Development segment revenues grew by 2% to \$2.3 billion, primarily driven by increased sales of packaged coffee and premium single-serve products, lapping a prior year revenue deduction adjustment and favorable foreign currency translation. These increases were partially offset by the net impact from the sale of our Tazo brand in the first quarter of fiscal 2018 and licensing our CPG and foodservice businesses to Nestlé beginning on August 26, 2018. Operating income declined \$40 million, or 4%, to \$927 million. Operating margin declined 250 basis points to 40.4%, primarily driven by business taxes associated with the upfront payment received from Nestlé, Global Coffee Alliance headcount related costs, including employee bonus and retention costs, and the impact of our ownership changes, including licensing our CPG and foodservice businesses to Nestlé and the sale of our Tazo brand.

Fiscal 2019 — The View Ahead

Turning to fiscal 2019, we expect continued growth through thoughtful long-term investments that create value and reward shareholders. These results are expected to be driven by our three strategic priorities, which include:

- Accelerate growth in our targeted, long-term growth markets of the U.S. and China
- Expand the global reach of the Starbucks brand leveraging the Global Coffee Alliance
- Sharpen our focus on increasing shareholder returns

To successfully achieve these priorities, we will undertake a number of initiatives, including growing our core business in the U.S. through enhancement of the in-store experience, delivery of customer-relevant beverage innovation and digital relationships, and growing our business in China through new store expansion, comparable store sales and business partnerships. Further, we will continue expanding the reach of the Starbucks brand through retail market realignment, including our plans to license the France, Netherlands, Belgium and Luxembourg markets, business simplification and the Global Coffee Alliance. These additional streamlining initiatives will enable us to amplify our focus and resources on core value drivers with the greatest prospect for returns.

We expect moderate revenue growth in fiscal 2019, reflecting implementation of our streamlining activities and driven by comparable store sales growth and the opening of approximately 2,100 net new stores globally.

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Consolidated operating margin is expected to decrease slightly in fiscal 2019 when compared to fiscal 2018, and our effective tax rate is expected to increase slightly from fiscal 2018. While GAAP full-year diluted earnings per share is expected to decrease in fiscal 2019, full-year non-GAAP diluted earnings per share is expected to grow when excluding gains from acquisitions and divestitures in fiscal 2018, integration costs related to East China and Japan and restructuring and impairment expenses.

Capital expenditures in fiscal 2019 are expected to be approximately \$2.0 billion, primarily related to our retail portfolio including investments in our new and existing stores and strategic store-related initiatives.

Acquisitions and Divestitures

See [Note 2](#), Acquisitions, Divestitures and Strategic Alliance, to the consolidated financial statements included in Item 8 of Part II of this 10-K for information regarding acquisitions and divestitures.

RESULTS OF OPERATIONS — FISCAL 2018 COMPARED TO FISCAL 2017
Consolidated results of operations (in millions) :
Revenues

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | % Change |
|---------------------------|-------------------------|------------------------|---------------------|
| Net revenues: | | | |
| Company-operated stores | \$ 19,690.3 | \$ 17,650.7 | 11.6 % |
| Licensed stores | 2,652.2 | 2,355.0 | 12.6 |
| Other | 2,377.0 | 2,381.1 | (0.2) |
| Total net revenues | \$ 24,719.5 | \$ 22,386.8 | 10.4 % |

Total net revenues increased \$2.3 billion , or 10% , over fiscal 2017 , primarily driven by increased revenues from company-operated stores (\$2.0 billion). The growth in company-operated store revenues was driven by incremental revenues from 816 net new Starbucks[®] company-operated store openings over the past 12 months (\$904 million), incremental revenues from the impact of our ownership change in East China (\$903 million) and a 2% increase in comparable store sales (\$345 million), attributable to a 3% increase in average ticket.

Licensed store revenue growth also contributed to the increase in total net revenues (\$297 million), primarily due to increased product and equipment sales to and royalty revenues from our licensees (\$298 million), largely due to the opening of 1,181 net new Starbucks[®] licensed stores over the past 12 months, the conversions of both the Singapore and Taiwan markets to fully licensed in the fourth quarter of fiscal 2017 and the first quarter of fiscal 2018, respectively (\$44 million). These increases were partially offset by the impact of our ownership change in East China at the end of the first quarter of fiscal 2018 (\$53 million).

Other revenues decreased \$4 million , primarily driven by the absence of revenue from the sale of our Tazo brand in the first quarter of fiscal 2018 (\$56 million), the closure of our e-commerce business in the fourth quarter of fiscal 2017 (\$51 million) and licensing our CPG and foodservice businesses to Nestlé late in the fourth quarter of fiscal 2018 (\$50 million). Partially offsetting these decreases were increased sales of packaged coffee and premium single-serve products (\$115 million).

Operating Expenses

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
|--|-------------------------|------------------------|---|------------------------|
| | | | As a % of Total Net Revenues | |
| Cost of sales including occupancy costs | \$ 10,174.5 | \$ 9,034.3 | 41.2% | 40.4% |
| Store operating expenses | 7,193.2 | 6,493.3 | 29.1 | 29.0 |
| Other operating expenses | 539.3 | 500.3 | 2.2 | 2.2 |
| Depreciation and amortization expenses | 1,247.0 | 1,011.4 | 5.0 | 4.5 |
| General and administrative expenses | 1,759.0 | 1,450.7 | 7.1 | 6.5 |
| Restructuring and impairments | 224.4 | 153.5 | 0.9 | 0.7 |
| Total operating expenses | 21,137.4 | 18,643.5 | 85.5 | 83.3 |
| Income from equity investees | 301.2 | 391.4 | 1.2 | 1.7 |
| Operating income | \$ 3,883.3 | \$ 4,134.7 | 15.7% | 18.5% |
| Store operating expenses as a % of related revenues | | | 36.5% | 36.8% |
| Other operating expenses as a % of non-company-operated store revenues | | | 10.7% | 10.6% |

Cost of sales including occupancy costs as a percentage of total net revenues increased 80 basis points, primarily due to food and beverage-related mix shifts (approximately 120 basis points), largely in the Americas segment.

Store operating expenses as a percentage of total net revenues increased 10 basis points. Store operating expenses as a percentage of company-operated store revenues decreased 30 basis points, primarily driven by the impact of our ownership change in East China (approximately 60 basis points).

Depreciation and amortization expenses as a percentage of total net revenues increased 50 basis points, primarily due to the impact of our ownership change in East China (approximately 60 basis points).

General and administrative expenses as a percentage of total net revenues increased 60 basis points, primarily due to higher salaries and benefits related to digital platforms, technology infrastructure and innovations (approximately 20 basis points) and the 2018 U.S. stock award (approximately 20 basis points).

Restructuring and impairment expenses increased \$71 million, primarily due to higher asset impairments associated with the decision to close certain company-operated stores in the U.S. and Canada (\$23 million), higher goodwill impairment charges associated with our Switzerland company-operated retail reporting unit (\$20 million) and EMEA restructuring costs, including severance and asset impairments (\$18 million).

Income from equity investees decreased \$90 million, primarily due to the impact of ownership changes in our East China and Taiwan joint ventures, partially offset by higher South Korea joint venture income.

The combination of these changes resulted in an overall decrease in operating margin of 280 basis points in fiscal 2018 when compared to fiscal 2017 .

Other Income and Expenses

| <u>Fiscal Year Ended</u> | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
|--|---------------------------------|-------------------|-----------------|----------------|
| | As a % of Total Net Revenues | | | |
| Operating income | \$ 3,883.3 | \$ 4,134.7 | 15.7 % | 18.5 % |
| Gain resulting from acquisition of joint venture | 1,376.4 | — | 5.6 | — |
| Net gain resulting from divestiture of certain operations | 499.2 | 93.5 | 2.0 | 0.4 |
| Interest income and other, net | 191.4 | 181.8 | 0.8 | 0.8 |
| Interest expense | (170.3) | (92.5) | (0.7) | (0.4) |
| Earnings before income taxes | 5,780.0 | 4,317.5 | 23.4 | 19.3 |
| Income tax expense | 1,262.0 | 1,432.6 | 5.1 | 6.4 |
| Net earnings including noncontrolling interests | 4,518.0 | 2,884.9 | 18.3 | 12.9 |
| Net earnings/(loss) attributable to noncontrolling interests | (0.3) | 0.2 | — | — |
| Net earnings attributable to Starbucks | \$ 4,518.3 | \$ 2,884.7 | 18.3 % | 12.9 % |
| Effective tax rate including noncontrolling interests | | | 21.8 % | 33.2 % |

Gain resulting from acquisition of joint venture was due to remeasuring our preexisting 50% ownership interest in our East China joint venture to fair value upon acquisition.

Net gain resulting from divestiture of certain operations primarily consists of sales of our Tazo brand and Taiwan joint venture, partially offset by the net loss from the sale of our Brazil retail operations in fiscal 2018. The gain in fiscal 2017 was primarily due to the sale of our Singapore retail operations.

Interest income and other, net increased \$10 million , primarily due to recognizing higher income on unredeemed stored value card balances, partially offset by lapping the gain on the sale of our investment in Square, Inc. warrants in the prior year period.

Interest expense increased \$78 million primarily related to additional interest incurred on long-term debt issued in November 2017, March 2018 and August 2018.

The effective tax rate for fiscal 2018 was 21.8% compared to 33.2% for fiscal 2017 . The decrease in the effective tax rate was primarily due to the gain on the purchase of our East China joint venture that is not subject to income tax (approximately 580 basis points) and the Tax Act (approximately 480 basis points). The impact from the Tax Act primarily included favorability from the lower corporate income tax rate applied to our fiscal 2018 results (approximately 760 basis points) and the remeasurement of our net deferred tax liabilities (approximately 130 basis points). This favorability was partially offset by the estimated transition tax on our accumulated undistributed foreign earnings (approximately 400 basis points). See [Note 13](#), Income Taxes, for further discussion.

Segment Information

Results of operations by segment (*in millions*) :

Americas

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
|--|--|-------------------|-----------------|----------------|
| | As a % of Americas Total Net Revenues | | | |
| Net revenues: | | | | |
| Company-operated stores | \$ 14,905.1 | \$ 13,996.4 | 89.1% | 89.6% |
| Licensed stores | 1,814.0 | 1,617.3 | 10.8 | 10.4 |
| Other | 13.1 | 6.3 | 0.1 | — |
| Total net revenues | 16,732.2 | 15,620.0 | 100.0 | 100.0 |
| Cost of sales including occupancy costs | 6,301.2 | 5,695.0 | 37.7 | 36.5 |
| Store operating expenses | 5,747.9 | 5,320.2 | 34.4 | 34.1 |
| Other operating expenses | 150.0 | 130.8 | 0.9 | 0.8 |
| Depreciation and amortization expenses | 638.3 | 614.9 | 3.8 | 3.9 |
| General and administrative expenses | 247.0 | 201.4 | 1.5 | 1.3 |
| Restructuring and impairments | 33.4 | 4.1 | 0.2 | — |
| Total operating expenses | 13,117.8 | 11,966.4 | 78.4 | 76.6 |
| Operating income | \$ 3,614.4 | \$ 3,653.6 | 21.6% | 23.4% |
| Store operating expenses as a % of related revenues | | | 38.6% | 38.0% |
| Other operating expenses as a % of non-company-operated store revenues | | | 8.2% | 8.1% |

Revenues

Americas total net revenues for fiscal 2018 increased \$1.1 billion , or 7% , over fiscal 2017 , primarily due to increased revenues from company-operated stores (contributing \$909 million) and licensed stores (contributing \$197 million) .

The increase in company-operated store revenues was driven by incremental revenues from 383 net new Starbucks[®] company-operated store openings over the past 12 months (\$604 million) and a 2% increase in comparable store sales (\$319 million), attributable to a 3% increase in average ticket, partially offset by the conversion of our Brazil retail business to fully licensed operations in the second quarter of fiscal 2018 (\$40 million).

The increase in licensed store revenues was primarily driven by higher product sales to and royalty revenues from our licensees (\$173 million), primarily resulting from the opening of 512 net new Starbucks[®] licensed stores over the past 12 months.

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 120 basis points, primarily due to food and beverage-related mix shifts (approximately 130 basis points).

Store operating expenses as a percentage of total net revenues increased 30 basis points. As a percentage of company-operated store revenues, store operating expenses increased 60 basis points, primarily driven by increased investments in our store partners (approximately 140 basis points), which included incremental investments funded by the Tax Act, partially offset by sales leverage (approximately 60 basis points).

General and administrative expenses as a percentage of total net revenues increased 20 basis points, primarily driven by the May 29th anti-bias training (approximately 20 basis points).

Restructuring and impairment charges increased \$29 million due to higher asset impairments in fiscal 2018 compared to fiscal 2017 associated with the decision to close certain U.S. company-operated stores (\$23 million) and costs associated with the closure of certain company-operated stores in the U.S. and Canada (\$6 million) in fiscal 2018.

The combination of these changes resulted in an overall decrease in operating margin of 180 basis points in fiscal 2018 when compared to fiscal 2017 .

CAP

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
|--|--|-----------------|-----------------|----------------|
| | As a % of China/Asia Pacific Total Net Revenues | | | |
| Net revenues: | | | | |
| Company-operated stores | \$ 4,096.9 | \$ 2,906.0 | 91.6% | 89.7% |
| Licensed stores | 365.7 | 327.4 | 8.2 | 10.1 |
| Other | 11.0 | 6.8 | 0.2 | 0.2 |
| Total net revenues | 4,473.6 | 3,240.2 | 100.0 | 100.0 |
| Cost of sales including occupancy costs | 1,898.3 | 1,396.2 | 42.4 | 43.1 |
| Store operating expenses | 1,148.7 | 845.5 | 25.7 | 26.1 |
| Other operating expenses | 22.9 | 21.2 | 0.5 | 0.7 |
| Depreciation and amortization expenses | 412.1 | 202.2 | 9.2 | 6.2 |
| General and administrative expenses | 241.6 | 207.1 | 5.4 | 6.4 |
| Total operating expenses | 3,723.6 | 2,672.2 | 83.2 | 82.5 |
| Income from equity investees | 117.4 | 197.0 | 2.6 | 6.1 |
| Operating income | \$ 867.4 | \$ 765.0 | 19.4% | 23.6% |
| Store operating expenses as a % of related revenues | | | 28.0% | 29.1% |
| Other operating expenses as a % of non-company-operated store revenues | | | 6.1% | 6.3% |

Discussion of our China/Asia Pacific segment results below reflects the impact of fully consolidating our East China business due to the ownership change from an equity method joint venture to a company-operated market since the acquisition date of December 31, 2017. Under the joint venture model, we recognized royalties and product sales within revenue and related product cost of sales as well as our proportionate share of East China's net earnings, which we recognized within income from equity investees. This resulted in a higher operating margin. Under the company-operated ownership model, East China's operating results are reflected in most income statement lines of this segment.

Revenues

China/Asia Pacific total net revenues for fiscal 2018 increased \$1.2 billion, or 38%, over fiscal 2017, primarily driven by higher company-operated store revenues (\$1.2 billion) due to the impact of our ownership change in East China (\$903 million) and incremental revenues from 443 net new company-operated store openings over the past 12 months (\$300 million). Also contributing were favorable foreign currency translation (\$82 million) and a 1% increase in comparable store sales (\$26 million). Partially offsetting these increases was the conversion of our Singapore retail business to fully licensed operations in the fourth quarter of fiscal 2017 (\$121 million).

Licensed store revenues increased \$38 million, primarily driven by increased product sales to and royalty revenues from licensees (\$44 million), primarily resulting from the opening of 313 net new licensed stores over the past 12 months, the conversion of our Taiwan joint venture to fully licensed operations at the end of the first quarter of fiscal 2018 (\$25 million) and the conversion of our Singapore retail operations to fully licensed operations in the fourth quarter of fiscal 2017 (\$20 million). These increases were partially offset by the absence of revenue from our ownership change in East China (\$53 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 70 basis points, primarily due to the ownership change in East China (approximately 60 basis points).

Store operating expenses as a percentage of total net revenues decreased 40 basis points. As a percentage of company-operated store revenues, store operating expenses decreased 110 basis points, primarily due to the ownership change in East China (approximately 90 basis points).

General and administrative expenses as a percentage of total revenues decreased 100 basis points, primarily due to sales leverage on salaries and benefits (approximately 50 basis points) and the impact of ownership change in East China (approximately 30 basis points).

Income from equity investees decreased \$80 million, primarily due to the impact of our ownership changes in East China and Taiwan joint ventures, partially offset by higher South Korea joint venture income.

The combination of these changes resulted in an overall decrease in operating margin of 420 basis points in fiscal 2018 when compared to fiscal 2017 .

EMEA

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
|---|--------------------------------------|----------------|-----------------|----------------|
| | As a % of EMEA Total Net Revenues | | | |
| Net revenues: | | | | |
| Company-operated stores | \$ 575.6 | \$ 551.0 | 54.9% | 57.5% |
| Licensed stores | 471.3 | 407.7 | 45.0 | 42.5 |
| Other | 1.1 | — | 0.1 | — |
| Total net revenues | 1,048.0 | 958.7 | 100.0 | 100.0 |
| Cost of sales including occupancy costs | 559.2 | 508.6 | 53.4 | 53.1 |
| Store operating expenses | 226.0 | 214.1 | 21.6 | 22.3 |
| Other operating expenses | 62.8 | 51.3 | 6.0 | 5.4 |
| Depreciation and amortization expenses | 31.7 | 30.6 | 3.0 | 3.2 |
| General and administrative expenses | 51.7 | 41.7 | 4.9 | 4.3 |
| Restructuring and impairments | 55.1 | 17.9 | 5.3 | 1.9 |
| Total operating expenses | 986.5 | 864.2 | 94.1 | 90.1 |
| Operating income | \$ 61.5 | \$ 94.5 | 5.9% | 9.9% |
| Store operating expenses as a % of related revenues | | | 39.3% | 38.9% |
| Other operating expenses as a % of non-company-operated store | | | 13.3% | 12.6% |

Revenues

EMEA total net revenues for fiscal 2018 increased \$89 million , or 9% , over fiscal 2017 , primarily due to higher revenue from licensed stores (\$64 million) and company-operated stores (\$25 million).

Company-operated stores increased \$25 million, or 4%, primarily due to favorable currency translation (\$31 million).

Licensed store revenues increased \$64 million , or 16%, due to higher product sales to and royalty revenues from our licensees (\$56 million), resulting from the opening of 356 net new licensed stores, and favorable foreign currency translation (\$4 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 30 basis points, primarily due to growth in our licensed stores which have a lower gross margin (approximately 30 basis points).

Store operating expenses as a percentage of total net revenues decreased 70 basis points. As a percentage of company-operated store revenues, store operating expenses increased 40 basis points, primarily due to sales deleverage on salaries and benefits, largely due to increased minimum wage in certain markets (approximately 140 basis points), partially offset by lapping a prior year tax settlement (approximately 100 basis points).

Other operating expenses as a percentage of total net revenues increased 60 basis points. Excluding the impact of company-operated store revenues, other operating expenses increased 70 basis points, primarily due to business process optimization expenses (approximately 60 basis points).

General and administrative expenses as a percentage of total net revenues increased 60 basis points, primarily due to business process optimization expenses (approximately 50 basis points).

Restructuring and impairment expenses increased \$37 million, primarily due to higher goodwill impairment expense associated with our Switzerland retail reporting unit in fiscal 2018 than in the prior year period (\$20 million) and EMEA restructuring costs, including severance and asset impairments (\$18 million).

The combination of these changes resulted in an overall decrease in operating margin of 400 basis points in fiscal 2018 when compared to fiscal 2017 .

Channel Development

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
|--|---|-----------------|-----------------|----------------|
| | As a % of Channel Development Total Net Revenues | | | |
| Net revenues | \$ 2,297.3 | \$ 2,256.6 | | |
| Cost of sales | 1,252.3 | 1,209.3 | 54.5 | 53.6 |
| Other operating expenses | 286.5 | 260.4 | 12.5 | 11.5 |
| Depreciation and amortization expenses | 1.3 | 3.0 | 0.1 | 0.1 |
| General and administrative expenses | 13.9 | 11.3 | 0.6 | 0.5 |
| Total operating expenses | 1,554.0 | 1,484.0 | 67.6 | 65.8 |
| Income from equity investees | 183.8 | 194.4 | 8.0 | 8.6 |
| Operating income | \$ 927.1 | \$ 967.0 | 40.4% | 42.9% |

Discussion of our Channel Development segment results reflect the impact of the licensing of our CPG and foodservice businesses to Nestlé, the sale of Tazo and an immaterial, unfavorable revenue deduction adjustment recorded in the second quarter of fiscal 2017. Late in the fourth quarter of fiscal 2018, we licensed our CPG (Starbucks-, Starbucks Reserve-, Teavana-, Seattle's Best Coffee-, Starbucks VIA- and Torrefazione Italia-branded packaged coffee and tea) and foodservice businesses to Nestlé and formed a Global Coffee Alliance. Eleven months of fiscal 2018 results reflect our CPG and foodservice businesses as company-owned and one month as licensed operations. Our collaborative business relationships for our global ready-to-drink products and the associated revenues remain unchanged due to the Global Coffee Alliance.

Revenues

Channel Development net revenues for fiscal 2018 increased \$41 million, or 2%, over fiscal 2017. Revenue growth was driven by an increase in sales of our packaged coffee and premium single-serve products (\$115 million), lapping a prior year revenue deduction adjustment (\$13 million) and favorable foreign currency translation (\$10 million). These increases were partially offset by the absence of revenue from the sale of our Tazo brand in the first quarter of fiscal 2018 (\$56 million) and licensing our CPG and foodservice businesses to Nestlé late in the fourth quarter of fiscal 2018 (\$50 million).

Operating Expenses

Cost of sales as a percentage of total net revenues increased 90 basis points, primarily driven by the impact of licensing our CPG and foodservice businesses to Nestlé and the sale of our Tazo brand (approximately 120 basis points), partially offset by lapping a revenue deduction adjustment recorded in the second quarter of fiscal 2017 (approximately 30 basis points).

Other operating expenses as a percentage of total net revenues increased 100 basis points, primarily driven by business taxes associated with the upfront payment received from Nestlé (approximately 120 basis points) and Global Coffee Alliance headcount-related costs, including employee bonus and retention costs (approximately 80 basis points). These increases were partially offset by the cost savings related to our ownership changes, including licensing our CPG and foodservice businesses to Nestlé and the sale of our Tazo brand (approximately 40 basis points), and lower marketing expenses (approximately 40 basis points).

Income from equity investees decreased \$11 million for fiscal 2018, due to lower income from our North American Coffee Partnership joint venture, driven by decreased sales of Frappuccino[®], Starbucks Doubleshot[®] and Iced Coffee beverages.

The combination of these changes contributed to an overall decrease in operating margin of 250 basis points in fiscal 2018 when compared to fiscal 2017.

Corporate and Other

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | % Change |
|---|-------------------------|------------------------|-----------------|
| Net revenues: | | | |
| Company-operated stores | \$ 112.7 | \$ 197.3 | (42.9)% |
| Licensed stores | 1.2 | 2.6 | (53.8) |
| Other | 54.5 | 111.4 | (51.1) |
| Total net revenues | 168.4 | 311.3 | (45.9) |
| Cost of sales including occupancy costs | 163.5 | 225.2 | (27.4) |
| Store operating expenses | 70.6 | 113.5 | (37.8) |
| Other operating expenses | 17.1 | 36.6 | (53.3) |
| Depreciation and amortization expenses | 163.6 | 160.7 | 1.8 |
| General and administrative expenses | 1,204.8 | 989.2 | 21.8 |
| Restructuring and impairments | 135.9 | 131.5 | 3.3 |
| Total operating expenses | 1,755.5 | 1,656.7 | 6.0 |
| Operating loss | \$ (1,587.1) | \$ (1,345.4) | 18.0 % |

Corporate and Other primarily consists of our unallocated corporate expenses, the results from Siren Retail, as well as Evolution Fresh and the legacy operations of the Teavana retail business, which substantially ceased during fiscal 2018. Unallocated corporate expenses include corporate administrative functions that support the operating segments but are not specifically attributable to or managed by any segment and are not included in the reported financial results of the operating segments.

RESULTS OF OPERATIONS — FISCAL 2017 COMPARED TO FISCAL 2016
Consolidated results of operations (in millions) :
Revenues

| Fiscal Year Ended | Oct 1, 2017 (52 Weeks Ended) | Oct 2, 2016 (53 Weeks Ended) | % Change |
|---------------------------|---|---|---------------------|
| Net revenues: | | | |
| Company-operated stores | \$ 17,650.7 | \$ 16,844.1 | 4.8% |
| Licensed stores | 2,355.0 | 2,154.2 | 9.3 |
| Other | 2,381.1 | 2,317.6 | 2.7 |
| Total net revenues | \$ 22,386.8 | \$ 21,315.9 | 5.0% |

Total net revenues increased \$1.1 billion, or 5%, over fiscal 2016, primarily driven by increased revenues from company operated stores (\$807 million). The growth in company-operated store revenues was primarily driven by incremental revenues from 768 net new Starbucks[®] company-operated store openings over the past 12 months (\$869 million) and a 3% increase in comparable store sales (\$496 million), attributable to a 3% increase in average ticket. Partially offsetting these incremental revenues was the absence of the 53rd week (\$324 million), the absence of sales from the conversion of certain company operated stores to licensed stores (\$121 million) and the impact of unfavorable foreign currency translation (\$70 million).

Licensed store revenue growth also contributed to the increase in total net revenue (\$201 million), primarily due to increased product sales to and royalty revenues from our licensees (\$260 million), largely due to the opening of 1,552 net new Starbucks[®] licensed stores and improved comparable store sales, partially offset by the absence of the 53rd week (\$41 million) and unfavorable foreign currency translation (\$27 million).

Other revenues increased \$64 million, primarily driven by increased sales of packaged coffee, tea and premium single-serve products (\$73 million), our ready-to-drink beverages (\$21 million) and higher foodservice sales (\$26 million). Increased sales were partially offset by the absence of the 53rd week (\$47 million) and an unfavorable revenue deduction adjustment pertaining to periods prior to 2017 (\$13 million).

Operating Expenses

| Fiscal Year Ended | Oct 1, 2017 | Oct 2, 2016 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------|-------------------|---------------------------------|----------------|
| | (52 Weeks Ended) | (53 Weeks Ended) | As a % of Total Net Revenues | |
| Cost of sales including occupancy costs | \$ 9,034.3 | \$ 8,509.0 | 40.4% | 39.9% |
| Store operating expenses | 6,493.3 | 6,064.3 | 29.0 | 28.4 |
| Other operating expenses | 500.3 | 499.2 | 2.2 | 2.3 |
| Depreciation and amortization expenses | 1,011.4 | 980.8 | 4.5 | 4.6 |
| General and administrative expenses | 1,450.7 | 1,408.9 | 6.5 | 6.6 |
| Restructuring and impairments | 153.5 | — | 0.7 | — |
| Total operating expenses | 18,643.5 | 17,462.2 | 83.3 | 81.9 |
| Income from equity investees | 391.4 | 318.2 | 1.7 | 1.5 |
| Operating income | \$ 4,134.7 | \$ 4,171.9 | 18.5% | 19.6% |
| Store operating expenses as a % of related revenues | | | 36.8% | 36.0% |
| Other operating expenses as a % of non-company-operated store revenues | | | 10.6% | 11.2% |

Cost of sales including occupancy costs as a percentage of total net revenues increased 50 basis points, primarily driven by a product mix shift (approximately 70 basis points) largely towards premium food in the Americas segment, partially offset by leverage on cost of sales and occupancy costs (approximately 30 basis points).

Store operating expenses as a percentage of total net revenues increased 60 basis points. Store operating expenses as a percentage of company-operated store revenues increased 80 basis points, primarily driven by higher partner and digital investments, largely in the Americas segment (approximately 150 basis points), partially offset by sales leverage (approximately 90 basis points).

Other operating expenses as a percentage of total net revenues decreased 10 basis points. Excluding the impact of company operated store revenues, other operating expenses decreased 60 basis points, primarily due to lower performance-based compensation (approximately 20 basis points).

General and administrative expenses as a percentage of total net revenues decreased 10 basis points, primarily driven by lower performance-based compensation (approximately 30 basis points), and employment taxes, including the lapping of higher employment taxes resulting from a multiple year audit in the prior year (approximately 20 basis points). These were partially offset by increased salaries and benefits related to digital platforms, technology infrastructure and innovations.

Restructuring and impairments charges in fiscal 2017 were primarily the result of our strategic changes in Teavana. We recorded \$130 million of restructuring-related costs, including a partial goodwill impairment charge of \$69 million, store asset impairments, and costs related to early store closure obligations and severance. Additionally, we recorded \$18 million of partial goodwill impairment relating to our Switzerland retail business.

Income from equity investees increased \$73 million, due to higher income from our CAP joint venture operations, primarily China and South Korea, as well as our North American Coffee Partnership.

The combination of these changes resulted in an overall decrease in operating margin of 110 basis points in fiscal 2017 when compared to fiscal 2016.

Other Income and Expenses

| <u>Fiscal Year Ended</u> | Oct 1, 2017 | Oct 2, 2016 | Oct 1, 2017 | Oct 2, 2016 |
|---|-------------------|-------------------|---------------------------------|----------------|
| | (52 Weeks Ended) | (53 Weeks Ended) | As a % of Total Net Revenues | |
| Operating income | \$ 4,134.7 | \$ 4,171.9 | 18.5 % | 19.6 |
| Net gain resulting from divestiture of certain operations | 93.5 | 5.4 | 0.4 | — |
| Interest income and other, net | 181.8 | 102.6 | 0.8 | 0.5 |
| Interest expense | (92.5) | (81.3) | (0.4) | (0.4) |
| Earnings before income taxes | 4,317.5 | 4,198.6 | 19.3 | 19.7 |
| Income tax expense | 1,432.6 | 1,379.7 | 6.4 | 6.5 |
| Net earnings including noncontrolling interests | 2,884.9 | 2,818.9 | 12.9 | 13.2 |
| Net earnings attributable to noncontrolling interests | 0.2 | 1.2 | — | — |
| Net earnings attributable to Starbucks | \$ 2,884.7 | \$ 2,817.7 | 12.9 % | 13.2 % |
| Effective tax rate including noncontrolling interests | | | 33.2 % | 32.9 % |

Net gain resulting from divestiture of certain operations increased \$88 million, primarily due to the gain from the sale of our Singapore retail operations in the fourth quarter of fiscal 2017 (\$84 million).

Interest income and other, net increased \$79 million, primarily driven by gain in our investment in Square, Inc. warrants (\$41 million) and higher income recognized on unredeemed stored value card balances (\$44 million).

Interest expense increased \$11 million primarily related to additional interest incurred on long-term debt issued in February 2016, May 2016 and March 2017, partially offset by lower interest expense from the repayment of our December 2016 notes.

The effective tax rate for fiscal 2017 was 33.2% compared to 32.9% for fiscal 2016. The increase in the effective tax rate was primarily due to unfavorability from non-deductible goodwill impairment charges recorded in the third quarter of fiscal 2017 (approximately 70 basis points) and the lapping of the release of certain tax reserves in the third quarter of fiscal 2016, primarily related to statute closures (approximately 30 basis points). The increase was partially offset by the largely non-taxable gain on the sale of our Singapore retail operations in the fourth quarter of fiscal 2017 (approximately 70 basis points).

Segment Information

Results of operations by segment (*in millions*) :

Americas

| <u>Fiscal Year Ended</u> | Oct 1, 2017 | Oct 2, 2016 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------|-------------------|--|----------------|
| | (52 Weeks Ended) | (53 Weeks Ended) | As a % of Americas Total Net Revenues | |
| Net revenues: | | | | |
| Company-operated stores | \$ 13,996.4 | \$ 13,247.4 | 89.6% | 89.7% |
| Licensed stores | 1,617.3 | 1,518.5 | 10.4 | 10.3 |
| Other | 6.3 | 9.3 | — | 0.1 |
| Total net revenues | 15,620.0 | 14,775.2 | 100.0 | 100.0 |
| Cost of sales including occupancy costs | 5,695.0 | 5,254.2 | 36.5 | 35.6 |
| Store operating expenses | 5,320.2 | 4,909.3 | 34.1 | 33.2 |
| Other operating expenses | 130.8 | 97.1 | 0.8 | 0.7 |
| Depreciation and amortization expenses | 614.9 | 590.0 | 3.9 | 4.0 |
| General and administrative expenses | 201.4 | 186.1 | 1.3 | 1.3 |
| Restructuring and impairments | 4.1 | — | — | — |
| Total operating expenses | 11,966.4 | 11,036.7 | 76.6 | 74.7 |
| Income from equity investees | — | — | — | — |
| Operating income | \$ 3,653.6 | \$ 3,738.5 | 23.4% | 25.3% |
| Store operating expenses as a % of related revenues | | | 38.0% | 37.1% |
| Other operating expenses as a % of non-company-operated store revenues | | | 8.1% | 6.4% |

Revenues

Americas total net revenues for fiscal 2017 increased \$845 million, or 6%, over fiscal 2016, primarily due to increased revenues from company-operated stores (contributing \$749 million) and licensed stores (contributing \$99 million).

The increase in company-operated store revenues was driven by incremental revenues from 383 net new Starbucks® company-operated store openings over the past 12 months (\$585 million) and a 3% increase in comparable store sales (\$426 million), attributable to a 4% increase in average ticket, partially offset by the absence of the 53rd week (\$258 million).

The increase in licensed store revenues was primarily driven by increased product sales to and royalty revenues from our licensees (\$127 million), primarily resulting from the opening of 569 net new Starbucks® licensed stores over the past 12 months and improved comparable store sales, partially offset by the absence of the 53rd week (\$31 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 90 basis points, primarily due to a product mix shift (approximately 90 basis points) largely towards premium food.

Store operating expenses as a percentage of total net revenues increased 90 basis points. As a percentage of company-operated store revenues, store operating expenses increased 90 basis points, primarily driven by increased partner and digital investments (approximately 180 basis points), partially offset by sales leverage on salaries and benefits (approximately 80 basis points).

Other operating expenses as a percentage of total net revenues increased 10 basis points. Excluding the impact of company-operated store revenues, other operating expenses increased 170 basis points, primarily due to lapping a settlement received in the fourth quarter of fiscal 2016 related to the closure of Target Canada stores in fiscal 2015 (approximately 120 basis points).

Restructuring and impairment charges of \$4 million related to asset impairments of certain company-operated stores in Canada.

The combination of these changes resulted in an overall decrease in operating margin of 190 basis points in fiscal 2017 when compared to fiscal 2016.

CAP

| Fiscal Year Ended | Oct 1, 2017 | Oct 2, 2016 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------------|-------------------------|--|------------------------|
| | (52 Weeks Ended) | (53 Weeks Ended) | As a % of China/Asia Pacific Total Net Revenues | |
| Net revenues: | | | | |
| Company-operated stores | \$ 2,906.0 | \$ 2,640.4 | 89.7% | 89.8% |
| Licensed stores | 327.4 | 292.3 | 10.1 | 9.9 |
| Other | 6.8 | 6.1 | 0.2 | 0.2 |
| Total net revenues | 3,240.2 | 2,938.8 | 100.0 | 100.0 |
| Cost of sales including occupancy costs | 1,396.2 | 1,298.9 | 43.1 | 44.2 |
| Store operating expenses | 845.5 | 779.4 | 26.1 | 26.5 |
| Other operating expenses | 21.2 | 24.2 | 0.7 | 0.8 |
| Depreciation and amortization expenses | 202.2 | 180.6 | 6.2 | 6.1 |
| General and administrative expenses | 207.1 | 174.2 | 6.4 | 5.9 |
| Total operating expenses | 2,672.2 | 2,457.3 | 82.5 | 83.6 |
| Income from equity investees | 197.0 | 150.1 | 6.1 | 5.1 |
| Operating income | \$ 765.0 | \$ 631.6 | 23.6% | 21.5% |
| Store operating expenses as a % of related revenues | | | 29.1% | 29.5% |
| Other operating expenses as a % of non-company-operated store revenues | | | 6.3% | 8.1% |

Revenues

China/Asia Pacific total net revenues for fiscal 2017 increased \$301 million, or 10%, over fiscal 2016, primarily from higher company-operated store revenues (\$266 million), driven by incremental revenues from 392 net new company-operated store

openings over the past 12 months (\$293 million). Also contributing was a 3% increase in comparable store sales (\$67 million), partially offset by the absence of the 53rd week (\$52 million) and unfavorable foreign currency translation (\$40 million).

Licensed store revenues increased \$35 million, primarily driven by increased product sales to and royalty revenues from licensees (\$39 million), primarily resulting from the opening of 644 net new licensed stores over the past 12 months, partially offset the absence of the 53rd week (\$4 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 110 basis points, primarily driven by favorability from the transition to China's new value added tax structure (approximately 120 basis points).

Store operating expenses as a percentage of total net revenues decreased 40 basis points. As a percentage of company-operated store revenues, store operating expenses decreased 40 basis points, primarily due to sales leverage on salaries and benefits (approximately 30 basis points) and lower performance-based compensation in Japan (approximately 10 basis points).

Other operating expenses as a percentage of total net revenues decreased 10 basis points. Excluding the impact of company operated store revenues, other operating expenses decreased 180 basis points, primarily due to lower performance-based compensation (approximately 100 basis points) and timing of certain reimbursable expenses (approximately 90 basis points).

General and administrative expenses as a percentage of total revenues increased 50 basis points, primarily due to continued focus and investment in product quality and innovation (approximately 20 basis points) and higher salaries and benefits (approximately 20 basis points).

Income from equity investees increased \$47 million, driven by higher income from our joint venture operations, primarily in East China and South Korea. Favorability in both regions was attributable to comparable store sales growth and the addition of net new licensed stores over the past 12 months. East China also benefited from the new value added tax structure.

The combination of these changes resulted in an overall increase in operating margin of 210 basis points in fiscal 2017 when compared to fiscal 2016.

EMEA

| Fiscal Year Ended | Oct 1, 2017 | Oct 2, 2016 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------------|-------------------------|--|------------------------|
| | (52 Weeks Ended) | (53 Weeks Ended) | As a % of EMEA Total Net Revenues | |
| Net revenues: | | | | |
| Company-operated stores | \$ 551.0 | \$ 732.0 | 57.5% | 68.3% |
| Licensed stores | 407.7 | 339.5 | 42.5 | 31.7 |
| Total net revenues | 958.7 | 1,071.5 | 100.0 | 100.0 |
| Cost of sales including occupancy costs | 508.6 | 540.7 | 53.1 | 50.5 |
| Store operating expenses | 214.1 | 260.6 | 22.3 | 24.3 |
| Other operating expenses | 51.3 | 49.4 | 5.4 | 4.6 |
| Depreciation and amortization expenses | 30.6 | 39.9 | 3.2 | 3.7 |
| General and administrative expenses | 41.7 | 51.4 | 4.3 | 4.8 |
| Restructuring and impairments | 17.9 | — | 1.9 | — |
| Total operating expenses | 864.2 | 942.0 | 90.1 | 87.9 |
| Income from equity investees | — | 1.5 | — | 0.1 |
| Operating income | \$ 94.5 | \$ 131.0 | 9.9% | 12.2% |
| Store operating expenses as a % of related revenues | | | 38.9% | 35.6% |
| Other operating expenses as a % of non-company-operated store revenues | | | 12.6% | 14.6% |

Revenues

EMEA total net revenues for fiscal 2017 decreased \$113 million, or 11%, over fiscal 2016. The decrease was primarily due to a decline in company-operated store revenues (\$181 million), driven by the shift to more licensed stores in the region (\$121 million), which includes the absence of revenues related to the sale of our Germany retail operations in the third quarter of fiscal 2016. Also contributing to the decline was unfavorable foreign currency translation (\$43 million) and the absence of the 53rd week (\$11 million).

Licensed store revenues increased \$68 million, driven by higher product sales to and royalty revenues from our licensees (\$95 million), resulting from the opening of 339 net new licensed stores and the transfer of 14 company-operated stores to licensed stores over the past 12 months. These increases were partially offset by unfavorable foreign currency translation (\$24 million) and the absence of the 53rd week (\$6 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 260 basis points, primarily due to unfavorable foreign currency transactions (approximately 150 basis points) and the shift in the composition of our store portfolio to more licensed stores, which have a lower gross margin (approximately 100 basis points).

Store operating expenses as a percentage of total net revenues decreased 200 basis points. As a percentage of company-operated store revenues, store operating expenses increased 330 basis points, primarily due to sales deleverage in certain company-operated stores (approximately 320 basis points) and the impact of a tax settlement (approximately 100 basis points), partially offset by the shift in the portfolio towards more licensed stores (approximately 140 basis points).

Other operating expenses as a percentage of total net revenues increased 80 basis points. Excluding the impact of company operated store revenues, other operating expenses decreased 200 basis points, primarily due to sales leverage driven by the shift to more licensed stores (approximately 160 basis points).

Depreciation and amortization expenses as a percentage of total net revenues decreased 50 basis points, primarily due to the shift in portfolio towards more licensed stores (approximately 50 basis points).

Restructuring and impairment charges in fiscal 2017 relate to a partial goodwill impairment expense recorded in our Switzerland company-operated retail reporting unit, which we fully acquired in the fourth quarter of fiscal 2011. The overall economic backdrop in Europe, coupled with the strengthening of the Swiss franc when compared to the relatively inexpensive euro in surrounding countries, caused ongoing unfavorable changes in consumer behavior and depressed tourism. Our latest mitigation efforts for our Switzerland retail business are not expected to fully recover the reporting unit's carrying value given

the sustained nature of these and other external factors. As a result, we recorded a goodwill impairment charge of \$18 million in the third quarter of fiscal 2017. The combination of these changes resulted in an overall decrease in operating margin of 230 basis points in fiscal 2017 when compared to fiscal 2016.

Channel Development

| <u>Fiscal Year Ended</u> | Oct 1, 2017 (52 Weeks Ended) | | Oct 2, 2016 (53 Weeks Ended) | | As a % of Channel Development Total Net Revenues | |
|--|---------------------------------|--------------|---------------------------------|--------------|---|--------------|
| | | | | | | |
| Total net revenues | \$ | 2,256.6 | \$ | 2,195.1 | | |
| Cost of sales | | 1,209.3 | | 1,191.8 | 53.6 | 54.3 |
| Other operating expenses | | 260.4 | | 270.7 | 11.5 | 12.3 |
| Depreciation and amortization expenses | | 3.0 | | 3.9 | 0.1 | 0.2 |
| General and administrative expenses | | 11.3 | | 18.0 | 0.5 | 0.8 |
| Total operating expenses | | 1,484.0 | | 1,484.4 | 65.8 | 67.6 |
| Income from equity investees | | 194.4 | | 166.6 | 8.6 | 7.6 |
| Operating income | \$ | 967.0 | \$ | 877.3 | 42.9% | 40.0% |

Discussion of our Channel Development segment results reflects the impact of an unfavorable revenue deduction adjustment recorded in the second quarter of fiscal 2017. While this adjustment was immaterial, the discussion below quantifies the impact to provide a better understanding of our results for fiscal 2017.

Revenues

Channel Development total net revenues for fiscal 2017 increased \$62 million, or 3%, over fiscal 2016. Revenue growth was driven by increased sales of packaged coffee, tea and premium single-serve products (\$73 million), our ready-to-drink beverages (\$21 million) and higher foodservice sales (\$26 million). Higher foodservice sales were primarily the result of a change to a direct distribution model and recognizing the benefit of full revenue from premium single-serve product sales. Increased sales were partially offset by the absence of the 53rd week (\$45 million) and an unfavorable revenue deduction adjustment pertaining to prior periods (\$13 million).

Operating Expenses

Cost of sales as a percentage of total net revenues decreased 70 basis points, primarily driven by lower coffee costs (approximately 80 basis points) and leverage on cost of sales (approximately 60 basis points), partially offset by a shift toward lower margin products (approximately 80 basis points) and the revenue deduction adjustment pertaining to prior periods (approximately 30 basis points).

Other operating expenses as a percentage of total net revenues decreased 80 basis points, primarily driven by lower performance-based compensation (approximately 40 basis points).

General and administrative expenses as a percentage of total net revenues decreased 30 basis points, primarily driven by lower performance-based compensation (approximately 20 basis points) and salaries and benefits (approximately 10 basis points).

Income from equity investees increased \$28 million for fiscal 2017, due to higher income from our North American Coffee Partnership joint venture, driven by increased sales of Frappuccino® and Starbucks Doubleshot® beverages as well as new product launches over the past 12 months.

The combination of these changes contributed to an overall increase in operating margin of 290 basis points in fiscal 2017 when compared to fiscal 2016.

Corporate and Other

| <u>Fiscal Year Ended</u> | Oct 1, 2017 (52 Weeks Ended) | Oct 2, 2016 (53 Weeks Ended) | % Change |
|---|------------------------------------|------------------------------------|---------------|
| Net revenues: | | | |
| Company-operated stores | \$ 197.3 | \$ 224.3 | (12.0)% |
| Licensed stores | 2.6 | 3.9 | (33.3)% |
| Other | 111.4 | 107.1 | 4.0 |
| Total net revenues | 311.3 | 335.3 | (7.2) |
| Cost of sales including occupancy costs | 225.2 | 223.4 | 0.8 |
| Store operating expenses | 113.5 | 115.0 | (1.3) |
| Other operating expenses | 36.6 | 57.8 | (36.7) |
| Depreciation and amortization expenses | 160.7 | 166.4 | (3.4) |
| General and administrative expenses | 989.2 | 979.2 | 1.0 |
| Restructuring and impairments | 131.5 | — | nm |
| Total operating expenses | 1,656.7 | 1,541.8 | 7.5 |
| Operating loss | \$ (1,345.4) | \$ (1,206.5) | 11.5 % |

Corporate and Other includes the results of our Teavana, Siren Retail, Evolution Fresh and our unallocated corporate expenses. Unallocated corporate expenses include corporate administrative functions that support the operating segments but are not specifically attributable to or managed by any segment and are not included in the reported financial results of the operating segments.

The increase in the operating loss in fiscal 2017 compared to fiscal 2016 was primarily due to restructuring and impairment charges related to our strategy to close Teavana ^{TM/MC} retail stores and focus on Teavana ^{TM/MC} tea within Starbucks [®] stores. We recorded \$69 million for the partial impairment of goodwill and \$60 million in restructuring-related costs, including asset impairments, costs associated with the early closure of stores and their related obligations, and severance.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCESCash and Investment Overview

Our cash and investments were \$9.2 billion and \$3.2 billion as of September 30, 2018 and October 1, 2017, respectively with the increase driven primarily by the upfront payment associated with the Global Coffee Alliance. We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, make acquisitions, and return cash to shareholders through common stock cash dividend payments and share repurchases. Our investment portfolio primarily includes highly liquid available-for-sale securities, including corporate debt securities, government treasury securities (domestic and foreign), mortgage and asset-backed securities, commercial paper, and agency obligations. As of September 30, 2018, approximately \$1.3 billion of cash was held in foreign subsidiaries.

Borrowing capacity

Our \$2.0 billion unsecured 5-year revolving credit facility (the “2018 credit facility”) and our \$1.0 billion unsecured 364-Day credit facility (the “364-day credit facility”) are available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases.

The 2018 credit facility, of which \$150 million may be used for issuances of letters of credit, is currently set to mature on October 25, 2022. We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional \$500 million. Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin is based on the better of (i) the Company's long-term credit ratings assigned by Moody's and Standard & Poor's rating agencies and (ii) the Company's fixed charge coverage ratio, pursuant to a pricing grid set forth in the five-year credit agreement. The current applicable margin is 0.680% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans.

The 364-day credit facility, of which no amount may be used for issuances of letters of credit, was originally set to mature on October 25, 2018. In the first quarter of fiscal 2019, the maturity has been extended to October 23, 2019. We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional \$500 million. Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-

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denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin was increased from 0.585% to 0.92% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans as a result of the extension.

Both credit facilities contain provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of September 30, 2018, we were in compliance with all applicable credit facility covenants. No amounts were outstanding under our credit facility as of September 30, 2018.

Under our commercial paper program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of \$3 billion, with individual maturities that may vary but not exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under our credit facilities discussed above. The proceeds from borrowings under our commercial paper program may be used for working capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of September 30, 2018, we had no borrowings under our commercial paper program.

In August 2018, we issued long-term debt in an underwritten registered public offering, which consisted of \$1.25 billion of 7-year 3.800% Senior Notes (the “2025 notes”) due August 2025, \$750 million of 10-year 4.000% Senior Notes (the “2028 notes”) due November 2028 and \$1 billion of 30-year 4.500% Senior Notes (the “2048 notes”) due November 2048. Interest on the 2025 notes is payable semi-annually on February 15 and August 15, commencing on February 15, 2019. Interest on the 2028 and 2048 notes is payable semi-annually on May 15 and November 15, commencing on November 15, 2018.

In February 2018, we issued long-term debt in an underwritten registered public offering, which consisted of \$1 billion of 5-year 3.100% Senior Notes (the “2023 notes”) due March 2023 and \$600 million of 10-year 3.500% Senior Notes (the “2028 notes”) due March 2028. Interest on the 2023 and 2028 notes is payable semi-annually on March 1 and September 1, commencing on September 1, 2018.

In November 2017, we issued long-term debt in an underwritten registered public offering, which consisted of \$500 million of 3-year 2.200% Senior Notes (the “2020 notes”) due November 2020 and \$500 million of 30-year 3.750% Senior Notes (the “2047 notes”) due December 2047. Interest on the 2020 notes is payable semi-annually on May 22 and November 22, commencing on May 22, 2018 and interest on the 2047 notes is payable semi-annually on June 1 and December 1, commencing on June 1, 2018.

The net proceeds from these offerings are used for general corporate purposes, including repurchases of our common stock under our ongoing share repurchase program and payment of dividends.

See [Note 9](#), Debt, to the consolidated financial statements included in Item 8 of Part II of this 10-K for details of the components of our long-term debt.

The indentures under which all of our Senior Notes were issued require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of September 30, 2018, we were in compliance with all applicable covenants.

Use of Cash

We expect to use our available cash and investments, including, but not limited to, additional potential future borrowings under the credit facilities, commercial paper program and the issuance of debt, to invest in our core businesses, including capital expenditures, new product innovations, related marketing support and partner and digital investments, return cash to shareholders through common stock cash dividend payments and share repurchases, as well as other new business opportunities related to our core and other developing businesses. Further, we may use our available cash resources to make proportionate capital contributions to our investees. We may also seek strategic acquisitions to leverage existing capabilities and further build our business in support of our growth agenda. Acquisitions may include increasing our ownership interests in our investees. Any decisions to increase such ownership interests will be driven by valuation and fit with our ownership strategy.

We believe that future cash flows generated from operations and existing cash and investments both domestically and internationally combined with our ability to leverage our balance sheet through the issuance of debt will be sufficient to finance capital requirements for our core businesses as well as any shareholder distributions for the foreseeable future. Significant new joint ventures, acquisitions and/or other new business opportunities may require additional outside funding. We have borrowed funds and continue to believe we have the ability to do so at reasonable interest rates; however, additional borrowings would result in increased interest expense in the future. In this regard, we may incur additional debt, within targeted levels, as part of our plans to fund our capital programs, including cash returns to shareholders through dividends and share repurchases.

We have historically considered the majority of undistributed earnings of our foreign subsidiaries and equity investees to be indefinitely reinvested, and, accordingly, no foreign withholding taxes have been provided on such earnings. We continue to

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evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and thus have not adjusted our previous indefinite reinvestment assertions for the effects of the Tax Act. We have not, nor do we anticipate the need for, repatriated funds to the U.S. to satisfy domestic liquidity needs. However, the Tax Act requires a one-time transition tax for deemed repatriation of accumulated undistributed earnings of certain foreign investments. This one-time transition tax is payable over eight years, with most of the cash outlay expected to be made in the later years. In connection with our initial analysis, we have estimated a provisional amount of \$262 million, of which \$237 million of income taxes payable was included in other long-term liabilities on the consolidated balance sheet, as of September 30, 2018. See [Note 13](#), Income Taxes, for further discussion.

We regularly review our cash positions and our determination of permanent reinvestment of foreign earnings. In the event we determine that all or a portion of such foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes, beyond the Tax Act's one-time transition tax, which could be material.

During each of the first three quarters of fiscal 2017, we declared a cash dividend to shareholders of \$0.25 per share. In the fourth quarter of fiscal 2017 and each of the first two quarters of fiscal 2018, we declared a cash dividend of \$0.30 per share, and we declared \$0.36 per share in the last two quarters of fiscal 2018. Dividends are paid in the quarter following the declaration date. Cash returned to shareholders through dividends in fiscal 2018 and 2017 totaled \$1.7 billion and \$1.5 billion, respectively. In the fourth quarter of fiscal 2018, we declared a cash dividend of \$0.36 per share to be paid on November 30, 2018 with an expected payout of approximately \$445 million.

During fiscal years 2018 and 2017, we repurchased 131.5 million and 37.5 million shares of common stock, respectively, or \$7.2 billion and \$2.1 billion, respectively, under our ongoing share repurchase program. In early fiscal 2019, we commenced the repurchase of \$5.0 billion of our common stock under accelerated share repurchase agreements.

Other than normal operating expenses, cash requirements for fiscal 2019 are expected to consist primarily of capital expenditures for investments in our new and existing stores, our developing Siren Retail business and our supply chain and corporate facilities. Total capital expenditures for fiscal 2019 are expected to be approximately \$2 billion.

Cash Flows

Cash provided by operating activities was \$11.9 billion for fiscal 2018, compared to \$4.3 billion for fiscal 2017. The change was primarily due to receipt of the upfront payment from Nestlé in the fourth quarter of fiscal 2018.

Cash used by investing activities totaled \$2.4 billion for fiscal 2018, compared to \$0.9 billion for fiscal 2017. The change was primarily due to cash used to acquire the 50% ownership interest in our East China joint venture in the first quarter of fiscal 2018 and additions to property, plant and equipment driven by new store openings and increased store renovations, partially offset by the net proceeds from the divestiture of certain operations.

Cash used by financing activities for fiscal 2018 totaled \$3.2 billion, compared to \$3.1 billion for fiscal 2017. The change was primarily due to an increase in cash returned to shareholders through share repurchases and dividend payments, partially offset by higher proceeds from the issuance of long-term debt.

Contractual Obligations

The following table summarizes our contractual obligations and borrowings as of September 30, 2018, and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods (*in millions*):

| Contractual Obligations ⁽¹⁾ | Payments Due by Period | | | | |
|---|-------------------------------|-------------------------|--------------------|--------------------|--------------------------|
| | Total | Less than 1 Year | 1 - 3 Years | 3 - 5 Years | More than 5 Years |
| Operating lease obligations ⁽²⁾ | \$ 9,353.8 | \$ 1,340.6 | \$ 2,463.4 | \$ 2,045.4 | \$ 3,504.4 |
| Financing lease obligations | 58.0 | 4.4 | 8.7 | 8.3 | 36.6 |
| Debt obligations | | | | | |
| Principal payments | 9,548.4 | 350.0 | 1,250.0 | 1,500.0 | 6,448.4 |
| Interest payments | 3,698.0 | 278.9 | 586.0 | 488.0 | 2,345.1 |
| Purchase obligations ⁽³⁾ | 1,267.1 | 806.6 | 342.9 | 101.0 | 16.6 |
| Other obligations ⁽⁴⁾ | 417.7 | 31.0 | 64.3 | 98.8 | 223.6 |
| Total | \$ 24,343.0 | \$ 2,811.5 | \$ 4,715.3 | \$ 4,241.5 | \$ 12,574.7 |

(1) We have excluded long-term gross unrecognized tax benefits for uncertain tax positions, including interest and penalties of \$237.2 million from the amounts presented as the timing of these obligations is uncertain.

(2) Amounts include direct lease obligations, excluding any taxes, insurance and other related expenses.

(3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on Starbucks and that specify all significant terms. Green coffee purchase commitments comprise 92% of total purchase obligations.

(4) Other obligations include other long-term liabilities primarily consisting of the Tax Act transition tax, asset retirement obligations and hedging instruments.

Starbucks currently expects to fund these commitments primarily with operating cash flows generated in the normal course of business.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements relate to operating lease and purchase commitments detailed in the footnotes to the consolidated financial statements included in [Item 8](#) of Part II of this 10-K.

COMMODITY PRICES, AVAILABILITY AND GENERAL RISK CONDITIONS

Commodity price risk represents Starbucks primary market risk, generated by our purchases of green coffee and dairy products, among other items. We purchase, roast and sell high-quality *arabica* coffee and related products and risk arises from the price volatility of green coffee. In addition to coffee, we also purchase significant amounts of dairy products to support the needs of our company-operated stores. The price and availability of these commodities directly impacts our results of operations, and we expect commodity prices, particularly coffee, to impact future results of operations. For additional details see Product Supply in [Item 1](#), as well as Risk Factors in [Item 1A](#) of this 10-K.

FINANCIAL RISK MANAGEMENT

Market risk is defined as the risk of losses due to changes in commodity prices, foreign currency exchange rates, equity security prices and interest rates. We manage our exposure to various market-based risks according to a market price risk management policy. Under this policy, market-based risks are quantified and evaluated for potential mitigation strategies, such as entering into hedging transactions. The market price risk management policy governs how hedging instruments may be used to mitigate risk. Risk limits are set annually and prohibit speculative trading activity. We also monitor and limit the amount of associated counterparty credit risk, which we consider to be low. Excluding interest rate swaps, hedging instruments generally do not have maturities in excess of three years. Refer to [Note 1](#), Summary of Significant Accounting Policies, and [Note 3](#), Derivative Financial Instruments, to the consolidated financial statements included in [Item 8](#) of Part II of this 10-K for further discussion of our hedging instruments.

The sensitivity analyses disclosed below provide only a limited, point-in-time view of the market risk of the financial instruments discussed. The actual impact of the respective underlying rates and price changes on the financial instruments may differ significantly from those shown in the sensitivity analyses.

Commodity Price Risk

We purchase commodity inputs, primarily coffee, dairy products, diesel, cocoa, sugar and other commodities, that are used in our operations and are subject to price fluctuations that impact our financial results. We use a combination of pricing features embedded within supply contracts, such as fixed-price and price-to-be-fixed contracts for coffee purchases, and financial derivatives to manage our commodity price risk exposure.

The following table summarizes the potential impact as of September 30, 2018 to Starbucks future net earnings and other comprehensive income (“OCI”) from changes in commodity prices. The information provided below relates only to the hedging instruments and does not represent the corresponding changes in the underlying hedged items (*in millions*):

| | Increase/(Decrease) to Net Earnings | | Increase/(Decrease) to OCI | |
|------------------|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate |
| Commodity hedges | \$ 4 | \$ (4) | \$ — | \$ — |

Foreign Currency Exchange Risk

The majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, because a portion of our operations consists of activities outside of the U.S., we have transactions in other currencies, primarily the Chinese renminbi, Japanese yen, Canadian dollar, British pound, South Korean won and euro. To reduce cash flow volatility from foreign currency fluctuations, we enter into derivative instruments to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases, intercompany borrowing and lending activities and certain other transactions in currencies other than the functional currency of the entity that enters into the arrangements, as well as the translation risk of certain balance sheet items. See [Note 3](#), Derivative Financial Instruments, to the consolidated financial statements included in Item 8 of Part II of this 10-K for further discussion.

The following table summarizes the potential impact as of September 30, 2018 to Starbucks future net earnings and other comprehensive income from changes in the fair value of these derivative financial instruments due to a change in the value of the U.S. dollar as compared to foreign exchange rates. The information provided below relates only to the hedging instruments and does not represent the corresponding changes in the underlying hedged items (*in millions*):

| | Increase/(Decrease) to Net Earnings | | Increase/(Decrease) to OCI | |
|-------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate | 10% Increase in Underlying Rate | 10% Decrease in Underlying Rate |
| Foreign currency hedges | \$ 27 | \$ (27) | \$ 108 | \$ (108) |

Equity Security Price Risk

We have minimal exposure to price fluctuations on equity mutual funds and equity exchange-traded funds within our trading securities portfolio. Trading securities are recorded at fair value and approximates a portion of our liability under our Management Deferred Compensation Plan (“MDCP”). Gains and losses from the portfolio and the change in our MDCP liability are recorded in our consolidated statements of earnings.

We performed a sensitivity analysis based on a 10% change in the underlying equity prices of our investments as of September 30, 2018 and determined that such a change would not have a significant impact on the fair value of these instruments.

Interest Rate Risk

Long-term Debt

We utilize short-term and long-term financing and may use interest rate hedges to manage our overall interest expense related to our existing fixed-rate debt, as well as to hedge the variability in cash flows due to changes in benchmark interest rates related to anticipated debt issuances. See [Note 3](#), Derivative Financial Instruments and [Note 9](#), Debt, to the consolidated financial statements included in Item 8 of Part II of this 10-K for further discussion of our interest rate hedge agreements and details of the components of our long-term debt, respectively, as of September 30, 2018.

The following table summarizes the impact of a change in interest rates as of September 30, 2018 on the fair value of Starbucks debt (*in millions*):

| | Stated Interest Rate | Fair Value | Change in Fair Value | |
|---------------------------|----------------------|------------|---|---|
| | | | 100 Basis Point Increase in Underlying Rate | 100 Basis Point Decrease in Underlying Rate |
| 2018 notes | 2.000% | \$ 350 | \$ (1) | \$ 1 |
| 2020 notes | 2.200% | \$ 490 | \$ (10) | \$ 10 |
| 2021 notes | 2.100% | \$ 733 | \$ (17) | \$ 17 |
| 2022 notes | 2.700% | \$ 486 | \$ (17) | \$ 17 |
| 2023 notes ⁽¹⁾ | 3.850% | \$ 759 | \$ — | \$ — |
| 2023 notes | 3.100% | \$ 986 | \$ (40) | \$ 40 |
| 2024 notes | 0.372% | \$ 743 | \$ (40) | \$ 40 |
| 2025 notes | 3.800% | \$ 1,249 | \$ (74) | \$ 74 |
| 2026 notes | 2.450% | \$ 451 | \$ (34) | \$ 34 |
| 2028 notes | 3.500% | \$ 576 | \$ (47) | \$ 47 |
| 2028 notes | 4.000% | \$ 754 | \$ (61) | \$ 61 |
| 2045 notes | 4.300% | \$ 330 | \$ (53) | \$ 53 |
| 2047 notes | 3.750% | \$ 438 | \$ (81) | \$ 81 |
| 2048 notes | 4.500% | \$ 977 | \$ (159) | \$ 159 |

⁽¹⁾ Amount disclosed is net of (\$32 million) change in the fair value of our designated interest rate swap. Refer to [Note 3](#), Derivative Financial Instruments, for additional information on our interest rate swap designated as a fair value hedge.

Available-for-Sale Securities

Our available-for-sale securities comprise a diversified portfolio consisting mainly of investment-grade debt securities. The primary objective of these investments is to preserve capital and liquidity. Available-for-sale securities are recorded on the consolidated balance sheets at fair value with unrealized gains and losses reported as a component of accumulated other comprehensive income. We do not hedge the interest rate exposure on our available-for-sale securities. We performed a sensitivity analysis based on a 100 basis point change in the underlying interest rate of our available-for-sale securities as of September 30, 2018 and determined that such a change would not have a significant impact on the fair value of these instruments.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that management believes are both most important to the portrayal of our financial condition and results and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

Our significant accounting policies are discussed in [Note 1](#), Summary of Significant Accounting Policies, to the consolidated financial statements included in Item 8 of Part II of this 10-K. We believe that of our significant accounting policies, the following policies involve a higher degree of judgment and/or complexity.

We consider financial reporting and disclosure practices and accounting policies quarterly to ensure that they provide accurate and transparent information relative to the current economic and business environment. During the past five fiscal years, we have not made any material changes to the accounting methodologies used to assess the areas discussed below, unless noted otherwise.

Property, Plant and Equipment and Other Finite-Lived Assets

We evaluate property, plant and equipment and other finite-lived assets for impairment when facts and circumstances indicate that the carrying values of such assets may not be recoverable. When evaluating for impairment, we first compare the carrying value of the asset to the asset's estimated future undiscounted cash flows. If the estimated undiscounted future cash flows are less than the carrying value of the asset, we determine if we have an impairment loss by comparing the carrying value of the asset to the asset's estimated fair value and recognize an impairment charge when the asset's carrying value exceeds its estimated fair value. The adjusted carrying amount of the asset becomes its new cost basis and is depreciated over the asset's remaining useful life.

Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For company-operated store assets, the impairment test is performed at the individual store asset group level. The fair value of a store's assets is estimated using a discounted cash flow model. For other long-lived assets, fair value is determined using an approach that is appropriate based on the relevant facts and circumstances, which may include discounted cash flows, comparable transactions, or comparable company analyses.

Our impairment calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values. Key assumptions used in estimating future cash flows and asset fair values include projected revenue growth and operating expenses, as well as forecasting asset useful lives and selecting an appropriate discount rate. For company-operated stores, estimates of revenue growth and operating expenses are based on internal projections and consider the store's historical performance, the local market economics and the business environment impacting the store's performance. The discount rate is selected based on what we believe a buyer would assume when determining a purchase price for the store. These estimates are subjective and our ability to realize future cash flows and asset fair values is affected by factors such as ongoing maintenance and improvement of the assets, changes in economic conditions, and changes in operating performance.

During fiscal 2018, there were no significant changes in any of our estimates or assumptions, aside from those related to the decision to close certain company-operated stores in the U.S. and Canada, which had a material impact on the outcome of our impairment calculations. However, as we periodically reassess estimated future cash flows and asset fair values, changes in our estimates and assumptions may cause us to realize material impairment charges in the future.

Goodwill and Indefinite-Lived Intangible Assets

We evaluate goodwill and indefinite-lived intangible assets for impairment annually during our third fiscal quarter, or more frequently if an event occurs or circumstances change that would indicate that impairment may exist. When evaluating these assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit using discounted cash flows or a combination of discounted cash flow and market approaches.

When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for an individual reporting unit in a given year is influenced by a number of factors, inclusive of the size of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments and the date of acquisition. If we perform a quantitative assessment of an individual reporting unit's goodwill, our impairment calculations contain uncertainties because they require management to make assumptions and to apply judgment when estimating future cash flows and asset fair values, including projected revenue growth and operating expenses related to existing businesses, product innovation and new store concepts, as well as utilizing valuation multiples of similar publicly traded companies and selecting an appropriate discount rate. Estimates of revenue growth and operating expenses are based on internal projections considering the reporting unit's past performance and forecasted growth, strategic initiatives, local market economics and the local business environment impacting the reporting unit's performance. The discount rate is selected based on the estimated cost of capital for a market participant to operate the reporting unit in the region. These estimates, as well as the selection of comparable companies and valuation multiples used in the market approaches are highly subjective, and our ability to realize the future cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies, including retail initiatives and international expansion.

When assessing indefinite-lived intangible assets for impairment, where we perform a qualitative assessment, we evaluate if changes in events or circumstances have occurred that indicate that impairment may exist. If we do not perform a qualitative impairment assessment or if changes in events and circumstances indicate that a quantitative assessment should be performed, management is required to calculate the fair value of the intangible asset group. The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the intangible asset group's forecasted growth, and royalty rates, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related business. These estimates are highly subjective, and our

ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies, including retail initiatives and international expansion.

The goodwill impairment charges related to the Switzerland reporting unit are discussed in [Note 8](#), Other Intangible Assets and Goodwill, to the consolidated financial statements included in Item 8 of Part II of this 10-K.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the respective tax bases of our assets and liabilities. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which we expect the temporary differences to reverse. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that some portion of the tax benefit will not be realized.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of operations. In projecting future taxable income, we consider historical results and incorporate assumptions about the amount of future state, federal and foreign pretax operating income adjusted for items that do not have tax consequences. Our assumptions regarding future taxable income are consistent with the plans and estimates we use to manage our underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income/(loss).

In addition, our income tax returns are periodically audited by domestic and foreign tax authorities. These audits include review of our tax filing positions, including the timing and amount of deductions taken and the allocation of income between tax jurisdictions. We evaluate our exposures associated with our various tax filing positions and recognize a tax benefit only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of our position. For uncertain tax positions that do not meet this threshold, we record a related liability. We adjust our unrecognized tax benefit liability and income tax expense in the period in which the uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new information becomes available. As discussed in [Note 13](#), Income Taxes, to the consolidated financial statements included in Item 8 of Part II of this 10-K, there is a reasonable possibility that our unrecognized tax benefit liability will be adjusted within 12 months due to the expiration of a statute of limitations and/or resolution of examinations with taxing authorities.

We have generated income in certain foreign jurisdictions that may be subject to additional income or withholding taxes. We have historically asserted our intent to reinvest these earnings for the foreseeable future. The Company continues to evaluate its plans for reinvestment or repatriation of unremitted foreign earnings and thus has not adjusted its previous indefinite reinvestment assertions for the effects of the Tax Act. While we do not expect to repatriate cash to the U.S. to satisfy domestic liquidity needs, if these amounts were distributed to the U.S., in the form of dividends or otherwise, we may be subject to additional income or withholding taxes, which could be material.

Our income tax expense, deferred tax assets and liabilities and liabilities for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. Deferred tax asset valuation allowances and our liabilities for unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material. To the extent we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected.

Refer to [Note 13](#), Income Taxes, to the consolidated financial statements included in Item 8 of Part II of this 10-K, for additional discussion surrounding the changes as a result of the Tax Act.

RECENT ACCOUNTING PRONOUNCEMENTS

See [Note 1](#), Summary of Significant Accounting Policies, to the consolidated financial statements included in Item 8 of Part II of this 10-K for a detailed description of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated by reference to the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Commodity Prices, Availability and General Risk Conditions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Risk Management" in Item 7 of this Report.

Item 8. Financial Statements and Supplementary Data

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------|-------------------|-------------------|
| Net revenues: | | | |
| Company-operated stores | \$ 19,690.3 | \$ 17,650.7 | \$ 16,844.1 |
| Licensed stores | 2,652.2 | 2,355.0 | 2,154.2 |
| Other | 2,377.0 | 2,381.1 | 2,317.6 |
| Total net revenues | 24,719.5 | 22,386.8 | 21,315.9 |
| Cost of sales including occupancy costs | 10,174.5 | 9,034.3 | 8,509.0 |
| Store operating expenses | 7,193.2 | 6,493.3 | 6,064.3 |
| Other operating expenses | 539.3 | 500.3 | 499.2 |
| Depreciation and amortization expenses | 1,247.0 | 1,011.4 | 980.8 |
| General and administrative expenses | 1,759.0 | 1,450.7 | 1,408.9 |
| Restructuring and impairments | 224.4 | 153.5 | — |
| Total operating expenses | 21,137.4 | 18,643.5 | 17,462.2 |
| Income from equity investees | 301.2 | 391.4 | 318.2 |
| Operating income | 3,883.3 | 4,134.7 | 4,171.9 |
| Gain resulting from acquisition of joint venture | 1,376.4 | — | — |
| Net gain resulting from divestiture of certain operations | 499.2 | 93.5 | 5.4 |
| Interest income and other, net | 191.4 | 181.8 | 102.6 |
| Interest expense | (170.3) | (92.5) | (81.3) |
| Earnings before income taxes | 5,780.0 | 4,317.5 | 4,198.6 |
| Income tax expense | 1,262.0 | 1,432.6 | 1,379.7 |
| Net earnings including noncontrolling interests | 4,518.0 | 2,884.9 | 2,818.9 |
| Net earnings/(loss) attributable to noncontrolling interests | (0.3) | 0.2 | 1.2 |
| Net earnings attributable to Starbucks | \$ 4,518.3 | \$ 2,884.7 | \$ 2,817.7 |
| Earnings per share — basic | \$ 3.27 | \$ 1.99 | \$ 1.91 |
| Earnings per share — diluted | \$ 3.24 | \$ 1.97 | \$ 1.90 |
| Weighted average shares outstanding: | | | |
| Basic | 1,382.7 | 1,449.5 | 1,471.6 |
| Diluted | 1,394.6 | 1,461.5 | 1,486.7 |

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--|-------------------------|------------------------|------------------------|
| Net earnings including noncontrolling interests | \$ 4,518.0 | \$ 2,884.9 | \$ 2,818.9 |
| Other comprehensive income/(loss), net of tax: | | | |
| Unrealized holding gains/(losses) on available-for-sale securities | (7.0) | (9.5) | 3.5 |
| Tax (expense)/benefit | 1.9 | 2.9 | (1.3) |
| Unrealized gains/(losses) on cash flow hedging instruments | 24.4 | 53.2 | (109.6) |
| Tax (expense)/benefit | (6.5) | (12.6) | 27.5 |
| Unrealized gains/(losses) on net investment hedging instruments | 7.8 | 20.1 | — |
| Tax (expense)/benefit | (2.2) | (7.4) | — |
| Translation adjustment and other | (220.0) | (38.3) | 85.5 |
| Tax (expense)/benefit | 3.4 | (2.4) | 19.0 |
| Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment | 24.7 | (67.2) | 78.2 |
| Tax expense/(benefit) | (1.2) | 14.0 | (11.8) |
| Other comprehensive income/(loss) | (174.7) | (47.2) | 91.0 |
| Comprehensive income including noncontrolling interests | 4,343.3 | 2,837.7 | 2,909.9 |
| Comprehensive income/(loss) attributable to noncontrolling interests | (0.3) | 0.2 | 1.2 |
| Comprehensive income attributable to Starbucks | \$ 4,343.6 | \$ 2,837.5 | \$ 2,908.7 |

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

| | Sep 30, 2018 | Oct 1, 2017 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,756.3 | \$ 2,462.3 |
| Short-term investments | 181.5 | 228.6 |
| Accounts receivable, net | 693.1 | 870.4 |
| Inventories | 1,400.5 | 1,364.0 |
| Prepaid expenses and other current assets | 1,462.8 | 358.1 |
| Total current assets | 12,494.2 | 5,283.4 |
| Long-term investments | 267.7 | 542.3 |
| Equity and cost investments | 334.7 | 481.6 |
| Property, plant and equipment, net | 5,929.1 | 4,919.5 |
| Deferred income taxes, net | 134.7 | 795.4 |
| Other long-term assets | 412.2 | 362.8 |
| Other intangible assets | 1,042.2 | 441.4 |
| Goodwill | 3,541.6 | 1,539.2 |
| TOTAL ASSETS | \$ 24,156.4 | \$ 14,365.6 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,179.3 | \$ 782.5 |
| Accrued liabilities | 2,298.4 | 1,934.5 |
| Insurance reserves | 213.7 | 215.2 |
| Stored value card liability and current portion of deferred revenue | 1,642.9 | 1,288.5 |
| Current portion of long-term debt | 349.9 | — |
| Total current liabilities | 5,684.2 | 4,220.7 |
| Long-term debt | 9,090.2 | 3,932.6 |
| Deferred revenue | 6,775.7 | 4.4 |
| Other long-term liabilities | 1,430.5 | 750.9 |
| Total liabilities | 22,980.6 | 8,908.6 |
| Shareholders' equity: | | |
| Common stock (\$0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,309.1 and 1,431.6 shares, respectively | 1.3 | 1.4 |
| Additional paid-in capital | 41.1 | 41.1 |
| Retained earnings | 1,457.4 | 5,563.2 |
| Accumulated other comprehensive loss | (330.3) | (155.6) |
| Total shareholders' equity | 1,169.5 | 5,450.1 |
| Noncontrolling interests | 6.3 | 6.9 |
| Total equity | 1,175.8 | 5,457.0 |
| TOTAL LIABILITIES AND EQUITY | \$ 24,156.4 | \$ 14,365.6 |

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|---|-----------------|----------------|----------------|
| OPERATING ACTIVITIES: | | | |
| Net earnings including noncontrolling interests | \$ 4,518.0 | \$ 2,884.9 | \$ 2,818.9 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,305.9 | 1,067.1 | 1,030.1 |
| Deferred income taxes, net | 714.9 | 95.1 | 265.7 |
| Income earned from equity method investees | (242.8) | (310.2) | (250.2) |
| Distributions received from equity method investees | 226.8 | 186.6 | 223.3 |
| Gain resulting from acquisition of joint venture | (1,376.4) | — | — |
| Net gain resulting from divestiture of certain retail operations | (499.2) | (93.5) | (6.1) |
| Stock-based compensation | 250.3 | 176.0 | 218.1 |
| Goodwill impairments | 37.6 | 87.2 | — |
| Other | 89.0 | 68.9 | 45.1 |
| Cash provided by changes in operating assets and liabilities: | | | |
| Accounts receivable | 131.0 | (96.8) | (55.6) |
| Inventories | (41.2) | 14.0 | (67.5) |
| Accounts payable | 391.6 | 46.4 | 46.9 |
| Deferred revenue | 7,109.4 | 130.8 | 180.4 |
| Other operating assets and liabilities | (677.1) | (4.7) | 248.8 |
| Net cash provided by operating activities | 11,937.8 | 4,251.8 | 4,697.9 |
| INVESTING ACTIVITIES: | | | |
| Purchases of investments | (191.9) | (674.4) | (1,585.7) |
| Sales of investments | 459.0 | 1,054.5 | 680.7 |
| Maturities and calls of investments | 45.3 | 149.6 | 27.9 |
| Acquisitions, net of cash acquired | (1,311.3) | — | — |
| Additions to property, plant and equipment | (1,976.4) | (1,519.4) | (1,440.3) |
| Net proceeds from the divestiture of certain operations | 608.2 | 85.4 | 69.6 |
| Other | 5.6 | 54.3 | 24.9 |
| Net cash used by investing activities | (2,361.5) | (850.0) | (2,222.9) |
| FINANCING ACTIVITIES: | | | |
| Proceeds from issuance of long-term debt | 5,584.1 | 750.2 | 1,254.5 |
| Repayments of long-term debt | — | (400.0) | — |
| Proceeds from issuance of common stock | 153.9 | 150.8 | 160.7 |
| Cash dividends paid | (1,743.4) | (1,450.4) | (1,178.0) |
| Repurchase of common stock | (7,133.5) | (2,042.5) | (1,995.6) |
| Minimum tax withholdings on share-based awards | (62.7) | (82.8) | (106.0) |
| Other | (41.2) | (4.4) | (8.4) |
| Net cash used by financing activities | (3,242.8) | (3,079.1) | (1,872.8) |
| Effect of exchange rate changes on cash and cash equivalents | (39.5) | 10.8 | (3.5) |
| Net increase in cash and cash equivalents | 6,294.0 | 333.5 | 598.7 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of period | 2,462.3 | 2,128.8 | 1,530.1 |
| End of period | \$ 8,756.3 | \$ 2,462.3 | \$ 2,128.8 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid during the period for: | | | |
| Interest, net of capitalized interest | \$ 137.1 | \$ 96.6 | \$ 74.7 |
| Income taxes, net of refunds | \$ 1,176.9 | \$ 1,389.1 | \$ 878.7 |

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(in millions, except per share data)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) | Shareholders' Equity | Noncontrolling Interests | Total |
|--|--------------|--------|----------------------------------|----------------------|--|-------------------------|-----------------------------|------------|
| | Shares | Amount | | | | | | |
| Balance, September 27, 2015 | 1,485.1 | \$ 1.5 | \$ 41.1 | \$ 5,974.8 | \$ (199.4) | \$ 5,818.0 | \$ 1.8 | \$ 5,819.8 |
| Net earnings | — | — | — | 2,817.7 | — | 2,817.7 | 1.2 | 2,818.9 |
| Other comprehensive income | — | — | — | — | 91.0 | 91.0 | — | 91.0 |
| Stock-based compensation expense | — | — | 219.6 | — | — | 219.6 | — | 219.6 |
| Exercise of stock options/vesting of RSUs, including tax benefit of \$124.3 | 9.8 | — | 153.0 | — | — | 153.0 | — | 153.0 |
| Sale of common stock, including tax benefit of \$0.2 | 0.5 | — | 26.5 | — | — | 26.5 | — | 26.5 |
| Repurchase of common stock | (34.9) | — | (399.1) | (1,596.5) | — | (1,995.6) | — | (1,995.6) |
| Cash dividends declared, \$0.85 per share | — | — | — | (1,246.2) | — | (1,246.2) | — | (1,246.2) |
| Noncontrolling interest resulting from acquisition | — | — | — | — | — | — | 3.7 | 3.7 |
| Balance, October 2, 2016 | 1,460.5 | \$ 1.5 | \$ 41.1 | \$ 5,949.8 | \$ (108.4) | \$ 5,884.0 | \$ 6.7 | \$ 5,890.7 |
| Net earnings | — | — | — | 2,884.7 | — | 2,884.7 | 0.2 | 2,884.9 |
| Other comprehensive income/(loss) | — | — | — | — | (47.2) | (47.2) | — | (47.2) |
| Stock-based compensation expense | — | — | 177.9 | — | — | 177.9 | — | 177.9 |
| Exercise of stock options/vesting of RSUs, including tax benefit of \$77.4 | 8.1 | — | 117.0 | — | — | 117.0 | — | 117.0 |
| Sale of common stock, including tax benefit of \$0.2 | 0.5 | — | 28.7 | — | — | 28.7 | — | 28.7 |
| Repurchase of common stock | (37.5) | (0.1) | (323.6) | (1,755.4) | — | (2,079.1) | — | (2,079.1) |
| Cash dividends declared, \$1.05 per share | — | — | — | (1,515.9) | — | (1,515.9) | — | (1,515.9) |
| Balance, October 1, 2017 | 1,431.6 | \$ 1.4 | \$ 41.1 | \$ 5,563.2 | \$ (155.6) | \$ 5,450.1 | \$ 6.9 | \$ 5,457.0 |
| Net earnings/(loss) | — | — | — | 4,518.3 | — | 4,518.3 | (0.3) | 4,518.0 |
| Other comprehensive income/(loss) | — | — | — | — | (174.7) | (174.7) | — | (174.7) |
| Stock-based compensation expense | — | — | 253.8 | — | — | 253.8 | — | 253.8 |
| Exercise of stock options/vesting of RSUs | 8.4 | — | 59.4 | — | — | 59.4 | — | 59.4 |
| Sale of common stock | 0.6 | — | 31.8 | — | — | 31.8 | — | 31.8 |
| Repurchase of common stock | (131.5) | (0.1) | (345.0) | (6,863.6) | — | (7,208.7) | — | (7,208.7) |
| Cash dividends declared, \$1.32 per share | — | — | — | (1,760.5) | — | (1,760.5) | — | (1,760.5) |
| Net distributions to noncontrolling interests | — | — | — | — | — | — | (0.3) | (0.3) |
| Balance, September 30, 2018 | 1,309.1 | \$ 1.3 | \$ 41.1 | \$ 1,457.4 | \$ (330.3) | \$ 1,169.5 | \$ 6.3 | \$ 1,175.8 |

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
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STARBUCKS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years ended September 30, 2018 , October 1, 2017 and October 2, 2016

Note 1: Summary of Significant Accounting Policies

Description of Business

We purchase and roast high-quality coffees that we sell, along with handcrafted coffee and tea beverages and a variety of fresh and prepared food items, through our company-operated stores. We also sell a variety of coffee and tea products and license our trademarks through other channels such as licensed stores, grocery and national foodservice accounts.

In this 10-K, Starbucks Corporation (together with its subsidiaries) is referred to as “Starbucks,” the “Company,” “we,” “us” or “our.”

Segment information is prepared on the same basis that our management reviews financial information for operational decision-making purposes. On August 26, 2018, our Channel Development segment finalized licensing and distribution agreements with Nestlé to sell and market our consumer packaged goods and foodservice products. The scope of the arrangement converts the majority of our previously defined Channel Development segment operations, as well as certain smaller businesses previously reported in the Americas, EMEA and Corporate and Other (previously All Other segments), from company-owned to licensed operations with Nestlé. As a result, we realigned our organizational and operating segment structures in support of this newly established Global Coffee Alliance, and our reportable segments were restated as if those smaller businesses were previously within our Channel Development segment.

We have four reportable operating segments: 1) Americas, which is inclusive of the U.S., Canada, and Latin America; 2) China/Asia Pacific (“CAP”); 3) Europe, Middle East, and Africa (“EMEA”) and 4) Channel Development. We also have several non-reportable operating segments, including Starbucks Reserve™ Roastery & Tasting Rooms, Starbucks Reserve brand and products and Princi operations, Evolution Fresh and the legacy operations of the Teavana retail business, which substantially ceased during fiscal 2018. Unallocated corporate operating expenses, which pertain primarily to corporate administrative functions that support the operating segments but are not specifically attributable to or managed by any segment, are combined with the non-reportable operating segments and reported within Corporate and Other.

Further, in an effort to report operating expenses in line with the corresponding revenue generating activities, we have changed the classification of certain costs, primarily within our CAP segment and mainly from other operating expenses to general and administrative expenses. These reclassifications have been retrospectively applied and was determined to be immaterial.

Additional details on the nature of our business and our reportable operating segments are included in [Note 16](#), Segment Reporting.

Principles of Consolidation

Our consolidated financial statements reflect the financial position and operating results of Starbucks, including wholly-owned subsidiaries and investees that we control. Investments in entities that we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Investments in entities in which we do not have the ability to exercise significant influence are accounted for under the cost method. Intercompany transactions and balances have been eliminated.

Fiscal Year End

Our fiscal year ends on the Sunday closest to September 30. Fiscal years 2018 and 2017 included 52 weeks. Fiscal year 2016 included 53 weeks, with the 53rd week falling in the fourth fiscal quarter.

Estimates and Assumptions

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Examples include, but are not limited to, estimates for inventory reserves, asset and goodwill impairments, assumptions underlying self-insurance reserves, income from unredeemed stored value cards, stock-based compensation forfeiture rates, future asset retirement obligations and the potential outcome of future tax consequences of events that have been recognized in the financial statements. Actual results and outcomes may differ from these estimates and assumptions.

Cash and Cash Equivalents

We consider all highly liquid instruments with maturities of three months or less at the time of purchase, as well as credit card receivables for sales to customers in our company-operated stores that generally settle within two to five business days, to be cash equivalents. We maintain cash and cash equivalent balances with financial institutions that exceed federally-insured limits. We have not experienced any losses related to these balances, and we believe credit risk to be minimal.

Our cash management system provides for the funding of all major bank disbursement accounts on a daily basis as checks are presented for payment. Under this system, outstanding checks are in excess of the cash balances at certain banks, which creates book overdrafts. Book overdrafts are presented as a current liability in accrued liabilities on our consolidated balance sheets.

Investments

Available-for-sale Securities

Our short-term and long-term investments consist primarily of investment-grade debt securities, all of which are classified as available-for-sale. Available-for-sale debt securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a component of accumulated other comprehensive income. Available-for-sale securities with remaining maturities of less than one year and those identified by management at the time of purchase to be used to fund operations within one year are classified as short-term. All other available-for-sale securities are classified as long-term. We evaluate our available-for-sale securities for other-than-temporary impairment on a quarterly basis. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. We review several factors to determine whether a loss is other than temporary, such as the length and extent of the fair value decline, the financial condition and near-term prospects of the issuer and whether we have the intent to sell or will more likely than not be required to sell before the securities' anticipated recovery, which may be at maturity. Realized gains and losses are accounted for using the specific identification method. Purchases and sales are recorded on a trade date basis.

Trading Securities

We also have a trading securities portfolio, which is comprised of marketable equity mutual funds and equity exchange-traded funds. Trading securities are recorded at fair value and approximates a portion of our liability under our Management Deferred Compensation Plan ("MDCP"). Gains or losses from the portfolio and the change in our MDCP liability are recorded in our consolidated statements of earnings.

Equity and Cost Method Investments

Equity investments are accounted for using the equity method of accounting if the investment gives us the ability to exercise significant influence, but not control, over an investee. Equity method investments are included within long-term investments on our consolidated balance sheets. Our share of the earnings or losses as reported by equity method investees are classified as income from equity investees on our consolidated statements of earnings.

Equity investments for which we do not have the ability to exercise significant influence are accounted for using the cost method of accounting and are recorded in long-term investments on our consolidated balance sheets. Under the cost method, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions and additional investments.

We evaluate our equity and cost method investments for impairment annually and when facts and circumstances indicate that the carrying value of such investments may not be recoverable. We review several factors to determine whether the loss is other than temporary, such as the length and extent of the fair value decline, the financial condition and near-term prospects of the investee, and whether we have the intent to sell or will more likely than not be required to sell before the investment's anticipated recovery. If a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in net earnings.

Fair Value

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For assets and liabilities recorded or disclosed at fair value on a recurring basis, we determine fair value based on the following:

Level 1: The carrying value of cash and cash equivalents approximates fair value because of the short-term nature of these instruments. For trading and U.S. government treasury securities and commodity futures contracts, we use quoted prices in active markets for identical assets to determine fair value.

Level 2: When quoted prices in active markets for identical assets are not available, we determine the fair value of our available-for-sale securities and our over-the-counter forward contracts, collars and swaps based upon factors such as the quoted market price of similar assets or a discounted cash flow model using readily observable market data, which may include

interest rate curves and forward and spot prices for currencies and commodities, depending on the nature of the investment. The fair value of our long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities.

Level 3: We determine the fair value of our auction rate securities using an internally-developed valuation model, using inputs that include interest rate curves, credit and liquidity spreads and effective maturity.

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis may include items such as property, plant and equipment, goodwill and other intangible assets, equity and cost method investments and other assets. We determine the fair value of these items using Level 3 inputs, as described in the related sections below.

Derivative Instruments

We manage our exposure to various risks within our consolidated financial statements according to a market price risk management policy. Under this policy, we may engage in transactions involving various derivative instruments to hedge interest rates, commodity prices and foreign currency denominated revenue streams, inventory purchases, assets and liabilities and investments in certain foreign operations. In order to manage our exposure to these risks, we use various types of derivative instruments including forward contracts, commodity futures contracts, collars and swaps. Forward contracts and commodity futures contracts are agreements to buy or sell a quantity of a currency or commodity at a predetermined future date and at a predetermined rate or price. A collar is a strategy that uses a combination of a purchased call option and a sold put option with equal premiums to hedge a portion of anticipated cash flows, or to limit the range of possible gains or losses on an underlying asset or liability to a specific range. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. We do not enter into derivative instruments for speculative purposes.

We record all derivatives on our consolidated balance sheets at fair value and typically do not offset derivative assets and liabilities. Excluding interest rate swaps and foreign currency debt, we generally do not enter into derivative instruments with maturities longer than three years. However, we are allowed to net settle transactions with respective counterparties for certain derivative contracts, inclusive of interest rate swaps and foreign currency forwards, with a single, net amount payable by one party to the other. We also enter into collateral security arrangements that provide for collateral to be received or posted when the net fair value of certain financial instruments fluctuates from contractually established thresholds. As of September 30, 2018 and October 1, 2017, we received \$5.4 million and \$5.8 million, respectively, of cash collateral related to the derivative instruments under collateral security arrangements. As of September 30, 2018 and October 1, 2017, the potential effects of netting arrangements with our derivative contracts, excluding the effects of collateral, would be a reduction to both derivative assets and liabilities of \$5.5 million and \$7.4 million, respectively, resulting in net derivative assets of \$29.4 million and net derivative liabilities of \$44.5 million as of September 30, 2018, and net derivative assets of \$30.4 million and net derivative liabilities of \$31.1 million as of October 1, 2017.

By using these derivative instruments, we expose ourselves to potential credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We minimize this credit risk by entering into transactions with carefully selected, credit-worthy counterparties and distribute contracts among several financial institutions to reduce the concentration of credit risk.

Cash Flow Hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the derivative's gain or loss is reported as a component of other comprehensive income ("OCI") and recorded in accumulated other comprehensive income ("AOCI") on our consolidated balance sheets. The gain or loss is subsequently reclassified into net earnings when the hedged exposure affects net earnings.

To the extent that the change in the fair value of the contract corresponds to the change in the value of the anticipated transaction using forward rates on a monthly basis, the hedge is considered effective and is recognized as described above. The remaining change in fair value of the contract represents the ineffective portion, which is immediately recorded in interest income and other, net on our consolidated statements of earnings.

Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge by matching the terms of the contract to the underlying transaction. Cash flows from hedging transactions are classified in the same categories as the cash flows from the respective hedged items. Once established, cash flow hedges generally remain designated as such until the hedged item impacts net earnings, or the anticipated transaction is no longer likely to occur. For de-designated cash flow hedges or for transactions that are no longer likely to occur, the related accumulated derivative gains or losses are recognized in interest income and other, net or interest expense on our consolidated statements of earnings based on the nature of the underlying transaction.

Net Investment Hedges

For derivative instruments that are designated and qualify as a net investment hedge, the effective portion of the derivative's gain or loss is reported as a component of OCI and recorded in AOCI. The gain or loss will be subsequently reclassified into net earnings when the hedged net investment is either sold or substantially liquidated.

To the extent that the change in the fair value of the forward contract corresponds to the change in value of the anticipated transactions using spot rates on a monthly basis, the hedge is considered effective and is recognized as described above. The remaining change in fair value of the forward contract represents the ineffective portion, which is immediately recognized in interest income and other, net on our consolidated statements of earnings.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the changes in fair value of the derivative instruments and the offsetting changes in fair values of the underlying hedged item are recorded in interest income and other, net or interest expense on our consolidated statements of earnings.

Derivatives Not Designated As Hedging Instruments

We also enter into certain foreign currency forward contracts, commodity futures contracts, collars and swaps that are not designated as hedging instruments for accounting purposes. The change in the fair value of these contracts is immediately recognized in interest income and other, net on our consolidated statements of earnings.

Normal Purchase Normal Sale

We enter into fixed-price and price-to-be-fixed green coffee purchase commitments, which are described further at [Note 5](#), Inventories. For both fixed-price and price-to-be-fixed purchase commitments, we expect to take delivery of and to utilize the coffee in a reasonable period of time and in the conduct of normal business. Accordingly, these purchase commitments qualify as normal purchases and are not recorded at fair value on our balance sheets.

Refer to [Note 3](#), Derivative Financial Instruments, and [Note 5](#), Inventories, for further discussion of our derivative instruments and green coffee purchase commitments.

Receivables, net of Allowance for Doubtful Accounts

Our receivables are mainly comprised of receivables for product and equipment sales to and royalties from our licensees, as well as receivables from our CPG customers. Our allowance for doubtful accounts is calculated based on historical experience, customer credit risk and application of the specific identification method. As of September 30, 2018 and October 1, 2017, our allowance for doubtful accounts was \$8.0 million and \$9.8 million, respectively.

Inventories

Inventories are stated at the lower of cost (primarily moving average cost) or net realizable value. We record inventory reserves for obsolete and slow-moving inventory and for estimated shrinkage between physical inventory counts. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. As of September 30, 2018 and October 1, 2017, inventory reserves were \$41.5 million and \$38.4 million, respectively.

Property, Plant and Equipment

Property, plant and equipment, which includes assets under capital leases, are carried at cost less accumulated depreciation. Cost includes all direct costs necessary to acquire and prepare assets for use, including internal labor and overhead in some cases. Depreciation is computed using the straight-line method over estimated useful lives of the assets, generally ranging from 2 to 15 years for equipment and 30 to 40 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life, generally 10 years. For leases with renewal periods at our option, we generally use the original lease term, excluding renewal option periods, to determine estimated useful lives. If failure to exercise a renewal option imposes an economic penalty to us, we may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of the appropriate estimated useful lives.

The portion of depreciation expense related to production and distribution facilities is included in cost of sales including occupancy costs on our consolidated statements of earnings. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. When assets are disposed of, whether through retirement or sale, the net gain or loss is recognized in net earnings. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value less estimated costs to sell.

We evaluate property, plant and equipment for impairment when facts and circumstances indicate that the carrying values of such assets may not be recoverable. When evaluating for impairment, we first compare the carrying value of the asset to the

asset's estimated future undiscounted cash flows. If the estimated undiscounted future cash flows are less than the carrying value of the asset, we determine if we have an impairment loss by comparing the carrying value of the asset to the asset's estimated fair value and recognize an impairment charge when the asset's carrying value exceeds its estimated fair value. The fair value of the asset is estimated using a discounted cash flow model based on forecasted future revenues and operating costs, using internal projections. Property, plant and equipment assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For company-operated store assets, the impairment test is performed at the individual store asset group level.

We recognized net disposition charges of \$32.8 million, \$46.9 million, and \$25.1 million in fiscal 2018, 2017, and 2016, respectively. Additionally, we recognized net impairment charges of \$42.8 million, \$56.1 million, and \$24.1 million in fiscal 2018, 2017, and 2016, respectively. Of the total net impairment charges, \$37.0 million and \$39.9 million in fiscal 2018 and 2017, respectively, were restructuring related and recorded in restructuring and impairment expenses. Unless it is restructuring related, the nature of the underlying asset that is impaired or disposed of will determine the operating expense line on which the related impact is recorded on our consolidated statements of earnings.

Goodwill

We evaluate goodwill for impairment annually during our third fiscal quarter, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of store closures, that would indicate that impairment may exist. When evaluating goodwill for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit. Fair value is typically calculated using a discounted cash flow model. For certain reporting units, where deemed appropriate, we may also utilize a market approach for estimating fair value. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value.

As part of our ongoing operations, we may close certain stores within a reporting unit containing goodwill due to underperformance of the store or inability to renew our lease, among other reasons. We may abandon certain assets associated with a closed store, including leasehold improvements and other non-transferable assets. When a portion of a reporting unit that constitutes a business is to be disposed of, goodwill associated with the business is included in the carrying amount of the business in determining any loss on disposal. Our evaluation of whether the portion of a reporting unit being disposed of constitutes a business occurs on the date of abandonment. Although an operating store meets the accounting definition of a business prior to abandonment, it does not constitute a business on the closure date because the remaining assets on that date do not constitute an integrated set of activities (substantive processes) and assets that are capable of being managed for the purpose of providing a return to investors. As a result, when closing individual stores, we do not include goodwill in the calculation of any loss on disposal of the related assets.

For goodwill related to our Switzerland retail reporting unit, we initially recorded an impairment charge of \$17.9 million in the third quarter of fiscal 2017. This was primarily due to the impacts of the strength of the Swiss franc, continued shift of consumer behaviors to neighboring countries and the relocations of certain businesses sustaining beyond our projections and indicating the reporting unit's carrying value would not be fully recovered. Since then, the operational investments and improvements we made did not sufficiently slow the performance decline, and we recorded impairment charges of \$37.6 million for the remaining Switzerland goodwill balance during fiscal 2018.

As noted above, if store closures are indicative of potential impairment of goodwill at the reporting unit level, we perform an evaluation of our reporting unit goodwill when such closures occur. Due to the strategic decision to close Teavana branded retail stores and our subsequent review of this reporting unit's fair value, we recorded goodwill impairment charges of \$69.3 million during the third quarter of fiscal 2017.

There were no material goodwill impairment charges recorded during fiscal 2016. Refer to [Note 8](#), Other Intangible Assets and Goodwill, for further discussions.

Other Intangible Assets

Other intangible assets include finite-lived intangible assets, which mainly consist of acquired and reacquired rights, trade secrets, licensing agreements, contract-based patents and copyrights. These assets are amortized over their estimated useful lives and are tested for impairment using a similar methodology to our property, plant and equipment, as described above.

Indefinite-lived intangibles, which consist primarily of trade names and trademarks, are tested for impairment annually during the third fiscal quarter, or more frequently if an event occurs or circumstances change that would indicate that impairment may exist. When evaluating other intangible assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that an intangible asset group is impaired. If we do not perform the qualitative assessment, or if we determine that it is not more likely than not that the fair value of the intangible asset group exceeds its carrying amount,

we calculate the estimated fair value of the intangible asset group. Fair value is the price a willing buyer would pay for the intangible asset group and is typically calculated using an income approach, such as a relief-from-royalty model. If the carrying amount of the intangible asset group exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. In addition, we continuously monitor and may revise our intangible asset useful lives if and when facts and circumstances change.

There were no significant other intangible asset impairment charges recorded during fiscal 2018 , 2017 , and 2016 .

Insurance Reserves

We use a combination of insurance and self-insurance mechanisms, including a wholly-owned captive insurance entity and participation in a reinsurance treaty, to provide for the potential liabilities for certain risks, including workers' compensation, healthcare benefits, general liability, property insurance and director and officers' liability insurance. Liabilities associated with the risks that are retained by us are not discounted and are estimated, in part, by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

Revenue Recognition

Consolidated revenues are presented net of intercompany eliminations for wholly-owned subsidiaries and investees controlled by us and for product sales to and royalty and other fees from licensees accounted for under the equity method. Additionally, consolidated revenues are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and rebates.

Company-operated Store Revenues

Company-operated store revenues are recognized when payment is tendered at the point of sale. Company-operated store revenues are reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Licensed Store Revenues

Licensed store revenues consist of product and equipment sales to licensees, as well as royalties and other fees paid by licensees. Sales of coffee, tea, food and related products are generally recognized upon shipment to licensees, depending on contract terms. Shipping charges billed to licensees are also recognized as revenue, and the related shipping costs are included in cost of sales including occupancy costs on our consolidated statements of earnings.

Initial nonrefundable license fees for licensed stores are recognized upon substantial performance of services for new market business development activities, such as initial business, real estate and store development planning, as well as providing operational materials and functional training courses for opening new licensed retail markets. Royalty revenues based upon a percentage of reported sales, and other continuing fees, such as marketing and service fees, are recognized on a monthly basis when earned.

Other Revenues

Other revenues primarily include sales of packaged coffee, tea and a variety of ready-to-drink beverages and single-serve coffee and tea products to customers outside of our company-operated and licensed stores. Historically revenues have included domestic and international sales of our packaged coffee, tea and ready-to-drink products to grocery, warehouse clubs and specialty retail stores and through institutional foodservice accounts. Sales of coffee, tea, ready-to-drink beverages and related products to grocery, warehouse club stores and foodservice accounts were generally recognized when received by the customer or distributor, depending on contract terms. Revenues were recorded net of sales discounts given to customers for trade promotions and other incentives and for sales return allowances, which are determined based on historical patterns.

Sales to customers through CPG channels and national foodservice accounts, including sales to national distributors, were recognized net of certain fees paid to the customer. We characterized these fees as a reduction of revenue unless we were able to identify a sufficiently separable benefit from the customer's purchase of our products such that we could have entered into an exchange transaction with a party other than the customer in order to receive such benefit, and we could reasonably estimate the fair value of such benefit.

Revenues from sales of products to manufacturers that produce, market and sell our products through licensing agreements are generally recognized when the product is received by the manufacturer or distributor. License fee revenues from manufacturers are based on a percentage of sales and are recognized on a monthly basis when earned.

In the fourth quarter of fiscal 2018, we licensed the rights to sell and market our products in authorized channels to Nestlé and also received an upfront prepaid royalty. The upfront payment was recorded as deferred revenue and will be recognized as other revenue on a straight-line basis over the estimated economic life of the arrangement of 40 years . At September 30, 2018, the current and long term deferred revenue related to the Nestlé upfront payment was \$174 million and \$6.8 billion , respectively.

Additionally, other revenues will include product sales to and licensing revenue from Nestlé under this arrangement. Product sales to Nestlé are generally recognized when the product is shipped, whereas license and royalty revenues are based on a percentage of sales and are recognized on a monthly basis when earned.

Stored Value Cards

Stored value cards, primarily Starbucks Cards, can be activated at our company-operated and most licensed store locations, online at Starbucks.com or via mobile devices held by our customers, and at certain other third party locations, such as grocery stores, although they cannot be reloaded at these third party locations. When an amount is loaded onto a stored value card at any of these locations, we recognize a corresponding liability for the full amount loaded onto the card, which is recorded within stored value card liability on our consolidated balance sheets.

Stored value cards can be redeemed at company-operated and most licensed stores. When a stored value card is redeemed at a company-operated store, we recognize revenue by reducing the stored value card liability. When a stored value card is redeemed at a licensed store location, we reduce the corresponding stored value card liability and cash, which is reimbursed to the licensee.

In most markets, there are no expiration dates on our stored value cards and we do not charge service fees that cause a decrement to customer balances. While we will continue to honor all stored value cards presented for payment, management may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances, if management also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, unredeemed card balances may then be recognized as breakage income, which is included in interest income and other, net on our consolidated statements of earnings. In fiscal 2018, 2017, and 2016, we recognized breakage income of \$155.9 million, \$104.6 million, and \$60.5 million, respectively. Refer to the *Recent Accounting Pronouncements* section of this footnote for further discussion regarding the expected changes to breakage income in the first quarter of fiscal 2019.

Loyalty Program

In the U.S. and Canada, effective April 2016, we modified our transaction-based loyalty program, My Starbucks Rewards[®] to a spend-based program, Starbucks Rewards[™]. For fiscal 2016, the existing transaction-based programs remain unchanged for other markets. During fiscal 2017, we launched Starbucks Rewards[™] in Japan. Customers in the U.S., Canada, and certain other countries who register their Starbucks Card are automatically enrolled in the program. They earn loyalty points (“Stars”) with each purchase at participating Starbucks[®] stores, as well as on certain packaged coffee products purchased in select Starbucks[®] stores, through CPG channels, and when making purchases with the Starbucks branded credit and debit cards. After accumulating a certain number of Stars, the customer earns a reward that can be redeemed for free product that, regardless of where the related Stars were earned within that country, will be honored at company-operated stores and certain participating licensed store locations in that same country.

Regardless of whether it is a spend or transaction-based program, we defer revenue associated with the estimated selling price of Stars earned by our program members towards free product as each Star is earned, and a corresponding liability is established within stored value card liability on our consolidated balance sheets. The estimated selling price of each Star earned is based on the estimated value of the product for which the reward is expected to be redeemed, net of Stars we do not expect to be redeemed, based on historical redemption patterns. Stars generally expire if inactive for a period of six months.

When a customer redeems an earned reward, we recognize revenue for the redeemed product and reduce the related loyalty program liability.

Advertising

We expense most advertising costs as they are incurred, except for certain production costs that are expensed the first time the advertising takes place. Advertising expenses totaled \$260.3 million, \$282.6 million and \$248.6 million in fiscal 2018, 2017, and 2016, respectively.

Store Preopening Expenses

Costs incurred in connection with the start-up and promotion of new store openings are expensed as incurred.

Leases

Operating Leases

We lease retail stores, roasting, distribution and warehouse facilities and office space for corporate administrative purposes under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, lease premiums, rent escalation clauses and/or contingent rent provisions. We recognize amortization of lease incentives, premiums and minimum

rent expenses on a straight-line basis beginning on the date of initial possession, which is generally when we enter the space and begin to make improvements in preparation for intended use.

For tenant improvement allowances and rent holidays, we record a deferred rent liability within accrued liabilities, or other long-term liabilities, on our consolidated balance sheets and amortize the deferred rent over the terms of the leases as reductions to rent expense in cost of sales including occupancy costs on our consolidated statements of earnings.

For premiums paid upfront to enter a lease agreement, we record a prepaid rent asset in prepaid expenses and other current assets and other long-term assets on our consolidated balance sheets and amortize the premium over the terms of the leases as additional rent expense in cost of sales including occupancy costs on our consolidated statements of earnings.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial possession, we record minimum rent expense on a straight-line basis over the terms of the leases in cost of sales including occupancy costs on our consolidated statements of earnings, with the adjustments to cash rent accrued as deferred rent in our consolidated balance sheets.

Certain leases provide for contingent rent, which is determined as a percentage of gross sales in excess of specified levels. We record a contingent rent liability in accrued occupancy costs within accrued liabilities on our consolidated balance sheets and the corresponding rent expense when we determine that achieving the specified levels during the fiscal year is probable.

When ceasing operations of company-operated stores under operating leases, in cases where the lease contract specifies a termination fee due to the landlord, we record such expense at the time written notice is given to the landlord. In cases where terms, including termination fees, are yet to be negotiated with the landlord, we will record the expense upon signing of an agreement with the landlord. In cases where the landlord does not allow us to prematurely exit the lease, we recognize a lease abandonment accrual equal to the present value of the remaining lease payments to the landlord and other rent related payments such as common area maintenance, taxes and insurance, less any projected sublease income at the cease-use date.

Lease Financing Arrangements

We are sometimes involved in the construction of leased buildings, primarily stores. When we qualify as the deemed owner of these buildings due to significant involvement during the construction period under build-to-suit lease accounting requirements and do not qualify for sales recognition under sales-leaseback accounting guidance, we record the cost of the related buildings in property, plant and equipment, net. The offsetting lease financing obligations are recorded in other long-term liabilities, with the current portion recorded in accrued occupancy costs within accrued liabilities on our consolidated balance sheets. These assets and obligations are amortized in depreciation and amortization and interest expense, respectively, on our consolidated statements of earnings based on the terms of the related lease agreements.

Asset Retirement Obligations

We recognize a liability for the fair value of required asset retirement obligations (“ARO”) when such obligations are incurred. Our AROs are primarily associated with leasehold improvements, which, at the end of a lease, we are contractually obligated to remove in order to comply with the lease agreement. At the inception of a lease with such conditions, we record an ARO liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. We estimate the liability using a number of assumptions, including store closing costs, cost inflation rates and discount rates, and accrete the liability to its projected future value over time. The capitalized asset is depreciated using the same depreciation convention as leasehold improvement assets. Upon satisfaction of the ARO conditions, any difference between the recorded ARO liability and the actual retirement costs incurred is recognized as a gain or loss in cost of sales including occupancy costs on our consolidated statements of earnings. As of September 30, 2018 and October 1, 2017, our net ARO assets included in property, plant and equipment were \$19.1 million and \$12.4 million, respectively, and our net ARO liabilities included in other long-term liabilities were \$82.4 million and \$70.0 million, respectively.

Stock-based Compensation

We maintain several equity incentive plans under which we may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units (“RSUs”) or stock appreciation rights to employees, non-employee directors and consultants. We also have an employee stock purchase plan (“ESPP”). RSUs issued by us are equivalent to nonvested shares under the applicable accounting guidance. We record stock-based compensation expense based on the fair value of stock awards at the grant date and recognize the expense over the related service period following a graded vesting expense schedule. Expense for performance-based RSUs is recognized when it is probable the performance goal will be achieved. Performance goals are determined by the Board of Directors and may include measures such as earnings per share, operating income and return on invested capital. The fair value of each stock option granted is estimated on the grant date using the Black-Scholes-Merton option valuation model. The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and our historical experience. The fair value of RSUs is based on the closing price of Starbucks common stock on the award date, less the present value of expected dividends not received during the vesting period.

Compensation expense is recognized over the requisite service period for each separately vesting portion of the award, and only for those awards expected to vest, with forfeitures estimated at the date of grant based on our historical experience and future expectations.

Foreign Currency Translation

Our international operations generally use their local currency as their functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments are reported as a component of OCI and recorded in AOCI on our consolidated balance sheets.

Income Taxes

We compute income taxes using the asset and liability method, under which deferred income taxes are recognized based on the differences between the financial statement carrying amounts and the respective tax basis of our assets and liabilities. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which we expect the temporary differences to reverse. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date.

We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that some portion of the tax benefit will not be realized. In evaluating our ability to recover our deferred tax assets within the jurisdictions from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

In addition, our income tax returns are periodically audited by domestic and foreign tax authorities. These audits include review of our tax filing positions, including the timing and amount of deductions taken and the allocation of income between tax jurisdictions. We evaluate our exposures associated with our various tax filing positions and recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of our position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. For uncertain tax positions that do not meet this threshold, we record a related liability. We adjust our unrecognized tax benefit liability and income tax expense in the period in which the uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new information becomes available.

Starbucks recognizes interest and penalties related to income tax matters in income tax expense on our consolidated statements of earnings. Accrued interest and penalties are included within the related tax liability on our consolidated balance sheets.

Earnings per Share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock and the effect of dilutive potential common shares outstanding during the period, calculated using the treasury stock method. Dilutive potential common shares include outstanding stock options and RSUs. Performance-based RSUs are considered dilutive when the related performance criterion has been met.

Common Stock Share Repurchases

We may repurchase shares of Starbucks common stock under a program authorized by our Board of Directors, including pursuant to a contract, instruction or written plan meeting the requirements of Rule 10b5-1(c)(1) of the Securities Exchange Act of 1934. Under applicable Washington State law, shares repurchased are retired and not displayed separately as treasury stock on the financial statements. Instead, the par value of repurchased shares is deducted from common stock and the excess repurchase price over par value is deducted from additional paid-in capital and from retained earnings.

Recent Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board (“FASB”) issued guidance on the reclassification of certain tax effects from AOCI. The guidance permits entities to reclassify the stranded tax effects resulting from the Tax Act from AOCI to retained earnings. The guidance will be effective at the beginning of our first quarter of fiscal 2020 but permits adoption in an earlier period. The guidance may be applied in the period of adoption or retrospectively to each period in which the effect of the change related to the Tax Act was recognized. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In August 2017, the FASB amended its guidance on the accounting for hedging relationships. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness, expands permissible cash flow hedges on contractually specified components, and simplifies hedge documentation and effectiveness assessment. The guidance will be effective at the beginning of our first quarter of fiscal 2020 and will require a modified retrospective approach on existing cash flow and net investment hedges. The presentation and disclosure requirements will be applied prospectively. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In January 2017, the FASB issued new accounting guidance that changes the definition of a business to assist companies in evaluating when a set of transferred assets and activities constitutes a business. We elected to adopt this guidance in fiscal 2018, which was applied to transactions subsequent to adoption.

In October 2016, the FASB issued guidance on the accounting for income tax effects of intercompany sales or transfers of assets other than inventory. The guidance requires entities to recognize the income tax impact of an intra-entity sale or transfer of an asset other than inventory when the sale or transfer occurs, rather than when the asset has been sold to an outside party. The guidance will require a modified retrospective application with a cumulative catch-up adjustment to opening retained earnings at the beginning of our first quarter of fiscal 2019. We expect to record a deferred tax asset relating to these historical intercompany activities; however, we are still assessing its final impact.

In March 2016, the FASB issued guidance related to stock-based compensation, which changes the accounting and classification of excess tax benefits and minimum tax withholdings on share-based awards. This guidance requires that excess tax benefits and tax deficiencies related to stock-based compensation be prospectively reflected as income tax expense in our consolidated statement of earnings instead of additional paid-in capital on our consolidated balance sheet. Additionally, within our consolidated statement of cash flows, this guidance requires excess tax benefits to be presented as an operating activity, rather than a financing activity, in the same manner as other cash flows related to income taxes. We adopted this guidance in the first quarter of fiscal 2018. The primary impact of the adoption was the recognition of excess tax benefits that reduced income tax expenses by \$60.2 million for the year ended September 30, 2018, instead of additional paid-in capital. As a result, net income increased \$60.2 million for the year ended September 30, 2018, and basic and diluted earnings per share increased \$0.04 for the year ended September 30, 2018, respectively. Excess tax benefits of \$77.5 million and \$122.8 million, for the years ended October 1, 2017 and October 2, 2016, respectively, previously reported in financing activities have been reclassified to operating activities in the consolidated statements of cash flows.

In March 2016, the FASB issued guidance for financial liabilities resulting from selling prepaid stored value products that are redeemable at third-party merchants. Under the new guidance, expected breakage amounts associated with these products must be recognized proportionately in earnings as redemption occurs. Our current accounting policy of applying the remote method to all of our stored value cards, including cards redeemable at the third-party licensed locations, will no longer be allowed. We will adopt and implement the provisions of this guidance and the new revenue recognition standard issued by the FASB, as discussed below, in the first quarter of fiscal 2019.

In February 2016, the FASB issued guidance on the recognition and measurement of leases. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet for most leases. The guidance retains the current accounting for lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. Enhanced disclosures will also be required to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued an alternative method that permits application of the new guidance at the beginning of the year of adoption. This is in addition to the method of applying the new guidance retrospectively to each prior reporting period presented. The guidance will be effective for us at the beginning of our first quarter of fiscal 2020, with optional practical expedients. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the method of adoption. We expect this adoption will result in a material increase in the assets and liabilities on our consolidated balance sheets but will likely have an insignificant impact on our consolidated statements of earnings. In preparation for the adoption of the guidance, we are in the process of implementing controls and key system changes to enable the preparation of financial information.

In May 2014, the FASB issued guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance may be applied retrospectively to each prior period presented or prospectively with the cumulative effect recognized as of the date of adoption (“modified retrospective method”). We have determined the adoption will change the timing of recognition and classification of our stored value card breakage income, which is currently recognized using the remote method and recorded in interest income and other, net. The new guidance will require application of the proportional method and classification within total net revenues on our consolidated statements of earnings. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in

measurement and recognition. We will adopt this guidance in the first quarter of fiscal 2019 utilizing the modified retrospective method with a cumulative adjustment to retained earnings of approximately \$300 million .

Note 2: Acquisitions, Divestitures and Strategic Alliance

Fiscal 2018

We entered into an agreement on May 6, 2018 to establish the Global Coffee Alliance with Nestlé. On August 26, 2018, Nestlé licensed the rights to market, sell and distribute Starbucks consumer packaged goods and foodservice products in authorized channels. We received an upfront payment of approximately \$7 billion primarily of prepaid royalties which was recorded as a liability to current and long-term deferred revenue and will be recognized as other revenue on a straight-line basis over the estimated economic life of the arrangement.

On March 23, 2018, we sold our company-operated retail store assets and operations in Brazil to SouthRock, converting these operations to a fully licensed market, for a total of \$48.2 million . This transaction resulted in an insignificant pre-tax loss. This pre-tax loss was included in net gain resulting from divestiture of certain operations on our consolidated statements of earnings.

On December 31, 2017, we acquired the remaining 50% interest of our East China joint venture (“East China”) from President Chain Store (Hong Kong) Holding Ltd. and Kai Yu (BVI) collectively, “Uni-President Group” or “UPG”, for approximately \$1.4 billion . Approximately \$90.5 million of pre-existing liabilities owed by East China to Starbucks were effectively settled upon the acquisition. Acquiring the remaining interest of East China, which operates over 1,400 stores in the Shanghai, Jiangsu and Zhejiang Provinces, builds on the Company's ongoing investment in China. The estimated fair values of the assets acquired and liabilities assumed are based on valuation and analysis performed by management. The valuation of certain assets and liabilities is preliminary and are subject to change as additional information becomes available.

Concurrently with the purchase of our East China joint venture, we sold our 50% interest in President Starbucks Coffee Taiwan Limited, our joint venture operations in Taiwan, to UPG for approximately \$181.2 million . The transaction resulted in a pre-tax gain of \$156.6 million which was included in net gain resulting from divestiture of certain operations on our consolidated statements of earnings.

The following table summarizes the preliminary allocation of the total consideration to the fair values of the assets acquired and liabilities assumed as of December 31, 2017 , which are reported within our China/Asia Pacific segment (*in millions*) :

| Consideration: | |
|---|------------|
| Cash paid for UPG 50% equity interest | \$ 1,440.8 |
| Fair value of our pre-existing 50% equity interest | 1,440.8 |
| Settlement of pre-existing liabilities | 90.5 |
| Total consideration | \$ 2,972.1 |
| Fair value of assets acquired and liabilities assumed: | |
| Cash and cash equivalents | \$ 129.5 |
| Accounts receivable | 14.3 |
| Inventories | 16.1 |
| Prepaid expenses and other current assets | 20.6 |
| Property, plant and equipment | 254.1 |
| Other long-term assets | 44.6 |
| Other intangible assets | 818.0 |
| Goodwill | 2,164.1 |
| Total assets acquired | 3,461.3 |
| Accounts payable | 34.7 |
| Accrued liabilities | 187.7 |
| Stored value card liability | 21.7 |
| Other long-term liabilities | 245.1 |
| Total liabilities assumed | 489.2 |
| Total consideration | \$ 2,972.1 |

As a result of this acquisition, we remeasured the carrying value of our preexisting 50% equity method investment to fair value, which resulted in a total gain of \$1.4 billion that is not subject to income tax, and was presented as gain resulting from acquisition of joint venture on our consolidated statements of earnings. The fair value of \$1.4 billion was calculated using an

income approach, which was based on significant inputs that are not observable in the market and thus represents a fair value measurement categorized within Level 3 of the fair value hierarchy. Key assumptions used in estimating future cash flows included projected revenue growth and operating expenses, as well as the selection of an appropriate discount rate. Estimates of revenue growth and operating expenses were based on internal projections and considered the historical performance of stores, local market economics and the business environments impacting store performance. The discount rate applied was based on East China's weighted-average cost of capital and included company-specific and size risk premiums.

The assets acquired and liabilities assumed are reported within our China/Asia Pacific segment. Other current and long-term assets acquired primarily include lease deposits and prepaid rent. Accrued liabilities and other long-term liabilities assumed primarily include deferred income tax, dividend payable, accrued payroll, income tax payable and accrued occupancy costs.

The definite-lived intangibles primarily relate to reacquired rights to operate stores exclusively in East China. The reacquired rights of \$798.0 million represent the fair value calculated over the remaining original contractual period and will be amortized on a straight-line basis through September 2022. Amortization expense for these definite-lived intangible assets for the fiscal year 2018 was \$129.8 million. The estimated future amortization expense is approximately \$163.8 million each year for the next three years and approximately \$160.4 million in the final year of fiscal 2022.

Goodwill represents the intangible assets that do not qualify for separate recognition and primarily includes the acquired customer base, the acquired workforce including store partners in the region that have strong relationships with these customers, and the existing geographic retail and online presence. The entire balance was allocated to the China/Asia Pacific segment and is not deductible for income tax purposes. Due to foreign currency translation, the balance of goodwill related to the acquisition decreased \$115.2 million since the date of acquisition to \$2.0 billion as of September 30, 2018.

We began consolidating East China's results of operations and cash flows into our consolidated financial statements after December 31, 2017. For the year ended September 30, 2018, East China's revenue included in our consolidated statements of earnings was \$903.0 million. For the year ended September 30, 2018, East China's net earnings included in our consolidated statements of earnings was \$73.1 million.

The following table provides the supplemental pro forma revenue and net earnings of the combined entity had the acquisition date of East China been October 3, 2016, the first day of our first quarter of fiscal 2017, rather than the end of our first quarter of fiscal 2018 (*in millions*):

| | Pro Forma (unaudited) | |
|--|-----------------------|----------------------------|
| | Year Ended | |
| | Sep 30, 2018 | Oct 1, 2017 ⁽¹⁾ |
| Revenue | \$ 24,990.4 | \$ 23,315.0 |
| Net earnings attributable to Starbucks | 3,196.8 | 4,209.0 |

⁽¹⁾ The pro forma net earnings attributable to Starbucks for fiscal 2017 includes acquisition-related gain of \$1.4 billion and transaction and integration costs of \$39.3 million for the year ended October 1, 2017.

The amounts in the supplemental pro forma earnings for the periods presented above fully eliminate intercompany transactions, apply our accounting policies and reflect adjustments for additional occupancy costs as well as depreciation and amortization that would have been charged assuming the same fair value adjustments to leases, property, plant and equipment and acquired intangibles had been applied on October 3, 2016. These pro forma results are unaudited and are not necessarily indicative of results of operations that would have occurred had the acquisition actually closed in the prior year period or indicative of the results of operations for any future period.

During the year ended September 30, 2018, we incurred approximately \$3.6 million of acquisition-related costs, such as regulatory, legal, and advisory fees, which were recorded in general and administrative expenses.

On December 11, 2017, we sold the assets associated with our Tazo brand including Tazo[®] signature recipes, intellectual property and inventory to Unilever for a total of \$383.8 million. The transaction resulted in a pre-tax gain of \$347.9 million, which was included in the net gain from divestiture of certain operations on our consolidated statements of earnings. Results from Tazo operations prior to the sale are reported primarily in Channel Development.

Fiscal 2017

In the fourth quarter of fiscal 2017, we sold our company-operated retail store assets and operations in Singapore to Maxim's Caterers Limited, converting these operations to a fully licensed market, for a total of \$119.9 million. This transaction resulted in a pre-tax gain of \$83.9 million, which was included in the net gain resulting from divestiture of certain operations on our consolidated statements of earnings.

Fiscal 2016

During the third quarter of fiscal 2016, we sold our ownership interest in our Germany retail business to AmRest Holdings SE for a total of \$47.3 million. This transaction converted these company-operated stores to a fully licensed market and resulted in an insignificant pre-tax gain, which was included in the net gain resulting from divestiture of certain operations on our consolidated statements of earnings.

Note 3: Derivative Financial Instruments

Interest Rates

We are subject to interest rate volatility with regard to existing and future issuances of debt. From time to time, we enter into swap agreements to manage our exposure to interest rate fluctuations.

To hedge the variability in cash flows due to changes in benchmark interest rates, we enter into interest rate swap agreements related to anticipated debt issuances. These agreements are cash settled at the time of the pricing of the related debt. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to interest expense over the life of the related debt. Refer to [Note 9](#), Debt, for details of the components of our long-term debt.

To hedge the exposure to changes in the fair value of our fixed-rate debt, we enter into interest rate swap agreements, which are designated as fair value hedges. The changes in fair value of these derivative instruments and the offsetting changes in fair values of the underlying hedged debt are recorded in interest expense and have an insignificant impact on our consolidated statements of earnings. Refer to [Note 9](#), Debt, for additional information on our long-term debt.

Foreign Currency

To reduce cash flow volatility from foreign currency fluctuations, we enter into forward and swap contracts to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases and intercompany borrowing and lending activities. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to revenue, cost of sales including occupancy costs or interest income and other, net, respectively, when the hedged exposure affects net earnings.

To mitigate foreign currency transaction risk of intercompany borrowings, we enter into cross-currency swap contracts, which are designated as cash flow hedges. Gains and losses from these swaps offset the changes in value of interest and principal payments as a result of changes in foreign exchange rates. There are no credit-risk-related contingent features associated with these swaps, although we may hold or post collateral depending upon the gain or loss position of the swap agreements.

We also enter into forward contracts or use foreign currency-denominated debt to hedge the foreign currency exposure of our net investment in certain international operations. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to net earnings when the hedged net investment is either sold or substantially liquidated.

To mitigate the foreign exchange risk of certain balance sheet items, we enter into foreign currency forward and swap contracts that are not designated as hedging instruments. Gains and losses from these derivatives are largely offset by the financial impact of translating foreign currency denominated payables and receivables; both are recorded in interest income and other, net.

Commodities

Depending on market conditions, we may enter into coffee futures contracts and collars to hedge a portion of anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in [Note 5](#), Inventories. The effective portion of each derivative's gain or loss is recorded in AOCI and is subsequently reclassified to cost of sales including occupancy costs when the hedged exposure affects net earnings.

To mitigate the price uncertainty of a portion of our future purchases, primarily of dairy products, diesel fuel and other commodities, we enter into swap contracts, futures and collars that are not designated as hedging instruments. Gains and losses from these derivatives are recorded in interest income and other, net and help offset price fluctuations on our beverage, food, packaging and transportation costs, which are included in cost of sales including occupancy costs on our consolidated statements of earnings.

Gains and losses on derivative contracts designated as hedging instruments included in AOCI and expected to be reclassified into earnings within 12 months, net of tax (*in millions*):

| | Net Gains/(Losses) Included in AOCI | | | Net Gains/(Losses) Expected to be Reclassified from AOCI into Earnings within 12 Months | Contract Remaining Maturity (Months) |
|-------------------------------|--|----------------|----------------|---|---|
| | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 | | |
| Cash Flow Hedges: | | | | | |
| Interest rates | \$ 24.7 | \$ 17.6 | \$ 20.5 | \$ 4.2 | 0 |
| Cross-currency swaps | (12.6) | (6.0) | (7.7) | — | 74 |
| Foreign currency - other | 5.8 | (9.1) | (0.4) | 3.8 | 36 |
| Coffee | (0.2) | (6.6) | (1.6) | (0.2) | 5 |
| Net Investment Hedges: | | | | | |
| Foreign currency | 16.0 | 16.2 | 1.3 | — | 0 |
| Foreign currency debt | 3.6 | (2.2) | — | — | 66 |

Pretax gains and losses on derivative contracts designated as hedging instruments recognized in other comprehensive income (“OCI”) and reclassifications from AOCI to earnings (*in millions*):

| | Year Ended | | | | | |
|-------------------------------|--|----------------|----------------|---|----------------|----------------|
| | Gains/(Losses) Recognized in OCI Before Reclassifications | | | Gains/(Losses) Reclassified from AOCI to Earnings | | |
| | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
| Cash Flow Hedges: | | | | | | |
| Interest rates | \$ 14.1 | \$ — | \$ (10.3) | \$ 4.9 | \$ 4.8 | \$ 5.0 |
| Cross-currency swaps | (6.1) | 59.5 | (75.7) | 2.2 | 57.2 | (101.1) |
| Foreign currency - other | 16.7 | 1.8 | (25.4) | (3.6) | 11.4 | 19.1 |
| Coffee | (0.3) | (8.1) | 1.7 | (7.4) | (2.7) | (2.8) |
| Net Investment Hedges: | | | | | | |
| Foreign currency | (0.1) | 23.6 | — | — | — | — |
| Foreign currency debt | 7.9 | (3.5) | — | — | — | — |

Pretax gains and losses on non-designated derivatives and designated fair value hedging instruments recognized in earnings (*in millions*):

| | Gains/(Losses) Recognized in Earnings | | |
|---|---------------------------------------|-------------|-------------|
| | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
| Non-Designated Derivatives: | | | |
| Foreign currency - other | \$ 4.6 | \$ 4.6 | \$ (5.7) |
| Dairy | (2.4) | — | (5.5) |
| Diesel fuel and other commodities | 3.7 | 1.3 | (0.2) |
| Designated Fair Value Hedging Instruments: | | | |
| Interest rate swap | (33.7) | (5.2) | — |

Notional amounts of outstanding derivative contracts (*in millions*)

| | Sep 30, 2018 | Oct 1, 2017 |
|-----------------------------------|--------------|-------------|
| Interest rate swap | \$ 750 | \$ 750 |
| Cross-currency swaps | 434 | 514 |
| Foreign currency - other | 914 | 901 |
| Dairy | 16 | 14 |
| Diesel fuel and other commodities | 21 | 41 |

Fair value of outstanding derivative contracts (*in millions*):

| | Derivative Assets | | Derivative Liabilities | |
|--|-------------------|-------------|------------------------|-------------|
| | Sep 30, 2018 | Oct 1, 2017 | Sep 30, 2018 | Oct 1, 2017 |
| Designated Derivative Instruments: | | | | |
| Cross-currency swaps | \$ 5.8 | \$ 12.4 | \$ 9.3 | \$ 9.8 |
| Foreign currency - other | 13.6 | 7.7 | 5.3 | 20.8 |
| Net investment hedges | — | 0.3 | — | — |
| Interest rate swap | — | — | 32.5 | 3.8 |
| Non-designated Derivative Instruments: | | | | |
| Foreign currency | 13.7 | 15.8 | 2.5 | 1.4 |
| Dairy | 0.2 | — | 0.1 | 2.4 |
| Diesel fuel and other commodities | 1.6 | 1.6 | 0.3 | 0.3 |

Additional disclosures related to cash flow hedge gains and losses included in AOCI, as well as subsequent reclassifications to earnings, are included in [Note 11](#), Equity.

Note 4: Fair Value Measurements
Assets and Liabilities Measured at Fair Value on a Recurring Basis (in millions):

| | Balance at September 30, 2018 | Fair Value Measurements at Reporting Date Using | | |
|--|----------------------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | \$ 8,756.3 | \$ 8,756.3 | \$ — | \$ — |
| Short-term investments: | | | | |
| Available-for-sale securities | | | | |
| Commercial paper | 8.4 | — | 8.4 | — |
| Corporate debt securities | 91.8 | — | 91.8 | — |
| Mortgage and other asset-backed securities | 6.0 | — | 6.0 | — |
| Total available-for-sale securities | 106.2 | — | 106.2 | — |
| Trading securities | 75.3 | 75.3 | — | — |
| Total short-term investments | 181.5 | 75.3 | 106.2 | — |
| Prepaid expenses and other current assets: | | | | |
| Derivative assets | 24.5 | 1.2 | 23.3 | — |
| Long-term investments: | | | | |
| Available-for-sale securities | | | | |
| Agency obligations | 5.9 | — | 5.9 | — |
| Corporate debt securities | 114.5 | — | 114.5 | — |
| Auction rate securities | 5.9 | — | — | 5.9 |
| Foreign government obligations | 3.6 | — | 3.6 | — |
| U.S. government treasury securities | 108.1 | 108.1 | — | — |
| State and local government obligations | 4.8 | — | 4.8 | — |
| Mortgage and other asset-backed securities | 24.9 | — | 24.9 | — |
| Total long-term investments | 267.7 | 108.1 | 153.7 | 5.9 |
| Other long-term assets: | | | | |
| Derivative assets | 10.4 | — | 10.4 | — |
| Total assets | \$ 9,240.4 | \$ 8,940.9 | \$ 293.6 | \$ 5.9 |
| Liabilities: | | | | |
| Accrued liabilities: | | | | |
| Derivative liabilities | \$ 6.5 | \$ 0.4 | \$ 6.1 | \$ — |
| Other long-term liabilities: | | | | |
| Derivative liabilities | 43.5 | — | 43.5 | — |
| Total liabilities | \$ 50.0 | \$ 0.4 | \$ 49.6 | \$ — |

| | Balance at Oct 1, 2017 | Fair Value Measurements at Reporting Date Using | | |
|--|---------------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | \$ 2,462.3 | \$ 2,462.3 | \$ — | \$ — |
| Short-term investments: | | | | |
| Available-for-sale securities | | | | |
| Agency obligations | 7.5 | — | 7.5 | — |
| Commercial paper | 2.0 | — | 2.0 | — |
| Corporate debt securities | 49.4 | — | 49.4 | — |
| Foreign government obligations | 7.1 | — | 7.1 | — |
| U.S. government treasury securities | 81.4 | 81.4 | — | — |
| State and local government obligations | 2.0 | — | 2.0 | — |
| Certificates of deposit | 2.3 | — | 2.3 | — |
| Total available-for-sale securities | 151.7 | 81.4 | 70.3 | — |
| Trading securities | 76.9 | 76.9 | — | — |
| Total short-term investments | 228.6 | 158.3 | 70.3 | — |
| Prepaid expenses and other current assets: | | | | |
| Derivative assets | 13.4 | 0.1 | 13.3 | — |
| Long-term investments: | | | | |
| Available-for-sale securities | | | | |
| Agency obligations | 21.8 | — | 21.8 | — |
| Corporate debt securities | 207.4 | — | 207.4 | — |
| Auction rate securities | 5.9 | — | — | 5.9 |
| Foreign government obligations | 17.1 | — | 17.1 | — |
| U.S. government treasury securities | 127.4 | 127.4 | — | — |
| State and local government obligations | 7.0 | — | 7.0 | — |
| Mortgage and other asset-backed securities | 155.7 | — | 155.7 | — |
| Total long-term investments | 542.3 | 127.4 | 409.0 | 5.9 |
| Other long-term assets: | | | | |
| Derivative assets | 24.4 | — | 24.4 | — |
| Total assets | \$ 3,271.0 | \$ 2,748.1 | \$ 517.0 | \$ 5.9 |
| Liabilities: | | | | |
| Accrued liabilities: | | | | |
| Derivative liabilities | \$ 16.4 | \$ 2.5 | \$ 13.9 | \$ — |
| Other long-term liabilities: | | | | |
| Derivative liabilities | 22.1 | — | 22.1 | — |
| Total | \$ 38.5 | \$ 2.5 | \$ 36.0 | \$ — |

There were no material transfers between levels and there was no significant activity within Level 3 instruments during the periods presented. The fair values of any financial instruments presented above exclude the impact of netting assets and liabilities when a legally enforceable master netting agreement exists.

Available-for-sale Securities

Long-term investments generally mature within 4 years. Proceeds from sales of available-for-sale securities were \$459.0 million, \$999.7 million, and \$680.7 million for fiscal years 2018, 2017 and 2016, respectively. Realized gains and losses on sales and maturities of available-for-sale securities were not material for fiscal years 2018, 2017, and 2016. Gross unrealized holding gains and losses on available-for-sale securities were not material as of September 30, 2018 and October 1, 2017.

Trading Securities

Trading securities include equity mutual funds and exchange-traded funds. Our trading securities portfolio approximates a portion of our liability under our MDCP, a defined contribution plan. Our MDCP liability was \$102.2 million and \$105.9 million as of September 30, 2018 and October 1, 2017, respectively. The changes in net unrealized holding gains and losses in the trading securities portfolio included in earnings for fiscal years 2018, 2017 and 2016 were not material. Gross unrealized holding gains and losses on trading securities were not material as of September 30, 2018 and October 1, 2017.

Derivative Assets and Liabilities

Derivative assets and liabilities include foreign currency forward contracts, commodity futures contracts, collars and swaps, which are described further in [Note 3](#), Derivative Financial Instruments.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis include items such as property, plant and equipment, goodwill and other intangible assets, equity and cost method investments, and other assets. These assets are measured at fair value if determined to be impaired. Impairment of property, plant, and equipment is included at [Note 1](#), Summary of Significant Accounting Policies.

Other than the impairments discussed in [Note 8](#), Other Intangible Assets and Goodwill, and the aforementioned fair value adjustments, there were no other material fair value adjustments during fiscal 2018 and 2017.

Fair Value of Other Financial Instruments

The estimated fair value of our long-term debt based on the quoted market price (Level 2) is included at [Note 9](#), Debt.

Note 5: Inventories (in millions)

| | Sep 30, 2018 | Oct 1, 2017 |
|---------------------------------|-------------------|-------------------|
| Coffee: | | |
| Unroasted | \$ 588.6 | \$ 541.0 |
| Roasted | 281.2 | 301.1 |
| Other merchandise held for sale | 273.1 | 301.1 |
| Packaging and other supplies | 257.6 | 220.8 |
| Total | <u>\$ 1,400.5</u> | <u>\$ 1,364.0</u> |

Other merchandise held for sale includes, among other items, serveware and tea. Inventory levels vary due to seasonality, commodity market supply and price fluctuations.

As of September 30, 2018, we had committed to purchasing green coffee totaling \$996 million under fixed-price contracts and an estimated \$166 million under price-to-be-fixed contracts. As of September 30, 2018, none of our price-to-be-fixed contracts were effectively fixed through the use of futures contracts. Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period and other negotiated terms are agreed upon, but the date, and therefore the price, at which the base "C" coffee commodity price component will be fixed has not yet been established. For most contracts, either Starbucks or the seller has the option to "fix" the base "C" coffee commodity price prior to the delivery date. For other contracts, Starbucks and the seller may agree upon pricing parameters determined by the base "C" coffee commodity price. Until prices are fixed, we estimate the total cost of these purchase commitments. We believe, based on relationships established with our suppliers in the past, the risk of non-delivery on these purchase commitments is remote.

Note 6: Equity and Cost Investments (in millions)

| | Sep 30, 2018 | Oct 1, 2017 |
|---------------------------|-----------------|-----------------|
| Equity method investments | \$ 296.0 | \$ 432.8 |
| Cost method investments | 38.7 | 48.8 |
| Total | <u>\$ 334.7</u> | <u>\$ 481.6</u> |

Equity Method Investments

As of September 30, 2018, we had 50% ownership interests in Starbucks Coffee Korea Co., Ltd. and Tata Starbucks Limited (India). These international entities operate licensed Starbucks® retail stores. Additional disclosure regarding changes in our equity method investments due to acquisition or divestiture is included at [Note 2](#), Acquisitions, Divestitures and Strategic Alliance.

We also license the rights to produce and distribute Starbucks-branded products to our 50% owned joint venture, The North American Coffee Partnership with the Pepsi-Cola Company, which develops and distributes bottled Starbucks[®] beverages, including Frappuccino[®] coffee drinks, Starbucks Doubleshot[®] espresso drinks, Starbucks Refreshers[®] beverages, and Starbucks[®] Iced Espresso Classics.

Our share of income and losses from our equity method investments is included in income from equity investees on our consolidated statements of earnings. Also included in this line item is our proportionate share of gross profit resulting from coffee and other product sales to, and royalty and license fee revenues generated from, equity investees. Revenues generated from these related parties were \$112.8 million, \$187.3 million, and \$164.2 million in fiscal years 2018, 2017 and 2016, respectively. Related costs of sales were \$71.5 million, \$109.3 million, and \$97.5 million in fiscal years 2018, 2017 and 2016, respectively. As of September 30, 2018 and October 1, 2017, there were \$41.2 million and \$54.3 million of accounts receivable from equity investees, respectively, on our consolidated balance sheets, primarily related to product sales and royalty revenues.

Cost Method Investments

We invest in equity interests of entities that develop and operate Starbucks[®] licensed stores in several global markets and in other entities, unrelated to licensed stores, from time to time. As of September 30, 2018 and October 1, 2017, we had \$23 million invested in entities that develop and operate Starbucks[®] licensed stores and have the ability to acquire additional interests in some of these cost method investees at certain intervals. Depending on our total percentage ownership interest and our ability to exercise significant influence over financial and operating policies, additional investments may require application of the equity method of accounting.

Note 7: Supplemental Balance Sheet Information (in millions)

Prepaid Expenses and Other Current Assets

| | Sep 30, 2018 | Oct 1, 2017 |
|---|-------------------|-----------------|
| Income tax receivable | \$ 955.4 | \$ 68.0 |
| Other prepaid expenses and current assets | 507.4 | 290.1 |
| Total prepaid expenses and current assets | <u>\$ 1,462.8</u> | <u>\$ 358.1</u> |

Property, Plant and Equipment, net

| | Sep 30, 2018 | Oct 1, 2017 |
|--------------------------------------|-------------------|-------------------|
| Land | \$ 46.8 | \$ 46.9 |
| Buildings | 557.3 | 481.7 |
| Leasehold improvements | 7,372.8 | 6,401.0 |
| Store equipment | 2,400.2 | 2,110.7 |
| Roasting equipment | 658.8 | 619.8 |
| Furniture, fixtures and other | 1,659.3 | 1,514.1 |
| Work in progress | 501.9 | 409.8 |
| Property, plant and equipment, gross | 13,197.1 | 11,584.0 |
| Accumulated depreciation | (7,268.0) | (6,664.5) |
| Property, plant and equipment, net | <u>\$ 5,929.1</u> | <u>\$ 4,919.5</u> |

Accrued Liabilities

| | Sep 30, 2018 | Oct 1, 2017 |
|--|-------------------|-------------------|
| Accrued compensation and related costs | \$ 656.8 | \$ 524.5 |
| Accrued occupancy costs | 164.2 | 151.3 |
| Accrued taxes | 286.6 | 226.6 |
| Accrued dividends payable | 445.4 | 429.5 |
| Accrued capital and other operating expenditures | 745.4 | 602.6 |
| Total accrued liabilities | <u>\$ 2,298.4</u> | <u>\$ 1,934.5</u> |

Note 8: Other Intangible Assets and Goodwill
Indefinite-Lived Intangible Assets

| <i>(in millions)</i> | Sep 30, 2018 | Oct 1, 2017 |
|---|-----------------|-----------------|
| Trade names, trademarks and patents | \$ 215.9 | \$ 212.1 |
| Other indefinite-lived intangible assets | 15.1 | 15.1 |
| Total indefinite-lived intangible assets | \$ 231.0 | \$ 227.2 |

Additional disclosure regarding changes in our intangible assets due to acquisitions is included at [Note 2](#), Acquisitions, Divestitures and Strategic Alliance.

Goodwill

Changes in the carrying amount of goodwill by reportable operating segment *(in millions)* :

| | Americas | China/Asia Pacific | EMEA | Channel Development | Corporate and Other | Total |
|--|-----------------|--------------------|----------------|---------------------|---------------------|-------------------|
| Goodwill balance at October 2, 2016 | \$ 210.1 | \$ 944.9 | \$ 55.1 | \$ 30.2 | \$ 479.3 | \$ 1,719.6 |
| Acquisition/(divestiture) | — | (7.6) | — | — | — | (7.6) |
| Impairment | — | — | (17.9) | — | (69.3) | (87.2) |
| Other | 1.5 | (87.1) | — | — | — | (85.6) |
| Goodwill balance at October 1, 2017 | \$ 211.6 | \$ 850.2 | \$ 37.2 | \$ 30.2 | \$ 410.0 | \$ 1,539.2 |
| Acquisition/(divestiture) | — | 2,164.0 | — | (1.5) | — | 2,162.5 |
| Impairment | — | — | (37.6) | — | — | (37.6) |
| Other | 285.8 | (27.6) | 11.7 | 6.0 | (398.4) | (122.5) |
| Goodwill balance at September 30, 2018 | \$ 497.4 | \$ 2,986.6 | \$ 11.3 | \$ 34.7 | \$ 11.6 | \$ 3,541.6 |

“Other” consists of changes in the goodwill balance resulting from transfers between segments due to the dissolution of the Teavana reporting unit as well as foreign currency translation, as applicable.

For goodwill related to our Switzerland retail reporting unit, we initially recorded an impairment charge of \$17.9 million in the third quarter of fiscal 2017. This was primarily due to the impacts of the strength of the Swiss franc, continued shift of consumer behaviors to neighboring countries and the relocation of certain businesses sustaining beyond our projections and indicating the reporting unit's carrying value would not be fully recovered. Since then, the operational investments and improvements we made did not sufficiently slow the performance decline, and we recorded impairment charges of \$37.6 million for the remaining Switzerland goodwill balance during fiscal 2018.

During the third quarter of fiscal 2017, management finalized its long-term strategy for the Teavana reporting unit. The plan emphasizes sales of premium Teavana ^{TM/MC} tea products at Starbucks branded stores and, to a lesser extent, consumer product channels. This change in strategic direction triggered an impairment test first of the retail store assets and then an impairment test of the goodwill asset, which also coincided with our annual goodwill testing process. The retail store assets were determined to be fully impaired, which resulted in a charge of \$33.0 million. For goodwill, we utilized a combination of income and market approaches to determine the implied fair value of the reporting unit. These approaches used primarily unobservable inputs, including discount, sales growth and royalty rates and valuation multiples of a selection of similar publicly traded companies, which are considered Level 3 fair value measurements. We then compared the implied fair value with the carrying value and recognized a goodwill impairment charge of \$69.3 million, thus reducing goodwill of the Teavana reporting unit to \$398.3 million as of July 2, 2017. During the third quarter of fiscal 2018, we dissolved the Teavana reporting unit upon completion of the retail store closures. As a result, we reorganized the Teavana business and allocated the remaining \$398.3 million of goodwill to other reporting units, primarily within the Americas segment, based on a relative fair value approach. Other intangible assets of \$117.2 million, consisting primarily of the indefinite-lived tradename and definite-lived tea recipes, were also tested, and no impairment losses were recorded.

Finite-Lived Intangible Assets

| <i>(in millions)</i> | Sep 30, 2018 | | | Oct 1, 2017 | | |
|--------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Acquired and reacquired rights | \$ 1,081.7 | \$ (320.1) | \$ 761.6 | \$ 328.8 | \$ (154.2) | \$ 174.6 |
| Acquired trade secrets and processes | 27.6 | (16.5) | 11.1 | 27.6 | (13.7) | 13.9 |
| Trade names, trademarks and patents | 33.0 | (19.5) | 13.5 | 31.5 | (17.6) | 13.9 |
| Licensing agreements | 14.3 | (5.1) | 9.2 | 14.4 | (3.8) | 10.6 |
| Other finite-lived intangible assets | 25.6 | (9.8) | 15.8 | 6.7 | (5.5) | 1.2 |
| Total finite-lived intangible assets | <u>\$ 1,182.2</u> | <u>\$ (371.0)</u> | <u>\$ 811.2</u> | <u>\$ 409.0</u> | <u>\$ (194.8)</u> | <u>\$ 214.2</u> |

Amortization expense for finite-lived intangible assets was \$186.5 million , \$57.5 million , and \$57.3 million during fiscal 2018 , 2017 and 2016 , respectively.

Estimated future amortization expense as of September 30, 2018 (*in millions*):

Fiscal Year Ending

| | | |
|---|-----------|--------------|
| 2019 | \$ | 218.1 |
| 2020 | | 218.0 |
| 2021 | | 195.2 |
| 2022 | | 168.5 |
| 2023 | | 5.1 |
| Thereafter | | 6.3 |
| Total estimated future amortization expense | <u>\$</u> | <u>811.2</u> |

Additional disclosure regarding changes in our intangible assets due to acquisitions is included at [Note 2](#) , Acquisitions, Divestitures and Strategic Alliance.

Note 9: Debt
Revolving Credit Facility and Commercial Paper Program

Our \$2.0 billion unsecured 5-year revolving credit facility (the “2018 credit facility”) and a \$1.0 billion unsecured 364-Day credit facility (the “364-day credit facility”) are available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases.

The 2018 credit facility, of which \$150 million may be used for issuances of letters of credit, is currently set to mature on October 25, 2022 . We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional \$500 million . Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin is based on the better of (i) the Company's long-term credit ratings assigned by Moody's and Standard & Poor's rating agencies and (ii) the Company's fixed charge coverage ratio, pursuant to a pricing grid set forth in the five-year credit agreement. The current applicable margin is 0.680% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans.

The 364-day credit facility, of which no amount may be used for issuances of letters of credit, matured on October 25, 2018 . See [Note 18](#) , Subsequent Events, for information about the extension of the 364-day credit facility. We had the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional \$500 million . Borrowings under the credit facility bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin was 0.585% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans.

Both credit facilities contain provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of September 30, 2018, we were in compliance with all applicable covenants. No amounts were outstanding under our credit facility as of September 30, 2018 .

Under our commercial paper program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of \$3.0 billion , with individual maturities that may vary but not exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under our

credit facility discussed above. The proceeds from borrowings under our commercial paper program may be used for working capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of September 30, 2018, availability under our commercial paper program was approximately \$3.0 billion (which represents the full committed credit facility amount, as no amounts were outstanding under our commercial paper program).

Long-term Debt

In August 2018, we issued long-term debt in an underwritten registered public offering, which consisted of \$1.25 billion of 7-year 3.800% Senior Notes (the “2025 notes”) due August 2025, \$750 million of 10-year 4.000% Senior Notes (the “2028 notes”) due November 2028 and \$1 billion of 30-year 4.500% Senior Notes (the “2048 notes”) due November 2048. Interest on the 2025 notes is payable semi-annually on February 15 and August 15, commencing on February 15, 2019. Interest on the 2028 and 2048 notes is payable semi-annually on May 15 and November 15, commencing on November 15, 2018.

In February 2018, we issued long-term debt in an underwritten registered public offering, which consisted of \$1 billion of 5-year 3.100% Senior Notes (the “2023 notes”) due March 2023 and \$600 million of 10-year 3.500% Senior Notes (the “2028 notes”) due March 2028. Interest on the 2023 and 2028 notes is payable semi-annually on March 1 and September 1, commencing on September 1, 2018.

In November 2017, we issued long-term debt in an underwritten registered public offering, which consisted of \$500 million of 3-year 2.200% Senior Notes (the “2020 notes”) due November 2020 and \$500 million of 30-year 3.750% Senior Notes (the “2047 notes”) due December 2047. Interest on the 2020 notes is payable semi-annually on May 22 and November 22, commencing on May 22, 2018 and interest on the 2047 notes is payable semi-annually on June 1 and December 1, commencing on June 1, 2018.

In March 2017, we issued Japanese yen-denominated long-term debt in an underwritten registered public offering. The 7-year 0.372% Senior Notes (the “2024 notes”) due March 2024 were issued with a face value of ¥ 85 billion, all of which has been designated to hedge the foreign currency exposure of our net investment in Japan. Interest on the 2024 notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017.

In December 2016, we repaid the \$400 million of 0.875% Senior Notes (the “2016 notes”) at maturity.

In May 2016, we issued long-term debt in an underwritten registered public offering, which consisted of \$500 million of 10-year 2.450% Senior Notes (the “2026 notes”) due June 2026. Interest on the 2026 notes is payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2016.

In February 2016, we issued long-term debt in an underwritten registered public offering, which consisted of \$500 million of 5-year 2.100% Senior Notes (the “2021 notes”) due February 2021. In May 2016, we reopened this offering with the same terms and issued an additional \$250 million of Senior Notes (collectively, the “2021 notes”) for an aggregate amount outstanding of \$750 million. Interest on the 2021 notes is payable semi-annually on February 4 and August 4 of each year, commencing on August 4, 2016.

Components of long-term debt including the associated interest rates and related fair values by calendar maturity (*in millions, except interest rates*):

| Issuance | Sep 30, 2018 | | Oct 1, 2017 | | Stated Interest Rate | Effective Interest Rate ⁽¹⁾ |
|---|--------------|----------------------|-------------|----------------------|----------------------|--|
| | Face Value | Estimated Fair Value | Face Value | Estimated Fair Value | | |
| 2018 notes | \$ 350.0 | \$ 350 | \$ 350.0 | \$ 352 | 2.000% | 2.012% |
| 2020 notes ⁽²⁾ | 500.0 | 490 | — | — | 2.200% | 2.228% |
| 2021 notes | 500.0 | 489 | 500.0 | 501 | 2.100% | 2.293% |
| 2021 notes | 250.0 | 244 | 250.0 | 250 | 2.100% | 1.600% |
| 2022 notes | 500.0 | 486 | 500.0 | 508 | 2.700% | 2.819% |
| 2023 notes ⁽⁶⁾ | 750.0 | 759 | 750.0 | 806 | 3.850% | 2.859% |
| 2023 notes ⁽³⁾ | 1,000.0 | 986 | — | — | 3.100% | 3.107% |
| 2024 notes ⁽⁵⁾ | 748.4 | 743 | 755.3 | 760 | 0.372% | 0.462% |
| 2025 notes ⁽⁴⁾ | 1,250.0 | 1,249 | — | — | 3.800% | 3.721% |
| 2026 notes | 500.0 | 451 | 500.0 | 481 | 2.450% | 2.511% |
| 2028 notes ⁽³⁾ | 600.0 | 576 | — | — | 3.500% | 3.529% |
| 2028 notes ⁽⁴⁾ | 750.0 | 754 | — | — | 4.000% | 3.958% |
| 2045 notes | 350.0 | 330 | 350.0 | 381 | 4.300% | 4.348% |
| 2047 notes ⁽²⁾ | 500.0 | 438 | — | — | 3.750% | 3.765% |
| 2048 notes ⁽⁴⁾ | 1,000.0 | 977 | — | — | 4.500% | 4.504% |
| Total | 9,548.4 | 9,322 | 3,955.3 | 4,039 | | |
| Aggregate debt issuance costs and unamortized premium/(discount), net | (69.3) | | (17.5) | | | |
| Hedge accounting fair value adjustment ⁽⁶⁾ | (39.0) | | (5.2) | | | |
| Total | \$ 9,440.1 | | \$ 3,932.6 | | | |

⁽¹⁾ Includes the effects of the amortization of any premium or discount and any gain or loss upon settlement of related treasury locks or forward-starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance.

⁽²⁾ Issued in November 2017.

⁽³⁾ Issued in February 2018.

⁽⁴⁾ Issued in August 2018.

⁽⁵⁾ Japanese yen-denominated long-term debt.

⁽⁶⁾ Amount represents the change in fair value due to changes in benchmark interest rates related to our 2023 notes. Refer to [Note 3](#), Derivative Financial Instruments, for additional information on our interest rate swap designated as a fair value hedge.

The indentures under which the above notes were issued also require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of October 1, 2018, we were in compliance with each of these covenants.

The following table summarizes our long-term debt maturities as of September 30, 2018 by fiscal year (*in millions*):

| Fiscal Year | Total |
|--------------------|-------------------|
| 2019 | \$ 350.0 |
| 2020 | — |
| 2021 | 1,250.0 |
| 2022 | 500.0 |
| 2023 | 1,000.0 |
| Thereafter | 6,448.4 |
| Total | \$ 9,548.4 |

Note 10: Leases

Rent expense under operating lease agreements (*in millions*) :

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--------------------------|---------------------|--------------------|--------------------|
| Minimum rent | \$ 1,424.5 | \$ 1,185.7 | \$ 1,092.5 |
| Contingent rent | 200.7 | 143.5 | 130.7 |
| Total | \$ 1,625.2 | \$ 1,329.2 | \$ 1,223.2 |

Minimum future rental payments under non-cancelable operating leases and lease financing arrangements as of September 30, 2018 (*in millions*) :

| Fiscal Year Ending | Operating Leases | Lease Financing Arrangements |
|-------------------------------------|-------------------------|-------------------------------------|
| 2019 | \$ 1,340.6 | \$ 4.4 |
| 2020 | 1,273.2 | 4.4 |
| 2021 | 1,190.2 | 4.3 |
| 2022 | 1,087.3 | 4.2 |
| 2023 | 958.1 | 4.1 |
| Thereafter | 3,504.4 | 36.6 |
| Total minimum lease payments | \$ 9,353.8 | \$ 58.0 |

We have subleases related to certain of our operating leases. During fiscal 2018 , 2017 and 2016 , we recognized sublease income of \$12.3 million , \$15.5 million , and \$14.6 million , respectively. Additionally, as of September 30, 2018 and October 1, 2017 , the gross carrying values of assets related to build-to-suit lease arrangements accounted for as financing leases were \$103.2 million and \$94.3 million , respectively, with associated accumulated depreciation of \$12.7 million and \$9.0 million , respectively. Lease exit costs associated with our restructuring efforts, primarily relate to the closure of Teavana retail stores and certain Starbucks company-operated stores, are recognized concurrently with actual store closures. Total lease exit costs are expected to be approximately \$208.5 million of which \$119.3 million and \$15.7 million were recorded within restructuring and impairments on the consolidated statement of earnings in fiscal 2018 and 2017, respectively.

Note 11: Equity

In addition to 2.4 billion shares of authorized common stock with \$0.001 par value per share, we have authorized 7.5 million shares of preferred stock, none of which was outstanding at September 30, 2018 .

We repurchased 131.5 million shares of common stock at a total cost of \$7.2 billion , 37.5 million shares at a total cost of \$2.1 billion , and 34.9 million shares of common stock at a total cost of \$2.0 billion for the years ended September 30, 2018 , October 1, 2017 , and October 2, 2016 , respectively. As of September 30, 2018 , 48.8 million shares remained available for repurchase. On November 1, 2018, we announced that our Board of Directors approved an increase of 120 million shares to our ongoing share repurchase program.

Comprehensive Income

Comprehensive income includes all changes in equity during the period, except those resulting from transactions with our shareholders. Comprehensive income is comprised of net earnings and other comprehensive income. Accumulated other comprehensive income reported on our consolidated balance sheets consists of foreign currency translation adjustments and

other items and the unrealized gains and losses, net of applicable taxes, on available-for-sale securities and on derivative instruments designated and qualifying as cash flow and net investment hedges.

Changes in AOCI by component for the years ended September 30, 2018 , October 1, 2017 , and October 2, 2016 , net of tax, are as follows:

| <i>(in millions)</i> | Available-for-Sale Securities | Cash Flow Hedges | Net Investment Hedges | Translation Adjustment and Other | Total |
|---|-------------------------------|------------------|-----------------------|----------------------------------|------------|
| <i>September 30, 2018</i> | | | | | |
| Net gains/(losses) in AOCI, beginning of period | \$ (2.5) | \$ (4.1) | \$ 14.0 | \$ (163.0) | \$ (155.6) |
| Net gains/(losses) recognized in OCI before reclassifications | (5.1) | 17.9 | 5.6 | (216.6) | (198.2) |
| Net (gains)/losses reclassified from AOCI to earnings | 2.7 | 3.9 | — | 16.9 | 23.5 |
| Other comprehensive income/(loss) attributable to Starbucks | (2.4) | 21.8 | 5.6 | (199.7) | (174.7) |
| Net gains/(losses) in AOCI, end of period | \$ (4.9) | \$ 17.7 | \$ 19.6 | \$ (362.7) | \$ (330.3) |

| <i>(in millions)</i> | Available-for-Sale Securities | Cash Flow Hedges | Net Investment Hedges | Translation Adjustment and Other | Total |
|---|-------------------------------|------------------|-----------------------|----------------------------------|------------|
| <i>October 1, 2017</i> | | | | | |
| Net gains/(losses) in AOCI, beginning of period | \$ 1.1 | \$ 10.9 | \$ 1.3 | \$ (121.7) | \$ (108.4) |
| Net gains/(losses) recognized in OCI before reclassifications | (6.6) | 40.6 | 12.7 | (40.7) | 6.0 |
| Net (gains)/losses reclassified from AOCI to earnings | 3.0 | (55.6) | — | (0.6) | (53.2) |
| Other comprehensive income/(loss) attributable to Starbucks | (3.6) | (15.0) | 12.7 | (41.3) | (47.2) |
| Net gains/(losses) in AOCI, end of period | \$ (2.5) | \$ (4.1) | \$ 14.0 | \$ (163.0) | \$ (155.6) |

| <i>(in millions)</i> | Available-for-Sale Securities | Cash Flow Hedges | Net Investment Hedges | Translation Adjustment and Other | Total |
|---|-------------------------------|------------------|-----------------------|----------------------------------|------------|
| <i>October 2, 2016</i> | | | | | |
| Net gains/(losses) in AOCI, beginning of period | \$ (0.1) | \$ 25.6 | \$ 1.3 | \$ (226.2) | \$ (199.4) |
| Net gains/(losses) recognized in OCI before reclassifications | 2.2 | (82.1) | — | 104.5 | 24.6 |
| Net (gains)/losses reclassified from AOCI to earnings | (1.0) | 67.4 | — | — | 66.4 |
| Other comprehensive income/(loss) attributable to Starbucks | 1.2 | (14.7) | — | 104.5 | 91.0 |
| Net gains/(losses) in AOCI, end of period | \$ 1.1 | \$ 10.9 | \$ 1.3 | \$ (121.7) | \$ (108.4) |

Impact of reclassifications from AOCI on the consolidated statements of earnings (*in millions*) :

| AOCI Components | Amounts Reclassified from AOCI | | | Affected Line Item in the Statements of Earnings |
|---|--------------------------------|-------------|-------------|---|
| | Fiscal Year Ended | | | |
| | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 | |
| Gains/(losses) on available-for-sale securities | \$ (3.6) | \$ (4.1) | \$ 1.6 | Interest income and other, net |
| Gains/(losses) on cash flow hedges | | | | |
| Interest rate hedges | 4.9 | 4.8 | 5.0 | Interest expense |
| Cross-currency swaps | 2.2 | 57.2 | (101.1) | Interest income and other, net |
| Foreign currency hedges | (0.4) | 3.0 | 4.9 | Revenues |
| Foreign currency/coffee hedges | (10.6) | 5.7 | 11.4 | Cost of sales including occupancy costs |
| Translation adjustment ⁽¹⁾ | | | | |
| Brazil | (24.1) | — | — | Net gain resulting from divestiture of certain operations |
| East China joint venture | 7.2 | — | — | Gain resulting from acquisition of joint venture |
| Taiwan joint venture | 1.4 | — | — | Net gain resulting from divestiture of certain operations |
| Other | (1.7) | 0.6 | — | Interest income and other, net |
| | (24.7) | 67.2 | (78.2) | Total before tax |
| | 1.2 | (14.0) | 11.8 | Tax (expense)/benefit |
| | \$ (23.5) | \$ 53.2 | \$ (66.4) | Net of tax |

⁽¹⁾ Release of cumulative translation adjustments to earnings upon sale or liquidation of foreign businesses.

Note 12: Employee Stock and Benefit Plans

We maintain several equity incentive plans under which we may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units (“RSUs”) or stock appreciation rights to employees, non-employee directors and consultants. We issue new shares of common stock upon exercise of stock options and the vesting of RSUs. We also have an employee stock purchase plan (“ESPP”).

As of September 30, 2018, there were 56.9 million shares of common stock available for issuance pursuant to future equity-based compensation awards and 12.7 million shares available for issuance under our ESPP.

Stock-based compensation expense recognized in the consolidated financial statements (*in millions*) :

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|---|--------------|-------------|-------------|
| Options | \$ 28.0 | \$ 44.3 | \$ 42.7 |
| RSUs | 222.3 | 131.7 | 175.4 |
| Total stock-based compensation expense recognized in the consolidated statements of earnings | \$ 250.3 | \$ 176.0 | \$ 218.1 |
| Total related tax benefit | \$ 62.4 | \$ 57.6 | \$ 73.0 |
| Total capitalized stock-based compensation included in net property, plant and equipment and inventories on the consolidated balance sheets | \$ 3.5 | \$ 1.9 | \$ 1.5 |

Stock Option Plans

Stock options to purchase our common stock are granted at the fair value of the stock on the grant date. The majority of options become exercisable in four equal installments beginning a year from the grant date and generally expire 10 years from the grant date. Options granted to non-employee directors generally vest over one to three years. All outstanding stock options are non-qualified stock options.

The fair value of stock option awards was estimated at the grant date with the following weighted average assumptions for fiscal years 2018 , 2017 and 2016 :

| Fiscal Year Ended | Employee Stock Options Granted During the Period | | |
|---|---|----------|----------|
| | 2018 | 2017 | 2016 |
| Expected term (in years) | 3.6 | 3.9 | 3.9 |
| Expected stock price volatility | 20.5% | 21.6% | 23.9% |
| Risk-free interest rate | 2.1% | 1.5% | 1.2% |
| Expected dividend yield | 2.2% | 1.8% | 1.3% |
| Weighted average grant price | \$ 56.56 | \$ 56.12 | \$ 60.20 |
| Estimated fair value per option granted | \$ 7.32 | \$ 8.56 | \$ 10.54 |

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. Expected stock price volatility is based on a combination of historical volatility of our stock and the one-year implied volatility of Starbucks traded options, for the related vesting periods. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term. The dividend yield assumption is based on our anticipated cash dividend payouts. The amounts shown above for the estimated fair value per option granted are before the estimated effect of forfeitures, which reduce the amount of expense recorded in the consolidated statements of earnings.

Stock option transactions for the year ended September 30, 2018 (in millions, except per share and contractual life amounts) :

| | Shares Subject to Options | Weighted Average Exercise Price per Share | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|---|---------------------------------|---|---|---------------------------------|
| Outstanding, October 1, 2017 | 31.4 | \$ 36.51 | 5.8 | \$ 589 |
| Granted | 3.9 | 56.56 | | |
| Exercised | (6.3) | 19.46 | | |
| Expired/forfeited | (1.7) | 55.24 | | |
| Outstanding, September 30, 2018 | 27.3 | 42.13 | 5.2 | 418 |
| Exercisable, September 30, 2018 | 19.8 | 36.95 | 4.1 | 405 |
| Vested and expected to vest, September 30, 2018 | 26.3 | 41.59 | 5.1 | 417 |

The aggregate intrinsic value in the table above, which is the amount by which the market value of the underlying stock exceeded the exercise price of outstanding options, is before applicable income taxes and represents the amount optionees would have realized if all in-the-money options had been exercised on the last business day of the period indicated.

As of September 30, 2018 , total unrecognized stock-based compensation expense, net of estimated forfeitures, related to nonvested options was approximately \$19 million , before income taxes, and is expected to be recognized over a weighted average period of approximately 2.4 years . The total intrinsic value of options exercised was \$236 million , \$181 million , and \$254 million during fiscal years 2018 , 2017 and 2016 , respectively. The total fair value of options vested was \$53 million , \$40 million , and \$37 million during fiscal years 2018 , 2017 and 2016 , respectively.

RSUs

We have both time-vested and performance-based RSUs. Time-vested RSUs are awarded to eligible employees and non-employee directors and entitle the grantee to receive shares of common stock at the end of a vesting period, subject solely to the employee's continuing employment or the non-employee director's continuing service. The majority of time-vested RSUs vest in two equal annual installments beginning a year from the grant date. Our performance-based RSUs are awarded to eligible employees and entitle the grantee to receive shares of common stock if we achieve specified performance goals during the performance period and the grantee remains employed during the subsequent vesting period. The majority of performance-based RSUs vest in two equal annual installments beginning two years from the grant date.

RSU transactions for the year ended September 30, 2018 (in millions, except per share and contractual life amounts) :

| | Number of Shares | Weighted Average Grant Date Fair Value per Share | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|-------------------------------|------------------|--|---|---------------------------|
| Nonvested, October 1, 2017 | 7.6 | \$ 52.06 | 0.9 | \$ 410 |
| Granted | 9.5 | 56.48 | | |
| Vested | (3.3) | 50.18 | | |
| Forfeited/canceled | (2.6) | 54.87 | | |
| Nonvested, September 30, 2018 | 11.2 | 55.62 | 1.0 | 636 |

For fiscal 2017 and 2016, the weighted average fair value per RSU granted was \$54.30 and \$58.81, respectively. As of September 30, 2018, total unrecognized stock-based compensation expense related to nonvested RSUs, net of estimated forfeitures, was approximately \$192 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 1.9 years. The total fair value of RSUs vested was \$166 million, \$182 million and \$169 million during fiscal years 2018, 2017 and 2016, respectively.

ESPP

Our ESPP allows eligible employees to contribute up to 10% of their base earnings toward the quarterly purchase of our common stock, subject to an annual maximum dollar amount. The purchase price is 95% of the fair market value of the stock on the last business day of the quarterly offering period. The number of shares issued under our ESPP was 0.6 million in fiscal 2018.

Deferred Compensation Plan

We have a Deferred Compensation Plan for Non-Employee Directors under which non-employee directors may, for any fiscal year, irrevocably elect to defer receipt of shares of common stock the director would have received upon vesting of restricted stock units. The number of deferred shares outstanding related to deferrals made under this plan is not material.

Defined Contribution Plans

We maintain voluntary defined contribution plans, both qualified and non-qualified, covering eligible employees as defined in the plan documents. Participating employees may elect to defer and contribute a portion of their eligible compensation to the plans up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws.

Our matching contributions to all U.S. and non-U.S. plans were \$111.7 million, \$101.4 million and \$86.2 million in fiscal years 2018, 2017 and 2016, respectively.

Note 13: Income Taxes

On December 22, 2017, the President of the United States signed and enacted comprehensive tax legislation into law H.R. 1, commonly referred to as the Tax Act. Except for certain provisions, the Tax Act is effective for tax years beginning on or after January 1, 2018. As a fiscal year U.S. taxpayer, the majority of the provisions will apply to our fiscal 2019, such as eliminating the domestic manufacturing deduction, creating new taxes on certain foreign sourced income and introducing new limitations on certain business deductions. For fiscal 2018 and effective in the first fiscal quarter, the most significant impacts included: lowering of the U.S. federal corporate income tax rate; remeasuring certain net deferred tax liabilities; and requiring the transition tax on the deemed repatriation of certain foreign earnings. The phase in of the lower corporate income tax rate resulted in a blended rate of 24.5% for fiscal 2018, as compared to the previous 35%. The tax rate will be reduced to 21% in subsequent fiscal years. We recorded net income tax benefit for the provisional remeasurement of certain deferred taxes and related amounts of \$71 million for the year ended September 30, 2018. Additionally, we recorded a provisional \$231 million of income tax expense for the estimated effects of the transition tax, net of adjustments related to uncertain tax positions for the year ended September 30, 2018. Of the total provisional transition tax obligation recorded to date, \$237 million of income taxes payable was included in other long-term liabilities on the consolidated balance sheet as of September 30, 2018.

Based on our current interpretation of the Tax Act, we made reasonable estimates to record provisional adjustments during fiscal 2018, as described above. Collectively, these items did not have a material impact to our consolidated financial statements. Since we are still accumulating and processing data to finalize the underlying calculations and expect regulators to issue further guidance, among other things, we believe our estimates may change. We continue to refine such amounts within the measurement period allowed, which will be completed no later than the first quarter of fiscal 2019.

Components of earnings before income taxes (*in millions*):

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|---|---------------------|--------------------|--------------------|
| United States | \$ 4,826.0 | \$ 3,393.0 | \$ 3,415.7 |
| Foreign | 954.0 | 924.5 | 782.9 |
| Total earnings before income taxes | \$ 5,780.0 | \$ 4,317.5 | \$ 4,198.6 |

 Provision/(benefit) for income taxes (*in millions*):

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|---------------------------------|---------------------|--------------------|--------------------|
| Current taxes: | | | |
| U.S. federal | \$ 156.2 | \$ 931.0 | \$ 704.1 |
| U.S. state and local | 52.0 | 170.8 | 166.5 |
| Foreign | 327.0 | 216.6 | 218.5 |
| Total current taxes | 535.2 | 1,318.4 | 1,089.1 |
| Deferred taxes: | | | |
| U.S. federal | 633.7 | 121.2 | 351.3 |
| U.S. state and local | 101.5 | 14.2 | 25.8 |
| Foreign | (8.4) | (21.2) | (86.5) |
| Total deferred taxes | 726.8 | 114.2 | 290.6 |
| Total income tax expense | \$ 1,262.0 | \$ 1,432.6 | \$ 1,379.7 |

Reconciliation of the statutory U.S. federal income tax rate with our effective income tax rate:

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--|---------------------|--------------------|--------------------|
| Statutory rate | 24.5 % | 35.0 % | 35.0 % |
| State income taxes, net of federal tax benefit | 2.1 | 2.8 | 3.0 |
| Benefits and taxes related to foreign operations | (0.1) | (2.8) | (2.2) |
| Domestic production activity deduction | — | (1.8) | (1.9) |
| Gain resulting from acquisition of joint venture | (5.8) | — | — |
| Impact of the Tax Act | 2.8 | — | — |
| Other, net | (1.7) | — | (1.0) |
| Effective tax rate | 21.8 % | 33.2 % | 32.9 % |

The Company continues to evaluate its plans for reinvestment or repatriation of unremitted foreign earnings and thus has not adjusted its previous indefinite reinvestment assertions for the effects of the Tax Act. In the event we determine that all or a portion of such unremitted foreign earnings are no longer indefinitely reinvested, we may be subject to additional U.S. federal and state income taxes and foreign withholding taxes, beyond the Tax Act's one-time transition tax, which could be material.

Tax effect of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities (*in millions*):

| | Sep 30, 2018 | Oct 1, 2017 |
|---|-------------------|-------------------|
| Deferred tax assets: | | |
| Property, plant and equipment | \$ 67.4 | \$ 71.3 |
| Accrued occupancy costs | 109.0 | 118.0 |
| Accrued compensation and related costs | 64.2 | 95.0 |
| Stored value card liability and deferred revenue | 144.2 | 130.7 |
| Stock-based compensation | 96.7 | 125.9 |
| Net operating losses | 79.2 | 80.8 |
| Litigation charge ⁽¹⁾ | — | 792.0 |
| Other | 129.5 | 180.8 |
| Total | \$ 690.2 | \$ 1,594.5 |
| Valuation allowance | (129.3) | (80.1) |
| Total deferred tax asset, net of valuation allowance | \$ 560.9 | \$ 1,514.4 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | (348.1) | (477.2) |
| Intangible assets and goodwill | (274.2) | (159.0) |
| Other | (74.1) | (89.1) |
| Total | (696.4) | (725.3) |
| Net deferred tax asset (liability) | \$ (135.5) | \$ 789.1 |
| Reported as: | | |
| Deferred income tax assets | 134.7 | 795.4 |
| Deferred income tax liabilities (included in Other long-term liabilities) | (270.2) | (6.3) |
| Net deferred tax asset (liability) | \$ (135.5) | \$ 789.1 |

⁽¹⁾ The tax deduction for litigation charges was accelerated during fiscal 2018.

The valuation allowance as of September 30, 2018 and October 1, 2017 is primarily related to net operating losses and other deferred tax assets of consolidated foreign subsidiaries.

As of September 30, 2018, we had state net operating loss carryforwards of \$32.0 million which will begin to expire in fiscal 2024, state tax credit carryforwards of \$9.7 million, of which \$9.3 million will begin to expire in fiscal 2024 and the remainder will begin to expire in fiscal 2019, and foreign net operating loss carryforwards of \$290.7 million, of which \$180.8 million have an indefinite carryforward period and the remainder expire at various dates starting from fiscal 2019.

Uncertain Tax Positions

As of September 30, 2018, we had \$224.6 million of gross unrecognized tax benefits of which \$157.3 million, if recognized, would affect our effective tax rate. We recognized a benefit of \$0.5 million, an expense of \$5.2 million and a benefit of \$3.6 million of interest and penalties in income tax expense, prior to the benefit of the federal tax deduction, for fiscal 2018, 2017 and 2016, respectively. As of September 30, 2018 and October 1, 2017, we had accrued interest and penalties of \$12.8 million and \$11.2 million, respectively, within our consolidated balance sheets.

The following table summarizes the activity related to our unrecognized tax benefits (*in millions*) :

| | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--|-----------------|-----------------|-----------------|
| Beginning balance | \$ 196.9 | \$ 146.5 | \$ 150.4 |
| Increase related to prior year tax positions | 17.5 | 10.4 | — |
| Decrease related to prior year tax positions | (41.8) | — | (23.6) |
| Increase related to current year tax positions | 62.4 | 41.3 | 33.7 |
| Decreases related to settlements with taxing authorities | (4.5) | — | (3.1) |
| Decrease related to lapsing of statute of limitations | (5.9) | (1.3) | (10.9) |
| Ending balance | <u>\$ 224.6</u> | <u>\$ 196.9</u> | <u>\$ 146.5</u> |

We are currently under examination, or may be subject to examination, by various U.S. federal, state, local and foreign tax jurisdictions for fiscal years 2006 through 2017. We are no longer subject to U.S. federal or state examination for years prior to fiscal year 2011, with the exception of one state. We are no longer subject to examination in any material international markets prior to 2006.

It is reasonably possible that a portion of the Company's gross unrecognized tax benefits may be recognized by the end of fiscal 2019 for reasons such as a lapse of the statute of limitations or resolution of examinations with tax authorities. We estimate this range to be approximately \$79 million to \$117 million .

Note 14: Earnings per Share

Calculation of net earnings per common share (“EPS”) — basic and diluted (*in millions, except EPS*) :

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--|----------------|----------------|----------------|
| Net earnings attributable to Starbucks | \$ 4,518.3 | \$ 2,884.7 | \$ 2,817.7 |
| Weighted average common shares outstanding (for basic calculation) | 1,382.7 | 1,449.5 | 1,471.6 |
| Dilutive effect of outstanding common stock options and RSUs | 11.9 | 12.0 | 15.1 |
| Weighted average common and common equivalent shares outstanding (for diluted calculation) | <u>1,394.6</u> | <u>1,461.5</u> | <u>1,486.7</u> |
| EPS — basic | \$ 3.27 | \$ 1.99 | \$ 1.91 |
| EPS — diluted | \$ 3.24 | \$ 1.97 | \$ 1.90 |

Potential dilutive shares consist of the incremental common shares issuable upon the exercise of outstanding stock options (both vested and non-vested) and unvested RSUs, calculated using the treasury stock method. The calculation of dilutive shares outstanding excludes out-of-the-money stock options (i.e., such options’ exercise prices were greater than the average market price of our common shares for the period) because their inclusion would have been antidilutive. We had 14.1 million , 11.4 million , and 5.4 million out-of-the-money stock options as of September 30, 2018 , October 1, 2017 , and October 2, 2016 , respectively.

Note 15: Commitments and Contingencies

Return of Capital

In September 2018, we entered into accelerated share repurchase agreements (“ASR agreements”) with third-party financial institutions totaling \$5.0 billion , effective October 1, 2018. We made a \$5.0 billion upfront payment on October 2, 2018 to the financial institutions and received an initial delivery of shares, which approximates 80 percent of the total number of shares to be repurchased under the ASR agreements. Upon completion, the total shares repurchased will be based on the volume-weighted average share price during the term of the ASR agreements less an applicable discount. The financial institutions may be required to deliver additional shares or, under certain circumstances, we may be required to deliver shares or elect to make a cash payment to the financial institutions. Final settlement is expected to be completed as early as February 2019 and no later than March 2019. Refer to [Note 18](#) , Subsequent Events, for additional information about our ASR agreements.

Legal Proceedings

On April 13, 2010, an organization named Council for Education and Research on Toxics (“Plaintiff”) filed a lawsuit in the Superior Court of the State of California, County of Los Angeles, against the Company and certain other defendants who manufacture, package, distribute or sell brewed coffee. The lawsuit is *Council for Education and Research on Toxics v. Starbucks Corporation, et al .* On May 9, 2011, the Plaintiff filed an additional lawsuit in the Superior Court of the State of California, County of Los Angeles, against the Company and additional defendants who manufacture, package, distribute or

sell packaged coffee. The lawsuit is *Council for Education and Research on Toxics v. Brad Barry LLC, et al.* .. Both cases have since been consolidated and now include nearly eighty defendants, which constitute the great majority of the coffee industry in California. Plaintiff alleges that the Company and the other defendants failed to provide warnings for their coffee products of exposure to the chemical acrylamide as required under California Health and Safety Code section 25249.5, the California Safe Drinking Water and Toxic Enforcement Act of 1986, better known as Proposition 65. Plaintiff seeks equitable relief, including providing warnings to consumers of coffee products, as well as civil penalties in the amount of the statutory maximum of two thousand five hundred dollars per day per violation of Proposition 65. The Plaintiff asserts that every consumed cup of coffee, absent a compliant warning, is equivalent to a violation under Proposition 65.

The Company, as part of a joint defense group organized to defend against the lawsuit, disputes the claims of the Plaintiff. Acrylamide is not added to coffee, but is present in all coffee in small amounts (parts per billion) as a byproduct of the coffee bean roasting process. The Company has asserted multiple affirmative defenses. Trial of the first phase of the case commenced on September 8, 2014, and was limited to three affirmative defenses shared by all defendants. On September 1, 2015, the trial court issued a final ruling adverse to defendants on all Phase 1 defenses. Trial of the second phase of the case commenced in the fall of 2017. On May 7, 2018, the trial court issued a ruling adverse to defendants on the Phase 2 defense, the Company's last remaining defense to liability. On June 22, 2018 the California Office of Environmental Health Hazard Assessment (OEHHA) proposed a new regulation clarifying that cancer warnings are not required for coffee under Proposition 65. Defendants anticipate that the proposed regulation will be final by January 2019. The case was set to proceed to a third phase trial on damages, remedies and attorneys' fees on October 15, 2018. However, on October 12, 2018, the California Court of Appeal granted the defendants request for a stay of the Phase 3 trial.

At this stage of the proceedings, Starbucks believes that the likelihood that the Company will ultimately incur a loss in connection with this litigation is reasonably possible rather than probable. Accordingly, no loss contingency was recorded for this matter. The outcome and the financial impact of the case to Starbucks, if any, cannot be predicted.

Starbucks is party to various other legal proceedings arising in the ordinary course of business, including certain employment litigation cases that have been certified as class or collective actions, but, except as noted above, is not currently a party to any legal proceeding that management believes could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Note 16: Segment Reporting

Segment information is prepared on the same basis that our ceo, who is our Chief Operating Decision Maker, manages the segments, evaluates financial results, and makes key operating decisions.

On August 26, 2018, our Channel Development segment finalized licensing and distribution agreements with Nestlé to sell and market our consumer packaged goods and foodservice products. The scope of the arrangement converts the majority of our previously defined Channel Development segment operations, as well as certain smaller businesses previously reported in the Americas, EMEA and Corporate and Other (previously All Other Segments), from company-owned to licensed operations with Nestlé. As a result, we realigned our organizational and operating segment structures in support of this newly established Global Coffee Alliance, and our reportable segments were restated as if those smaller businesses were previously within our Channel Development segment.

We have four reportable operating segments: 1) Americas, which is inclusive of the U.S., Canada, and Latin America; 2) China/Asia Pacific ("CAP"); 3) Europe, Middle East, and Africa ("EMEA") and 4) Channel Development.

Americas, CAP, and EMEA operations sell coffee and other beverages, complementary food, packaged coffees, single-serve coffee products and a focused selection of merchandise through company-operated stores and licensed stores. Our Americas segment is our most mature business and has achieved significant scale. Certain markets within our CAP and EMEA operations are in various stages of development or undergoing transformations of their business models. Therefore, they may require a more extensive support organization, relative to their current levels of revenue and operating income, than our Americas operations.

Channel Development revenues include packaged coffee sales, tea and ready-to-drink beverages to customers outside of our company-operated and licensed stores. Historically revenues have included domestic and international sales of our packaged coffee, tea and ready-to-drink products to grocery, warehouse club and specialty retail stores and through institutional foodservice companies which serviced businesses. In the fourth quarter of fiscal 2018, we licensed our consumer packaged goods and foodservice businesses to Nestlé. As a result, Channel Development revenues also include revenues from product sales to and royalty revenues from Nestlé. The collaborative business relationships for ready-to-drink products and the associated revenues remain unchanged due to the Global Coffee Alliance.

Consolidated revenue mix by product type (*in millions*):

| Fiscal Year Ended | Sep 30, 2018 | | Oct 1, 2017 | | Oct 2, 2016 | |
|--|---------------------|-------------|--------------------|-------------|--------------------|-------------|
| Beverage | \$ 14,463.1 | 59% | \$ 12,915.0 | 58% | \$ 12,383.4 | 58% |
| Food | 4,397.7 | 18% | 3,832.1 | 17% | 3,495.0 | 16% |
| Packaged and single-serve coffees and teas | 2,797.5 | 11% | 2,883.6 | 13% | 2,866.0 | 14% |
| Other ⁽¹⁾ | 3,061.2 | 12% | 2,756.1 | 12% | 2,571.5 | 12% |
| Total | \$ 24,719.5 | 100% | \$ 22,386.8 | 100% | \$ 21,315.9 | 100% |

⁽¹⁾ “Other” primarily consists of royalty and licensing revenues, beverage-related ingredients, serveware, and ready-to-drink beverages, among other items.

Information by geographic area (*in millions*):

| Fiscal Year Ended | Sep 30, 2018 | Oct 1, 2017 | Oct 2, 2016 |
|--------------------------|---------------------|--------------------|--------------------|
| <i>Net revenues:</i> | | | |
| United States | \$ 17,409.4 | \$ 16,527.1 | \$ 15,774.8 |
| Other countries | 7,310.1 | 5,859.7 | 5,541.1 |
| Total | \$ 24,719.5 | \$ 22,386.8 | \$ 21,315.9 |

Long-lived assets:

| | | | |
|-----------------|--------------------|-------------------|-------------------|
| United States | \$ 5,635.9 | \$ 5,848.3 | \$ 6,012.8 |
| Other countries | 6,026.3 | 3,234.0 | 3,541.8 |
| Total | \$ 11,662.2 | \$ 9,082.3 | \$ 9,554.6 |

No customer accounts for 10% or more of our revenues. Revenues are shown based on the geographic location of our customers. Revenues from countries other than the U.S. consist primarily of revenues from China, Japan, Canada and the U.K., which together account for approximately 81% of net revenues from other countries for fiscal 2018.

Management evaluates the performance of its operating segments based on net revenues and operating income. The accounting policies of the operating segments are the same as those described in [Note 1](#), Summary of Significant Accounting Policies. Operating income represents earnings before other income and expenses and income taxes. Management does not evaluate the performance of its operating segments using asset measures. The identifiable assets by segment disclosed in this note are those assets specifically identifiable within each segment and include cash and cash equivalents, net property, plant and equipment, equity and cost investments, goodwill, and other intangible assets. Assets not attributed to reportable operating segments are corporate assets and are primarily comprised of cash and cash equivalents available for general corporate purposes, investments, assets of the corporate headquarters and roasting facilities, and inventory.

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The table below presents financial information for our reportable operating segments and Corporate and Other segment for the years ended September 30, 2018, October 1, 2017 and October 2, 2016.

| <i>(in millions)</i> | Americas | China / Asia Pacific | EMEA | Channel Development | Corporate and Other | Total |
|--|-------------|-------------------------|------------|------------------------|------------------------|-------------|
| <i>Fiscal 2018</i> | | | | | | |
| Total net revenues | \$ 16,732.2 | \$ 4,473.6 | \$ 1,048.0 | \$ 2,297.3 | \$ 168.4 | \$ 24,719.5 |
| Depreciation and amortization expenses | 638.3 | 412.1 | 31.7 | 1.3 | 163.6 | 1,247.0 |
| Income from equity investees | — | 117.4 | — | 183.8 | — | 301.2 |
| Operating income/(loss) | 3,614.4 | 867.4 | 61.5 | 927.1 | (1,587.1) | 3,883.3 |
| Total assets | 4,380.9 | 5,863.5 | 356.4 | 148.2 | 13,407.4 | 24,156.4 |
| <i>Fiscal 2017</i> | | | | | | |
| Total net revenues | \$ 15,620.0 | \$ 3,240.2 | \$ 958.7 | \$ 2,256.6 | \$ 311.3 | \$ 22,386.8 |
| Depreciation and amortization expenses | 614.9 | 202.2 | 30.6 | 3.0 | 160.7 | 1,011.4 |
| Income from equity investees | — | 197.0 | — | 194.4 | — | 391.4 |
| Operating income/(loss) | 3,653.6 | 765.0 | 94.5 | 967.0 | (1,345.4) | 4,134.7 |
| Total assets | 3,327.2 | 2,770.9 | 273.8 | 129.1 | 7,864.6 | 14,365.6 |
| <i>Fiscal 2016</i> | | | | | | |
| Total net revenues | \$ 14,775.2 | \$ 2,938.8 | \$ 1,071.5 | \$ 2,195.1 | \$ 335.3 | \$ 21,315.9 |
| Depreciation and amortization expenses | 590.0 | 180.6 | 39.9 | 3.9 | 166.4 | 980.8 |
| Income from equity investees | — | 150.1 | 1.5 | 166.6 | — | 318.2 |
| Operating income/(loss) | 3,738.5 | 631.6 | 131.0 | 877.3 | (1,206.5) | 4,171.9 |
| Total assets | 3,424.6 | 2,740.2 | 552.1 | 82.2 | 7,513.4 | 14,312.5 |

Note 17: Selected Quarterly Financial Information (unaudited; in millions, except EPS)

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Full Year |
|--|------------------|-------------------|------------------|-------------------|--------------|
| <i>Fiscal 2018:</i> | | | | | |
| Net revenues | \$ 6,073.7 | \$ 6,031.8 | \$ 6,310.3 | \$ 6,303.6 | \$ 24,719.5 |
| Operating income | 1,116.1 | 772.5 | 1,038.2 | 956.6 | 3,883.3 |
| Net earnings attributable to Starbucks | 2,250.2 | 660.1 | 852.5 | 755.8 | 4,518.3 |
| EPS — diluted | 1.57 | 0.47 | 0.61 | 0.56 | 3.24 |
| <i>Fiscal 2017:</i> | | | | | |
| Net revenues | \$ 5,732.9 | \$ 5,294.0 | \$ 5,661.5 | \$ 5,698.3 | \$ 22,386.8 |
| Operating income | 1,132.6 | 935.4 | 1,044.2 | 1,022.5 | 4,134.7 |
| Net earnings attributable to Starbucks | 751.8 | 652.8 | 691.6 | 788.5 | 2,884.7 |
| EPS — diluted | 0.51 | 0.45 | 0.47 | 0.54 | 1.97 |

Note 18: Subsequent Events

On October 2, 2018 we used \$5.0 billion of net proceeds received from Nestlé to enter into an accelerated share repurchase program with third-party financial institutions. As a result, 72.0 million shares of our common stock have been retired. Final settlement is expected to be completed as early as February 2019 and no later than March 2019. Refer to [Note 15](#), Commitments and Contingencies for further discussion.

On October 24, 2018, we amended and restated our \$1.0 billion unsecured 364-Day credit facility to extend the term, which is now set to mature on October 23, 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Starbucks Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Starbucks Corporation and subsidiaries (the “Company”) as of September 30, 2018 and October 1, 2017 , the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the three years in the period ended September 30, 2018 , and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and October 1, 2017 , and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2018 , in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 16, 2018 , expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Seattle, Washington

November 16, 2018

We have served as the Company's auditor since 1987.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fourth quarter of fiscal 2018, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report (September 30, 2018).

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect internal control over financial reporting.

We acquired our East China joint venture on December 31, 2017 (see [Note 2](#), Acquisitions and Divestitures, to the consolidated financial statements included in Item 8 of Part II of this 10-K). As permitted by the Securities Exchange Commission Staff interpretive guidance for newly acquired businesses, management excluded East China from its evaluation of internal control over financial reporting as of September 30, 2018. We are in the process of documenting and testing East China's internal controls over financial reporting and plan to incorporate East China in our evaluation of internal controls over financial reporting beginning in the first quarter of fiscal 2019. East China contributed \$3.1 billion to our consolidated total assets as of September 30, 2018. For the year ended September 30, 2018, East China's revenue included in our consolidated statements of earnings was \$903.0 million. For the year ended September 30, 2018, East China's net earnings included in our consolidated statements of earnings was \$73.1 million.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits [31.1](#) and [31.2](#), respectively, to this 10-K.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control — Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of September 30, 2018.

Our internal control over financial reporting as of September 30, 2018 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Starbucks Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Starbucks Corporation and subsidiaries (the “Company”) as of September 30, 2018 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018 , based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2018 , of the Company and our report dated November 16, 2018 , expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

Seattle, Washington

November 16, 2018

Item 9B. Other Information

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information regarding our executive officers is set forth in Item 1 of Part 1 of this Report under the caption “Executive Officers of the Registrant.”

We adopted a code of ethics that applies to our chief executive officer, chief financial officer, controller and other finance leaders, which is a “code of ethics” as defined by applicable rules of the SEC. This code is publicly available on our website at www.starbucks.com/about-us/company-information/corporate-governance. If we make any amendments to this code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code to our chief executive officer, chief operating officer, chief financial officer or controller, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies on our website at www.starbucks.com/about-us/company-information/corporate-governance or in a report on Form 8-K filed with the SEC.

The remaining information required by this item is incorporated herein by reference to the sections entitled “Proposal 1 — Election of Directors” and “Beneficial Ownership of Common Stock — Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance — Board Committees and Related Matters” and “Corporate Governance — Audit and Compliance Committee” in our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on March 20, 2019 (the “Proxy Statement”).

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to the sections entitled “Executive Compensation,” “Compensation of Directors,” “Corporate Governance — Compensation and Management Development Committee” and “Compensation Committee Report” in the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters*

The information required by this item is incorporated by reference to the sections entitled “Equity Compensation Plan Information” and “Beneficial Ownership of Common Stock” in the Proxy Statement.

Item 13. *Certain Relationships, Related Transactions and Director Independence*

The information required by this item is incorporated by reference to the section entitled “Certain Relationships and Related Transactions” and “Corporate Governance — Affirmative Determinations Regarding Director Independence and Other Matters” in the Proxy Statement.

Item 14. *Principal Accounting Fees and Services*

The information required by this item is incorporated by reference to the sections entitled “Independent Registered Public Accounting Firm Fees” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm” in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this 10-K:

1. Financial Statements

The following financial statements are included in Part II, Item 8 of this 10-K:

- Consolidated Statements of Earnings for the fiscal years ended September 30, 2018 , October 1, 2017 , and October 2, 2016 ;
- Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2018 , October 1, 2017 , and October 2, 2016 ;
- Consolidated Balance Sheets as of September 30, 2018 and October 1, 2017 ;
- Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2018 , October 1, 2017 , and October 2, 2016 ;
- Consolidated Statements of Equity for the fiscal years ended September 30, 2018 , October 1, 2017 , and October 2, 2016 ;
- Notes to Consolidated Financial Statements; and
- Reports of Independent Registered Public Accounting Firm

2. Financial Statement Schedules

Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or notes described in Item 15(a)(1) above.

3. Exhibits

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|----------------------|--|---------------------------|------------|----------------|----------------|----------------|
| | | Form | File No. | Date of Filing | Exhibit Number | |
| 2.1 | Transaction Agreement, dated as of May 6, 2018 by and between Starbucks Corporation and Nestlé S.A. | 8-K | 0-20322 | 5/7/2018 | 2.1 | |
| 3.1 | Restated Articles of Incorporation of Starbucks Corporation | 10-Q | 0-20322 | 4/28/2015 | 3.1 | |
| 3.2 | Amended and Restated Bylaws of Starbucks Corporation (As amended and restated through June 1, 2018) | 8-K | 0-20322 | 6/5/2018 | 3.1 | |
| 4.1 | Indenture, dated as of September 15, 2016, by and between Starbucks Corporation and U.S. Bank National Association, as trustee | S-3ASR | 333-213645 | 9/15/2016 | 4.1 | |
| 4.2 | First Supplemental Indenture, dated March 17, 2017, by and between Starbucks Corporation and U.S. Bank National Association, as trustee, transfer agent and registrar, and Elavon Financial Services, DAC, UK Branch, as paying agent (0.372% Senior Notes due 2024) | 8-K | 0-20322 | 3/20/2017 | 4.2 | |
| 4.3 | Form of 0.372% Senior Note due March 15, 2024 | 8-K | 0-20322 | 3/20/2017 | 4.3 | |
| 4.4 | Second Supplemental Indenture, dated as of November 22, 2017, by and between Starbucks Corporation and U.S. Bank National Association, as trustee (2.200% Senior Notes due 2020 and 3.750% Senior Notes due 2047) | 8-K | 0-20322 | 11/22/2017 | 4.2 | |
| 4.5 | Form of 2.200% Senior Notes due November 22, 2020 (included in Exhibit 4.2) | 8-K | 0-20322 | 11/22/2017 | 4.3 | |
| 4.6 | Form of 3.750% Senior Notes due December 1, 2047 (included in Exhibit 4.2) | 8-K | 0-20322 | 11/22/2017 | 4.4 | |
| 4.7 | Third Supplemental Indenture, dated as of February 28, 2018, by and between Starbucks Corporation and U.S. Bank National Association, as trustee (3.100% Senior Notes due 2023 and 3.500% Senior Notes due 2028) | 8-K | 0-20322 | 2/28/2018 | 4.2 | |
| 4.8 | Form of 3.100% Senior Notes due March 1, 2023 | 8-K | 0-20322 | 2/28/2018 | 4.3 | |
| 4.9 | Form of 3.500% Senior Notes due March 1, 2028 | 8-K | 0-20322 | 2/28/2018 | 4.4 | |
| 4.10 | Fourth Supplemental Indenture, dated as of August 10, 2018, by and between Starbucks Corporation and U.S. Bank National Association, as trustee (3.800% Senior Notes due 2025, 4.000% Senior Notes due 2028 and 4.500% Senior Notes due 2048) | 8-K | 0-20322 | 8/10/2018 | 4.2 | |
| 4.11 | Form of 3.800% Senior Notes due August 15, 2025 | 8-K | 0-20322 | 8/10/2018 | 4.3 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|----------------------|---|---------------------------|------------|----------------|----------------|----------------|
| | | Form | File No. | Date of Filing | Exhibit Number | |
| 4.12 | Form of 4.000% Senior Notes due November 15, 2028 | 8-K | 0-20322 | 8/10/2018 | 4.4 | |
| 4.13 | Form of 4.500% Senior Notes due November 15, 2048 | 8-K | 0-20322 | 8/10/2018 | 4.5 | |
| 4.14 | Indenture, dated as of August 23, 2007, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee | S-3ASR | 333-190955 | 9/3/2013 | 4.1 | |
| 4.15 | Second Supplemental Indenture, dated as of September 6, 2013, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (3.850% Senior Notes due October 1, 2023) | 8-K | 0-20322 | 9/6/2013 | 4.2 | |
| 4.16 | Form of 3.850% Senior Notes due October 1, 2023 | 8-K | 0-20322 | 9/6/2013 | 4.3 | |
| 4.17 | Third Supplemental Indenture, dated as of December 5, 2013, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (0.875% Senior Notes due 2016 and 2.000% Senior Notes due 2018) | 8-K | 0-20322 | 12/5/2013 | 4.2 | |
| 4.18 | Form of 2.000% Senior Notes due December 5, 2018 | 8-K | 0-20322 | 12/5/2013 | 4.4 | |
| 4.19 | Fourth Supplemental Indenture, dated as of June 10, 2015, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (2.700% Senior Notes due June 15, 2022 and 4.300% Senior Notes due June 15, 2045) | 8-K | 0-20322 | 6/10/2015 | 4.2 | |
| 4.20 | Form of 2.700% Senior Notes due June 15, 2022 | 8-K | 0-20322 | 6/10/2015 | 4.3 | |
| 4.21 | Form of 4.300% Senior Notes due June 15, 2045 | 8-K | 0-20322 | 6/10/2015 | 4.4 | |
| 4.22 | Fifth Supplemental Indenture, dated as of February 4, 2016, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (2.100% Senior Notes due February 4, 2021) | 8-K | 0-20322 | 2/4/2016 | 4.2 | |
| 4.23 | Form of 2.100% Senior Notes due February 4, 2021 | 8-K | 0-20322 | 2/4/2016 | 4.3 | |
| 4.24 | Sixth Supplemental Indenture, dated as of May 16, 2016, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (2.450% Senior Notes due June 15, 2026) | 8-K | 0-20322 | 5/16/2016 | 4.4 | |
| 4.25 | Form of 2.450% Senior Notes due June 15, 2026 | 8-K | 0-20322 | 5/16/2016 | 4.5 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|------------------------|--|---------------------------|----------|----------------|----------------|----------------|
| | | Form | File No. | Date of Filing | Exhibit Number | |
| 10.1* | Starbucks Corporation Employee Stock Purchase Plan — 1995 as amended and restated on April 9, 2015 to reflect adjustments for the 2-for-1 forward stock split effective on such date | 10-Q | 0-20322 | 8/1/2017 | 10.1 | |
| 10.2* | Starbucks Corporation Executive Management Bonus Plan, as amended and restated November 10, 2015, effective September 28, 2015 | 10-K | 0-20322 | 11/18/2016 | 10.4 | |
| 10.3* | Starbucks Corporation Management Deferred Compensation Plan, as amended and restated effective January 1, 2011 | 10-Q | 0-20322 | 2/4/2011 | 10.2 | |
| 10.4* | Starbucks Corporation UK Share Save Plan | 10-K | 0-20322 | 12/23/2003 | 10.9 | |
| 10.5* | Starbucks Corporation Deferred Compensation Plan for Non-Employee Directors, effective October 3, 2011, as amended and restated effective September 11, 2018 | | | | | X |
| 10.6* | Starbucks Corporation UK Share Incentive Plan, as amended and restated effective November 14, 2006 | 10-K | 0-20322 | 12/14/2006 | 10.12 | |
| 10.7* | Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as amended and restated effective March 20, 2013, as restated on April 9, 2015 to reflect adjustments for the 2-for-1 forward stock split effective on such date, and as amended and restated by the Board on September 11, 2018 | | | | | X |
| 10.8* | 2005 Key Employee Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as amended and restated effective November 15, 2005 | 10-Q | 0-20322 | 2/10/2006 | 10.2 | |
| 10.9* | 2005 Non-Employee Director Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as amended and restated effective September 11, 2018 | | | | | X |
| 10.10* | Form of Stock Option Grant Agreement for Purchase of Stock under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan | 10-Q | 0-20322 | 5/2/2012 | 10.1 | |
| 10.11* | Form of Global Stock Option Grant Agreement for Purchase of Stock under the Key Employee Sub-Plan to the 2005 Long Term Equity Incentive Plan | 10-K | 0-20322 | 11/18/2016 | 10.14 | |
| 10.12* | Form of Stock Option Grant Agreement for Purchase of Stock under the 2005 Non-Employee Director Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan | 10-Q | 0-20322 | 4/26/2016 | 10.2 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|------------------------|--|---------------------------|----------|----------------|----------------|----------------|
| | | Form | File No. | Date of Filing | Exhibit Number | |
| 10.13* | Form of Restricted Stock Unit Grant Agreement under the 2005 Non-Employee Director Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan | 10-Q | 0-20322 | 4/26/2016 | 10.3 | |
| 10.14 | Credit Agreement, dated October 25, 2017, among Starbucks Corporation, Bank of America, N.A., in its capacity as Administrative Agent, Swing Line Lender and L/C Issuer, Wells Fargo Bank, N.A., Citibank, N.A. and U.S. Bank National Association, as L/C Issuers, and the other Lenders from time to time a party thereto. | 8-K | 0-20322 | 10/30/2017 | 10.1 | |
| 10.15 | Amended and Restated 364-Day Credit Agreement, dated October 24, 2018, among Starbucks Corporation, Bank of America, N.A., in its capacity as Administrative Agent and Swing Line Lender, and the other Lenders from time to time a party thereto. | 8-K | 0-20322 | 10/26/2018 | 10.1 | |
| 10.16 | Form of Commercial Paper Dealer Agreement between Starbucks Corporation, as Issuer, and the Dealer | 8-K | 0-20322 | 7/29/2016 | 10.1 | |
| 10.17* | Form of Time Vested Restricted Stock Unit Grant Agreement (U.S.) under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan | 10-K | 0-20322 | 11/18/2011 | 10.30 | |
| 10.18* | Form of Time Vested Global Restricted Stock Unit Grant Agreement under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan | 10-K | 0-20322 | 11/18/2016 | 10.21 | |
| 10.19* | Form of Performance Based Global Restricted Stock Unit Grant Agreement under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan | 10-K | 0-20322 | 11/18/2016 | 10.22 | |
| 10.20* | Form of Global Key Employee Restricted Stock Unit Grant Agreement | 10-K | 0-20322 | 11/17/2017 | 10.24 | |
| 10.21* | Form of Global Key Employee Restricted Stock Unit Grant Agreement (Effective November 2018) | | | | | X |
| 10.22* | Form of Global Key Employee Stock Option Grant Agreement for Purchase of Stock under the 2005 Long-Term Equity Incentive Plan | 10-K | 0-20322 | 11/17/2017 | 10.25 | |
| 10.23* | Form of Global Key Employee Performance-Based Stock Option Grant Agreement for Purchase of Stock under the 2005 Long-Term Equity Incentive Plan | | | | | X |
| 10.24* | Form of Global Key Employee Restricted Stock Unit Grant Agreement (Performance-Based) | 10-K | 0-20322 | 11/17/2017 | 10.26 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|------------------------|---|---------------------------|----------|----------------|----------------|----------------|
| | | Form | File No. | Date of Filing | Exhibit Number | |
| 10.25* | Form of Global Key Employee Restricted Stock Unit Grant Agreement (Performance-Based) (Effective November 2018) | | | | | X |
| 10.26* | Exclusive Aircraft Sublease (S/N 6003) dated as of September 27, 2013 by and between Cloverdale Services, LLC and Starbucks Corporation | 10-Q | 0-20322 | 4/29/2014 | 10.3 | |
| 10.27* | Transition Agreement dated June 27, 2018 between Scott Maw and Starbucks Corporation | 8-K/A | 0-20322 | 6/29/2018 | 10.1 | |
| 10.28* | Offer Letter dated March 23, 2017 between Starbucks Corporation and Kevin Johnson | 10-Q | 0-20322 | 5/2/2017 | 10.1 | |
| 10.29* | Offer Letter dated August 23, 2017 between Starbucks Corporation and Rosalind Brewer | 8-K | 0-20322 | 9/6/2017 | 10.1 | |
| 10.30* | Retirement Agreement, dated June 1, 2018, by and between Starbucks Corporation and Howard Schultz | 8-K | 0-20322 | 6/5/2018 | 10.1 | |
| 10.31* | Offer Letter dated October 5, 2018 between Starbucks Corporation and Patrick J. Grismer | 8-K | 0-20322 | 10/9/2018 | 10.1 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference | | | | Filed Herewith |
|----------------------|---|---------------------------|----------|----------------|----------------|----------------|
| | | Form | File No. | Date of Filing | Exhibit Number | |
| 21 | Subsidiaries of Starbucks Corporation | — | — | — | — | X |
| 23 | Consent of Independent Registered Public Accounting Firm | — | — | — | — | X |
| 24 | Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K) | — | — | — | — | X |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | — | — | — | — | X |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | — | — | — | — | X |
| 32** | Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | — | — | — | — | |
| 101 | The following financial statements from the Company's 10-K for the fiscal year ended September 30, 2018, formatted in XBRL: (i) Consolidated Statements of Earnings, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, and (vi) Notes to Consolidated Financial Statements | — | — | — | — | X |

* Denotes a management contract or compensatory plan or arrangement.

**Furnished herewith.

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, thereunto duly authorized.

STARBUCKS CORPORATION

By: /s/ Kevin R. Johnson
Kevin R. Johnson
president and chief executive officer

November 16, 2018

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Kevin R. Johnson, Scott Maw and Rachel A. Gonzalez, and each of them, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or such person's substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of November 16, 2018 .

| <u>Signature</u> | <u>Title</u> |
|---|---|
| By: <u>/s/ Kevin R. Johnson</u> Kevin R. Johnson | president and chief executive officer, director (principal executive officer) |
| By: <u>/s/ Scott Maw</u> Scott Maw | executive vice president, chief financial officer (principal financial officer and principal accounting officer) |
| By: <u>/s/ Rosalind G. Brewer</u> Rosalind G. Brewer | director |
| By: <u>/s/ Mary N. Dillon</u> Mary N. Dillon | director |
| By: <u>/s/ Mellody Hobson</u> Mellody Hobson | director |
| By: <u>/s/ Jørgen Vig Knudstorp</u> Jørgen Vig Knudstorp | director |

Signature

Title

| | |
|---|----------|
| By: /s/ Satya Nadella _____ Satya Nadella | director |
| By: /s/ Joshua Cooper Ramo _____ Joshua Cooper Ramo | director |
| By: /s/ Clara Shih _____ Clara Shih | director |
| By: /s/ Javier G. Teruel _____ Javier G. Teruel | director |
| By: /s/ Myron E. Ullman, III _____ Myron E. Ullman, III | director |

STARBUCKS CORPORATION
 DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
 (as amended and restated effective September 11, 2018)

Starbucks Corporation hereby establishes a nonqualified deferred compensation plan for members of the Board of Directors of the Company who are not employees or officers of the Company to be known as the Starbucks Corporation Deferred Compensation Plan for Non-Employee Directors. The purpose of the Plan is to enhance the Company's ability to attract and retain Non-Employee Directors whose training, experience and ability will promote the interests of the Company and to directly align the interests of such Non-Employee Directors with the interests of the Company's shareholders. The Plan is designed to permit Non-Employee Directors to defer the receipt of all or a portion of the compensation otherwise payable to them in the form of Stock Awards for services to the Company as members of the Board.

The Plan is effective as of October 3, 2011 (the "**Effective Date**"). The Plan is intended to be, and shall be administered as, an unfunded plan maintained for the purpose of providing deferred compensation for the Non-Employee Directors and, as such, is not an "employee benefit plan" within the meaning of Title I of ERISA (as defined below).

ARTICLE 1
DEFINITIONS

- (a) "**Board**" means the Board of Directors of the Company.
- (b) "**Code**" means the Internal Revenue Code of 1986, as amended.
- (c) "**Committee**" means the Committee that has been appointed by the Board pursuant to Article V of the Plan, which shall initially be the Nominating and Corporate Governance Committee.
- (d) "**Common Stock**" means the common stock, par value \$0.001 per share, of the Company, subject to adjustment as described in Section 5 of the Omnibus Plan.
- (e) "**Company**" means Starbucks Corporation, a Washington corporation, and any successor thereto.
- (f) "**Deferred Compensation Account**" shall have the meaning set forth in Article III of the Plan.
- (g) "**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.
- (h) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.
- (i) "**Non-Employee Director**" means any Director of the Company who is not an officer or employee of either the Company or any of its affiliates.
- (j) "**Omnibus Plan**" means the Starbucks Corporation Amended and Restated 2005 Long-Term Equity Incentive Plan, as amended, or any successor thereto.
- (k) "**Participant**" means a Non-Employee Director of the Company (and, if applicable, their beneficiaries) who has elected to (or been required to) participate in the Plan.
- (l) "**Plan**" means this Starbucks Corporation Deferred Compensation Plan for Non-Employee Directors, including any amendments thereto.
- (m) "**Plan Year**" means the period beginning immediately following an Annual Meeting of Shareholders of the Company and ending immediately prior to the next Annual Meeting of Shareholders of the Company.
- (n) "**Separation Date**" means the date on which the Participant terminates his or her services as a Non-Employee Director.

- (o) “ **Stock Award** ” means any stock award, restricted stock unit award or restricted stock award granted to a Non-Employee Director in respect of his or her service on the Board (including service on any committee thereof).
- (p) “ **Subsidiary** ” means any corporation or partnership in which the Company owns, directly or indirectly, more than 50% of the total combined voting power of all classes of stock of such corporation or of the capital interest or profits interest of such partnership or an entity with respect to which the Company possesses the power, directly or indirectly, to direct or cause the direction of the management and policies of that entity, whether through the Company’s ownership of voting securities, by contract or otherwise.

ARTICLE II

PARTICIPATION REQUIREMENTS

2.1 **Eligibility**. All Non-Employee Directors are eligible to participate in the Plan. A Non-Employee Director will be deemed a Participant in the Plan if he or she defers the settlement of Stock Awards granted during a Plan Year as provided herein.

2.2 **Elections**. The election to defer the settlement of a Participant’s Stock Awards to be granted during the next Plan Year, as well as the election of the form and timing of any distributions on the Participant’s behalf with respect to such amounts deferred, shall be made by written notice delivered by the Participant to the Company on or before December 31 of the calendar year preceding the Plan Year in which such Stock Awards will be granted (or, if later, the first day that the Participant becomes a Non-Employee Director). In the case of a Non-Employee Director who first becomes eligible after the first day of a Plan Year, such elections with respect to Stock Awards to be granted for such partial Plan Year must be made by written notice not later than the date that such Non-Employee Director first becomes a member of the Board. If a Non-Employee Director elects to defer the settlement of Stock Awards to be granted during a Plan Year, such election will apply to all Stock Awards granted during such Plan Year (i.e., there is no partial deferral). Each such election shall be irrevocable during such Plan Year.

ARTICLE III

DEFERRED COMPENSATION ACCOUNTS

3.1 **Establishment of Deferred Compensation Accounts**. An account shall be established for each Participant which shall be designated as his or her Deferred Compensation Account. Each Participant’s Deferred Compensation Account may be sub-allocated as a recordkeeping matter and accounting convenience, but the Company shall not be required to segregate any amounts credited to the Deferred Compensation Accounts in any manner or in any form, except in its sole discretion.

3.2 **Crediting of Stock Awards to Deferred Compensation Accounts**. Upon the execution of a valid election form pursuant to Section 2.2 with respect to the deferral of Stock Awards to be granted to the Participant in the next Plan Year, such Stock Awards shall be credited to the Participant’s Deferred Compensation Accounts as and when such Stock Award would have otherwise been settled by the issuance of shares of Common Stock to the Participant (i.e. following vesting of the Stock Award or portion thereof). Amounts credited to a Participant’s Deferred Compensation Account shall be credited in the form of Deferred Stock Units with each Deferred Stock Unit the equivalent of one share of Common Stock that would have otherwise been issued upon settlement of the Stock Award at the time of vesting, subject to adjustment as described in Section 5 of the Omnibus Plan.

3.3 **Investment Gains and Losses; Dividends**. A Participant’s Deferred Compensation Account will be credited with notional investment gain or loss that mirror the performance of the number of shares of Common Stock equal to the number of Deferred Stock Units credited to the Participant’s Deferred Compensation Account. If dividends on the Common Stock payable in cash are declared, additional Deferred Stock Units will be credited to such Deferred Compensation Account in the following manner. First, a notional value equal to the cash value of dividends that would be paid upon the same number of whole shares of Common Stock as the Participant has Deferred Stock Units in his or her Deferred Compensation Account on the record date established for such dividend will be calculated. Second, such notional value will be deemed to be allocated to the Participant’s Deferred Compensation Account and credited to a corresponding number of Deferred Stock Units to such Deferred Compensation Account (in whole or fractional units) as of the same date, as soon as administratively practicable.

3.4 **Account Valuation**. With respect to any distribution for a Participant’s Deferred Compensation Account as provided for in Article IV of the Plan, the aggregate value of any such distribution shall be calculated by reference to the notional value of the Deferred Compensation Account as of the last trading day on or prior to the date such distribution becomes payable pursuant to Article IV.

ARTICLE IV
DISTRIBUTIONS FROM THE PLAN

4.1 Timing and Form of Distribution. The Company shall pay to the Participant (or, in the event of the Participant's death, to the Participant's designated beneficiary) a sum equal to the amount then standing to his or her credit in his or her Deferred Compensation Account (plus earnings as provided for under Section 3.3 herein), in the following manner:

- (a) Separation Distributions. Unless an In-Service Distribution is elected pursuant to Section 4.1(b), payment of amounts credited to a Participant's Deferred Compensation Account for any Plan Year shall be made in one lump sum within 90 days following the Participant's Separation Date.
- (b) Scheduled In-Service Distributions. A Participant may elect pursuant to Section 2.2 to receive payment of the portion of the Participant's Deferred Compensation Account attributable to deferrals for any Plan Year while the Participant is still a member of the Board (an "In-Service Distribution") in the following manner:
 - (i) Payments shall be made in a lump sum on the date that is three (3) years following the vesting date for the Stock Award.
 - (ii) Any desired In-Service Distribution must be separately elected for each Plan Year's Elective Deferrals.
 - (iii) Notwithstanding the above, if the Participant's service on the Board terminates before payments under the In-Service Distribution are paid, the In-Service Distribution shall cease and the balance of the Participant's Deferred Compensation Account shall be paid in accordance with Section 4.1(a).
- (c) Normal Form of Benefits. In the event no election is made pursuant to this Article IV, payments shall be made in lump sum within 90 days following the Participant's Separation Date.
- (d) Death of Participant. Notwithstanding the above, if the Participant dies before payment in full of the Participant's Deferred Compensation Account, the balance of the Participant's Deferred Compensation Account shall immediately become due and payable in one lump sum to the Participant's beneficiary or, if no beneficiary is designated or then living, to the Participant's estate within 90 days of the date of the Participant's death.
- (e) Form of Distribution. For all distributions under the Plan, the portion of a Participant's Deferred Compensation Account notionally invested in Deferred Stock Units shall be distributed in whole shares of Common Stock (one share for each Deferred Stock Unit) and the remainder of the Participant's Deferred Compensation Account shall be distributed in cash. No fractional shares will be issued under the Plan.

ARTICLE V
ADMINISTRATION OF THE PLAN

5.1 Administration of the Plan. The Board shall appoint a Committee to administer the Plan. The Committee shall maintain such procedures and records as will enable the Committee to determine the Participants and their beneficiaries who are entitled to receive benefits under the Plan and the amounts thereof.

5.2 General Powers of Administration. The Committee shall have the exclusive right, power, and authority to interpret, in its sole discretion, any and all of the provisions of the Plan; and to consider and decide conclusively any questions (whether of fact or otherwise) arising in connection with the administration of the Plan or any claim for benefits arising under the Plan. Any decision or action of the Committee shall be conclusive and binding on the Company and the Participants. The Committee shall have the authority to establish sub-plans or alternative procedures or guidelines for Participants who reside outside of the United States or are otherwise subject to the laws, rules and/or regulations of any jurisdiction outside of the United States. The Plan is designed to comply with the applicable requirements of Section 409A of the Code and the regulations promulgated thereunder, and shall be administered and construed to the maximum extent possible consistent with the requirements of such Section and such regulations.

ARTICLE VI
AMENDMENT AND TERMINATION

The Board reserves the right to amend or terminate the Plan in any respect and at any time, without the consent of Participants or beneficiaries; provided, however, that the following conditions with respect to such amendment or termination

must be satisfied in order for such amendment or termination to be binding and in effect such amendment or termination resolution may not adversely affect the rights of any Participant or beneficiary to receive benefits earned and accrued under the Plan prior to such amendment or termination.

ARTICLE VII GENERAL PROVISION

7.1 Common Stock Subject to the Plan. The shares of Common Stock that may be distributed under the Plan in accordance with Article IV shall be issued pursuant to, and deducted from the share pool under, the Omnibus Plan.

7.2 Participant's Rights Unsecured and Unfunded. This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for Non-Employee Directors, and therefore is exempt from the provisions of Parts 2,3 and 4 of Title I of ERISA. Accordingly, no assets of the Company shall be segregated or earmarked to represent the liability for accrued benefits under the Plan. Amounts referenced in Participant account statements are only recordkeeping devices reflecting such liability for accrued benefits, and do not reflect any actual amounts credited. The right of a Participant (or his or her beneficiary) to receive a payment hereunder shall be an unsecured claim against the general assets of the Company or any successor to the Company. All payments under the Plan shall be made from the general funds of the Company or any successor. The Company is not required to set aside money or any other property to fund its obligations under the Plan, and all amounts that may be set aside by the Company prior to the distribution of account balances under the terms of the Plan remain the property of the Company (or, if applicable, any successor).

7.3 No Guarantee of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other person or entity that the assets of the Company will be sufficient to pay any benefit hereunder.

7.4 No Creation of Employee Rights; Plan is Not A Contract of Employment. Participation in the Plan shall not be construed to give or deem any Participant to be an employee of the Company. This Plan shall not constitute a contract of employment between the Company and any Participant.

7.5 Non-Alienation Provision. No interest of any person or entity in, or right to receive a benefit or distribution under, the Plan shall be subject in any manner to sale, transfer, anticipation, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

7.6 Applicable Law; Severability. The Plan shall be construed and administered under the laws of the State of Washington, except to the extent that such laws are preempted by ERISA, if applicable. In the event any provision of this Plan shall be determined to be illegal or invalid for any reason, the remaining portion(s) shall continue in full force and effect as if such illegal or invalid provision had never been included herein.

7.7 No Impact on Other Benefits. Amounts accrued under the Plan shall not be included in a Participant's compensation for purposes of calculating benefits under any other plan, program or arrangement sponsored by the Company.

7.8 Data. Each Participant or beneficiary shall furnish the Committee all proofs of dates of birth and death and proofs of continued existence necessary for the administration of the Plan, and the Company shall not be liable for the fulfillment of any Plan benefits in any way dependent upon such information unless and until the same shall have been received by the Committee in a form satisfactory to it.

7.9 Incapacity of Recipient. If a Participant or other beneficiary entitled to a distribution under the Plan is living under guardianship or conservatorship, distributions payable under the terms of the Plan to such Participant or beneficiary shall be paid to his or her appointed guardian or conservator and such payment shall be a complete discharge of any liability of the Company under the Plan.

7.10 Usage of Terms and Headings. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings are included for ease of reference only, and are not to be construed to alter the terms of the Plan.

STARBUCKS CORPORATION

2005 LONG-TERM EQUITY INCENTIVE PLAN

(Effective February 9, 2005, as amended and restated by the Company's shareholders effective March 20, 2013, as restated on April 9, 2015 to reflect adjustments for the 2-for-1 forward stock split effective on such date, and as amended and restated by the Board on September 11, 2018.)

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STARBUCKS CORPORATION

2005 LONG-TERM EQUITY INCENTIVE PLAN

PART 1

PURPOSE, ADMINISTRATION AND RESERVATION OF SHARES

Section 1. Purpose of the Plan. The purposes of this Plan are (a) to attract and retain the most talented Partners, officers and Directors available, and (b) to promote the growth and success of the Company's business, (i) by aligning the long-term interests of Partners, officers and Directors with those of the shareholders by providing an opportunity to acquire an interest in the Company and (ii) by providing both rewards for exceptional performance and long term incentives for future contributions to the success of the Company and its Subsidiaries.

The Plan permits the grant of Incentive Stock Options, Nonqualified Stock Options, Stock Awards, Restricted Stock, Restricted Stock Units, or SARs, at the discretion of the Committee. Each Award will be subject to conditions specified in the Plan and in the terms of the Award Agreement, such as continued employment or satisfaction of performance criteria.

This Plan will serve as a framework for the Committee to establish sub-plans or procedures governing the grants to Partners, Directors and Consultants and Partners working outside of the United States. The awards granted under the Prior Plans shall continue to be administered under the Prior Plans until such time as those options are exercised, expire or become unexercisable for any reason.

Section 2. Definitions. As used herein, the following definitions shall apply:

- (a) "**Active Status**" shall mean (i) for Partners, the absence of any interruption or termination of service as a Partner, (ii) for Directors, that the Director has not been removed from the Board for cause (as determined by the Company's shareholders), and (iii) for Consultants, the absence of any interruption, expiration, or termination of such person's consulting or advisory relationship with the Company or any Subsidiary or the occurrence of any termination event as set forth in such person's Award Agreement. Active Status shall not be considered interrupted (A) for a Partner in the case of sick leave, maternity leave, infant care leave, medical emergency leave, military leave, or any other leave of absence properly taken in accordance with the policies of the Company or any applicable Subsidiary as may be in effect from time to time, and (B) for a Consultant, in the case of any temporary interruption in such person's availability to provide services to the Company or any Subsidiary which has been granted in writing by an authorized officer of the Company. Whenever a mandatory severance period applies under applicable law with respect to a termination of service as a Partner, Active Status shall be considered terminated upon such Partner's receipt of notice of termination in whatever form prescribed by applicable law.
- (b) "**ASC 718**" shall mean Accounting Standards Codification (ASC) Topic 718, "Stock Compensation," as promulgated by the Financial Accounting Standards Board.

- (c) “ **Award** ” shall mean any award or benefits granted under the Plan, including Options, Stock Awards, Restricted Stock, Restricted Stock Units, and SARs.
- (d) “ **Award Agreement** ” shall mean a written or electronic agreement or other instrument as may be approved from time to time by the Committee setting forth the terms of the Award. An Award Agreement may be in the form of an agreement to be executed by both the Participant and the Company (or an authorized representative of the Company) or certificates, notices or similar instruments as approved by the Committee.
- (e) “ **Beneficial Ownership** ” shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.
- (f) “ **Board** ” shall mean the Board of Directors of the Company.
- (g) “ **Change of Control** ” shall mean the first day that any one or more of the following conditions shall have been satisfied:
 - (i) the sale, liquidation or other disposition of all or substantially all of the Company’s assets in one or a series of related transactions;
 - (ii) an acquisition (other than directly from the Company) of any outstanding voting securities by any person, after which such person (as the term is used for purposes of Section 13(d) or 14(d) of the Exchange Act) has Beneficial Ownership of twenty-five percent (25%) or more of the then outstanding voting securities of the Company, other than a Board approved transaction;
 - (iii) during any 12-consecutive month period, the individuals who, at the beginning of such period, constitute the Board (“Incumbent Directors”) cease for any reason other than death to constitute at least a majority of the members of the Board; provided however that except as set forth in this Section 2(g)(iii), an individual who becomes a member of the Board subsequent to the beginning of the 12-month period, shall be deemed to have satisfied such 12-month requirement and shall be deemed an Incumbent Director if such Director was elected by or on the recommendation of or with the approval of at least two-thirds of the Directors who then qualified as Incumbent Directors either actually (because they were Directors at the beginning of such period) or by operation of the provisions of this section; if any such individual initially assumes office as a result of or in connection with either an actual or threatened solicitation with respect to the election of Directors (as such terms are used in Rule 14a-12(c) of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitations of proxies or consents by or on behalf of a person other than the Board, then such individual shall not be considered an Incumbent Director; or
 - (iv) a merger, consolidation or reorganization of the Company, as a result of which the shareholders of the Company immediately prior to such merger, consolidation or reorganization own directly or indirectly immediately following such merger, consolidation or reorganization less than fifty percent (50%) of the combined voting

power of the outstanding voting securities of the entity resulting from such merger, consolidation or reorganization.

- (h) “ **Code** ” shall mean the Internal Revenue Code of 1986, as amended.
- (i) “ **Committee** ” shall mean the Compensation and Management Development Committee appointed by the Board.
- (j) “ **Common Stock** ” shall mean the common stock of the Company, par value \$0.001 per share, subject to adjustment as provided in Section 5.
- (k) “ **Company** ” shall mean Starbucks Corporation, a Washington corporation, and any successor thereto.
- (l) “ **Consultant** ” shall mean any person, except a Partner, engaged by the Company or any Subsidiary of the Company, to render personal services to such entity, including as an advisor, pursuant to the terms of a written agreement.
- (m) “ **Director** ” shall mean a member of the Board.
- (n) “ **Disability** ” shall mean (i) in the case of a Participant whose employment with the Company or a Subsidiary is subject to the terms of an employment or consulting agreement that includes a definition of “Disability,” the term “Disability” as used in this Plan shall have the meaning set forth in such employment or consulting agreement during the period that such employment or consulting agreement remains in effect; and (ii) in all other cases, the term “Disability” as used in this Plan shall have the same meaning as set forth under the Company’s long-term disability plan applicable to the Participant as may be amended from time to time, and in the event the Company does not maintain any such plan with respect to a Participant, a physical or mental condition resulting from bodily injury, disease or mental disorder which renders the Participant incapable of continuing his or her usual and customary employment with the Company or a Subsidiary, as the case may be, for a period of not less than 120 days or such other period as may be required by applicable law.
- (o) “ **Exchange Act** ” shall mean the Securities Exchange Act of 1934, as amended.
- (p) “ **Executive Officers** ” shall mean the officers of the Company as such term is defined in Rule 16a-1 under the Exchange Act.
- (q) “ **Fair Market Value** ” shall mean the closing price per share of the Common Stock on Nasdaq as to the date specified (or the previous trading day if the date specified is a day on which no trading occurred), or if Nasdaq shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then such exchange or quotation system as the Company elects to list or quote its shares of Common Stock and that the Committee designates as the Company’s principal exchange or quotation system.
- (r) “ **FLSA** ” shall mean the Fair Labor Standards Act of 1938, as amended.

- (s) “**Prior Plans**” shall mean the Starbucks Corporation Company-Wide 1991 Stock Option Plan, as amended, the Starbucks Corporation Amended and Restated Key Employee Stock Option Plan-1994, as amended, and the Starbucks Corporation Amended and Restated 1989 Stock Option Plan for Non-Employee Directors.
- (t) “**Incentive Stock Option**” shall mean any Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.
- (u) “**Independent Director**” shall mean a Director who: (1) meets the independence requirements of Nasdaq, or if Nasdaq shall cease to be the principal exchange or quotation system upon which the shares of Common Stock are listed or quoted, then such exchange or quotation system as the Company elects to list or quote its shares of Common Stock and that the Committee designates as the Company’s principal exchange or quotation system; (2) qualifies as an “outside director” under Section 162(m) of the Code; (3) qualifies as a “non-employee director” under Rule 16b-3 promulgated under the Exchange Act; and (4) satisfies independence criteria under any other applicable laws or regulations relating to the issuance of Shares to Partners.
- (v) “**Maximum Annual Participant Award**” shall have the meaning set forth in Section 6(b).
- (w) “**Misconduct**” shall mean any of the following; provided, however, that with respect to Non-Employee Directors “Misconduct” shall mean subsection (viii) only:
- (i) any material breach of an agreement between the Participant and the Company or any Subsidiary which, if curable, has not been cured within twenty (20) days after the Participant has been given written notice of the need to cure such breach, or which breach, if previously cured, recurs;
 - (ii) willful unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary by the Participant;
 - (iii) the Participant’s continued willful and intentional failure to satisfactorily perform Participant’s essential responsibilities, provided that the Participant has been given at least thirty (30) days’ written notice of the need to cure the failure and cure has not been effected within that time period, or which failure, if previously cured, recurs;
 - (iv) material failure of the Participant to comply with rules, policies or procedures of the Company or any Subsidiary as they may be amended from time to time, provided that the Participant has been given at least thirty (30) days’ written notice of the need to cure the failure, if such failure is curable, and cure has not been effected within that time period, or which failure, if previously cured, recurs;
 - (v) Participant’s dishonesty, fraud or gross negligence related to the business or property of the Company or any Subsidiary;
 - (vi) personal conduct that is materially detrimental to the business of the Company or any Subsidiary;

- (vii) conviction of or plea of nolo contendere to a felony; or
- (vii) in the case of Non-Employee Directors, the removal from the Board for cause (as determined by the Company's shareholders).
- (x) "**Nasdaq**" shall mean The Nasdaq Stock Market, Inc.
- (y) "**Nominating and Corporate Governance Committee**" shall mean the Nominating and Corporate Governance Committee appointed by the Board.
- (z) "**Non-Employee Director**" shall mean a Director who is not a Partner.
- (aa) "**Nonqualified Stock Option**" shall mean an Option that does not qualify or is not intended to qualify as an Incentive Stock Option.
- (bb) "**Option**" shall mean a stock option granted pursuant to Section 10 of the Plan.
- (cc) "**Optionee**" shall mean a Participant who has been granted an Option.
- (dd) "**Original Effective Date**" shall mean February 9, 2005, the date on which the Company's shareholders first approved this Plan in accordance with applicable Nasdaq rules.
- (ee) "**Parent**" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (ff) "**Participant**" shall mean a Partner, Director or Consultant granted an Award.
- (gg) "**Partner**" shall mean any person, including an officer, who is a common law employee of, receives remuneration for personal services to, is reflected on the official human resources database as an employee of, and is on the payroll of the Company or any Subsidiary of the Company. A person is on the payroll if he or she is paid from or at the direction of the payroll department of the Company, or any Subsidiary of the Company. Persons providing services to the Company, or to any Subsidiary of the Company, pursuant to an agreement with a staff leasing organization, temporary workers engaged through or employed by temporary or leasing agencies, and workers who hold themselves out to the Company, or a Subsidiary to which they are providing services as being independent contractors, or as being employed by or engaged through another company while providing the services, and persons covered by a collective bargaining agreement (unless the collective bargaining agreement applicable to the person specifically provides for participation in this Plan) are not Partners for purposes of this Plan and do not and cannot participate in this Plan, whether or not such persons are, or may be reclassified by the courts, the Internal Revenue Service, the U.S. Department of Labor, or other person or entity as, common law employees of the Company, or any Subsidiary, either solely or jointly with another person or entity.
- (hh) "**Performance Criteria**" shall have the meaning set forth in Section 11(b).

- (ii) “ **Plan** ” shall mean this Starbucks Corporation 2005 Long-Term Equity Incentive Plan, including any amendments thereto.
- (jj) “ **Plan Minimum Vesting or Issuance Requirements** ” shall mean the minimum vesting requirements for Restricted Stock or Restricted Stock Units under Plan Section 11(d) hereunder.
- (kk) “ **Reprice** ” shall mean the reduction of the exercise price of Options or SARs previously awarded, and, at any time when the exercise price of Options or SARs is above the Fair Market Value of a share of Common Stock, the cancellation and re-grant or the exchange of such outstanding Options or SARs for either cash or a new Award with a lower (or no) exercise price.
- (ll) “ **Resignation (or Resign) for Good Reason** ” shall mean any voluntary termination by written resignation of the Active Status of any Partner after a Change of Control because of: (1) a material reduction in the Partner’s authority, responsibilities or scope of employment; (2) an assignment of duties to the Partner inconsistent with the Partner’s role at the Company (including its Subsidiaries) prior to the Change of Control, (3) a reduction in the Partner’s base salary or total incentive compensation; (4) a material reduction in the Partner’s benefits unless such reduction applies to all Partners of comparable rank; or (5) the relocation of the Partner’s primary work location more than fifty (50) miles from the Partner’s primary work location prior to the Change of Control; provided that the Partner’s written notice of voluntary resignation must be tendered within one (1) year after the Change of Control, and shall specify which of the events described in (1) through (5) resulted in the resignation.
- (mm) “ **Restated Effective Date** ” shall mean the date on which the Company’s shareholders approved this amendment and restatement of the Plan in accordance with applicable Nasdaq rules.
- (nn) “ **Restricted Stock** ” shall mean a grant of Shares pursuant to Section 11 of the Plan.
- (oo) “ **Restricted Stock Units** ” shall mean a grant of the right to receive Shares or their cash equivalent (or both) pursuant to Section 11 of the Plan.
- (pp) “ **Retirement** ” shall mean, (i) with respect to any Partner, voluntary termination of employment after attainment of age 55 and at least ten (10) years of credited service with the Company or any Subsidiary (but only during the time the Subsidiary was a Subsidiary), as determined by the Committee in its sole discretion, and (ii) with respect to any Non- Employee Director, ceasing to be a Director pursuant to election by the Company’s shareholders or by voluntary resignation with the approval of the Board’s chair after having attained the age of 55 years and served continuously on the Board for at least six years.
- (qq) “ **SAR** ” shall mean a stock appreciation right awarded pursuant to Section 12 of the Plan.

(rr) “**SEC**” shall mean the Securities and Exchange Commission.

(ss) “**Share**” shall mean one share of Common Stock, as adjusted in accordance with Section 5 of the Plan.

(tt) “**Stand-Alone SARs**” shall have the meaning set forth in Section 12(c) of the Plan.

(uu) “**Stock Award**” shall mean an award of fully vested Shares granted pursuant to Section 11 of the Plan.

(vv) “**Subcommittee**” shall have the meaning set forth in Section 3(d).

(ww) “**Subsidiary**” shall mean (1) in the case of an Incentive Stock Option a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code, and (2) in the case of a Nonqualified Stock Option, Restricted Stock, a Restricted Stock Unit or a SAR, in addition to a subsidiary corporation as defined in (1), (A) a limited liability company, partnership or other entity in which the Company controls fifty percent (50%) or more of the voting power or equity interests, or (B) an entity with respect to which the Company possesses the power, directly or indirectly, to direct or cause the direction of the management and policies of that entity, whether through the Company’s ownership of voting securities, by contract or otherwise.

(xx) “**Tandem SARs**” shall have the meaning set forth in Section 12(b) of the Plan.

Section 3. Administration of the Plan.

(a) **Authority.** The Plan shall be administered by the Committee. The Committee shall have full and exclusive power to administer the Plan on behalf of the Board, subject to such terms and conditions as the Committee may prescribe. Notwithstanding anything herein to the contrary, the Committee’s power to administer the Plan, and actions the Committee takes under the Plan, shall be subject to the limitation that certain actions may be subject to review and approval by either the full Board or a panel consisting of all of the Independent Directors of the Company.

(b) **Powers of the Committee.** Subject to the other provisions of this Plan, the Committee shall have the authority, in its discretion:

- (i) to grant Incentive Stock Options, Nonqualified Stock Options, Stock Awards, Restricted Stock, Restricted Stock Units, and SARs to Participants and to determine the terms and conditions of such Awards, including the determination of the Fair Market Value of the Shares and the exercise price, and to modify or amend each Award, with the consent of the Participant when required;
- (ii) to determine the Participants, to whom Awards, if any, will be granted hereunder, the timing of such Awards, and the number of Shares to be represented by each Award;
- (iii) to construe and interpret the Plan and the Awards granted hereunder;

- (iv) to prescribe, amend, and rescind rules and regulations relating to the Plan, including the forms of Award Agreement and manner of acceptance of an Award, and to take or approve such further actions as it determines necessary or appropriate to the administration of the Plan and Awards, such as correcting a defect or supplying any omission, or reconciling any inconsistency so that the Plan or any Award Agreement complies with applicable law, regulations and listing requirements and so as to avoid unanticipated consequences or address unanticipated events (including any temporary closure of Nasdaq, disruption of communications or natural catastrophe) deemed by the Committee to be inconsistent with the purposes of the Plan or any Award Agreement, provided that no such action shall be taken absent shareholder approval to the extent required under Section 14;
- (v) to establish performance criteria for Awards made pursuant to the Plan in accordance with a methodology established by the Committee, and to determine whether performance goals have been attained;
- (vi) to accelerate or defer (with the consent of the Participant) the exercise or vested date of any Award;
- (vii) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted by the Committee;
- (viii) to establish sub-plans, procedures or guidelines for the grant of Awards to Partners, Directors, Consultants and Partners working outside of the United States; and
- (ix) to make all other determinations deemed necessary or advisable for the administration of the Plan;

provided that, no consent of a Participant is necessary under clauses (i) or (vi) if a modification, amendment, acceleration, or deferral, in the reasonable judgment of the Committee confers a benefit on the Participant or is made pursuant to an adjustment in accordance with Section 5.

- (c) **Effect of Committee's Decision** . All decisions, determinations, and interpretations of the Committee shall be final and binding on all Participants, the Company (including its Subsidiaries), any shareholder and all other persons.
- (d) **Delegation** . Consistent with the Committee's charter, as such charter may be amended from time to time, the Committee may delegate (i) to one or more separate committees consisting of members of the Committee or other Directors (any such committee a "Subcommittee"), or (ii) to an Executive Officer of the Company, the ability to grant Awards and take the other actions described in Section 3(b) with respect to Participants who are not Executive Officers, and such actions shall be treated for all purposes as if taken by the Committee; provided that the grant of Awards shall be made in accordance with parameters established by the Committee. Any action by any such Subcommittee or Executive Officer within the scope of such delegation shall be deemed for all purposes to have been taken by the Committee.

- (e) **Administration**. The Committee may delegate the administration of the Plan to an officer or officers of the Company, and such administrator(s) may have the authority to directly, or under their supervision, execute and distribute agreements or other documents evidencing or relating to Awards granted by the Committee under this Plan, to maintain records relating to the grant, vesting, exercise, forfeiture or expiration of Awards, to process or oversee the issuance of Shares upon the exercise, vesting and/or settlement of an Award, to interpret the terms of Awards and to take such other actions as the Committee may specify. Any action by any such administrator within the scope of its delegation shall be deemed for all purposes to have been taken by the Committee and references in this Plan to the Committee shall include any such administrator, provided that the actions and interpretations of any such administrator shall be subject to review and approval, disapproval or modification by the Committee.

Section 4. Shares Subject to the Plan.

- (a) **Reservation of Shares**. Subject to the provisions of Sections 5 of the Plan, the number of shares authorized for issuance under the Plan pursuant to Awards granted on or after September 30, 2012 shall be 139,224,716 (as adjusted to reflect the 2-for-1 forward stock split effective on April 9, 2015) plus any shares that on September 30, 2012 are subject to outstanding awards under the Plan or the Prior Plans that after such date cease to be subject to such awards for any reason other than such awards having been exercised. Subject to the provisions of Sections 5 of the Plan, the maximum aggregate number of Shares (adjusted, proportionately, in the event of any stock split or stock dividend with respect to the Shares) which may be granted as Incentive Stock Options under the Plan shall not exceed 139,224,716. The aggregate number of Shares available for issuance under the Plan will be reduced by 2.1 Shares for each Share delivered in settlement of any Stock Award or any award of Restricted Stock or Restricted Stock Unit and one Share for each Share delivered in settlement of an Option or a SAR. If an Award expires, is forfeited, is settled in cash or becomes unexercisable for any reason without having been exercised in full, the undelivered Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future Awards under the Plan. Notwithstanding the foregoing, Shares subject to an Award under this Plan may not again be made available for issuance under this Plan if such Shares are: (i) shares that were subject to a stock-settled SAR and were not issued upon the net settlement or net exercise of such SAR, (ii) shares used to pay the exercise price of an Option, (iii) shares delivered to or withheld by the Company to pay the withholding taxes related to an Option or a Stock Appreciation Right, or (iv) shares repurchased on the open market with the proceeds of an Option exercise. Shares available for issuance under the Plan shall be increased by any shares of Common Stock subject to outstanding awards under the Prior Plans on the date of shareholder approval of the Plan that later cease to be subject to such awards for any reason other than such awards having been exercised, subject to adjustment from time to time as provided in Section 5, which shares of Common Stock shall, as of the date such shares cease to be subject to such awards, cease to be available for grant and issuance under the Prior Plans, but shall be available for issuance under the Plan. Any Shares that become available for grant pursuant to this Section 4(a) shall be added back as one Share if such shares were subject to Options

or SARs granted under this Plan or options or stock appreciation rights granted under a Former Plan, and as 2.1 Shares if such shares were subject to Awards other than Options or SARs granted under this Plan or subject to awards other than options or stock appreciation rights granted under a Former Plan. The Shares may be authorized but unissued, or reacquired shares of Common Stock.

- (b) **Time of Granting Awards**. The date of grant of an Award shall, for all purposes, be the date on which the Company completes the corporate action relating to the grant of such Award and all conditions to the grant have been satisfied, provided that conditions to the exercise of an Award shall not defer the date of grant. Notice of a grant shall be given to each Participant to whom an Award is so granted within a reasonable time after the determination has been made.
- (c) **Securities Law Compliance**. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated under either such Act, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.
- (d) **Substitutions and Assumptions**. The Board or the Committee shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Section 424(a) of the Code applies, provided such substitutions and assumptions are permitted by Section 424 of the Code and the regulations promulgated thereunder. The number of Shares reserved pursuant to Section 4(a) may be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of Shares subject to Awards before and after the substitution.

Section 5. Adjustments to Shares Subject to the Plan.

If any change is made to the Shares by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Shares as a class without the Company's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities and/or the price per Share covered by outstanding Awards under the Plan, (iii) the Maximum Annual Participant Award, and (iv) the maximum number of Shares that can be granted as Incentive Stock Options under the Plan. The Committee may also make adjustments described in (i)-(iv) of the previous sentence in the event of any distribution of assets to shareholders other than a normal cash dividend. In determining adjustments to be made under this Section 5, the Committee may take into account such factors as it deems appropriate, including the restrictions of applicable law and the potential tax consequences of an adjustment, and in light of such factors may make adjustments that are not uniform or proportionate among outstanding Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a

normal cash dividend, made by the Committee shall be final, binding and conclusive. For purposes of this Section 5, conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration."

Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award.

PART II

TERMS APPLICABLE TO ALL AWARDS

Section 6. General Eligibility.

- (a) **Awards.** Awards may be granted to Participants who are Partners, Directors or Consultants; provided however that Incentive Stock Options may only be granted to Partners.
- (b) **Maximum Annual Participant Award.** Subject to adjustment pursuant to Section 5, the aggregate number of Shares with respect to which an Award or Awards may be granted to any one Participant in any one taxable year of the Company (the "Maximum Annual Participant Award") shall not exceed 10,000,000 shares of Common Stock. If an Option is in tandem with a SAR, such that the exercise of the Option or SAR with respect to a Share cancels the tandem SAR or Option right, respectively, with respect to each Share, the tandem Option and SAR rights with respect to each Share shall be counted as covering but one Share for purposes of the Maximum Annual Participant Award.
- (c) **No Employment/Service Rights.** Nothing in the Plan shall confer upon any Participant the right to an Award or to continue in service as a Partner or Consultant for any period of specific duration, or interfere with or otherwise restrict in any way the rights of the Company (or any Subsidiary employing or retaining such person), or of any Participant, which rights are hereby expressly reserved by each, to terminate such person's services at any time for any reason, with or without cause.

Section 7. Procedures for Exercise of Awards; Rights as a Shareholder.

- (a) **Procedure.** An Award shall be exercised when written, electronic or verbal notice of exercise has been given to the Company, or the brokerage firm or firms approved by the Company to facilitate exercises and sales under this Plan, in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been received by the Company or the brokerage firm or firms, as applicable. The notification to the brokerage firm shall be made in accordance with procedures of such brokerage firm approved by the Company. Full payment may, as authorized by the Committee, consist of any consideration and method of payment allowable under Section 7(b) of the Plan. The Company shall issue (or cause to be issued) such share certificate promptly upon exercise of the Award. In the event that the exercise of an Award is treated in part as

the exercise of an Incentive Stock Option and in part as the exercise of a Nonqualified Stock Option pursuant to Section 10(a), the Company shall issue a share certificate evidencing the Shares treated as acquired upon the exercise of an Incentive Stock Option and a separate share certificate evidencing the Shares treated as acquired upon the exercise of a Nonqualified Stock Option, and shall identify each such certificate accordingly in its share transfer records. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, except as provided in Section 5 of the Plan.

- (b) **Method of Payment**. The consideration to be paid for any Shares to be issued upon exercise or other required settlement of an Award, including the method of payment, shall be determined by the Committee and which forms may include: (i) with respect to an Option, a request that the Company or the designated brokerage firm conduct a cashless exercise of the Option; (ii) cash; (iii) tender of shares of Common Stock owned by the Participant; and (iv) withholding of shares of Common Stock that otherwise would be issued upon exercise or settlement of the Award, in each case, in accordance with rules established by the Committee from time to time. Shares used to pay the exercise price shall be valued at their Fair Market Value on the exercise date.
- (c) **Withholding Obligations**. To the extent required by applicable federal, state, local or foreign law, the Committee may and/or a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise with respect to any Incentive Stock Option, Nonqualified Stock Option, SAR, Stock Award, Restricted Stock or Restricted Stock Units, or any sale of Shares. The Company shall not be required to issue Shares or to recognize the disposition of such Shares until such obligations are satisfied. These obligations may be satisfied by having the Company withhold a portion of the Shares that otherwise would be issued to a Participant under such Award or by tendering Shares previously acquired by the Participant in accordance with rules established by the Committee from time to time. The value of the Shares so withheld or tendered may not exceed the employer's minimum required tax withholding rate.
- (d) **Shareholder Rights**. Except as otherwise provided in this Plan, until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the share certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares subject to the Award, notwithstanding the exercise of the Award.
- (e) **Non-Transferability of Awards**. An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in exchange for consideration, except that an Award may be transferred by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant; unless the Committee permits further transferability, on a general or specific basis, in which case the Committee may impose conditions and limitations on any permitted transferability.

Section 8. Expiration of Awards.

- (a) **Expiration, Termination or Forfeiture of Awards**. Unless otherwise provided in this Plan or in the applicable Award Agreement or any severance or employment agreement, unvested Awards granted under this Plan shall expire, terminate, or otherwise be forfeited immediately upon termination of a Participant's Active Status for any reason, and vested Awards granted under this Plan shall expire, terminate, or otherwise be forfeited as follows:
- (i) three (3) months after the date the Company delivers a notice of termination of Active Status for a Participant other than a Non-Employee Director, other than in circumstances covered by (ii), (iii), (iv) or (v) below; or thirty-six (36) months after the date a Non-Employee Director ceases to be a Director, other than in circumstances covered by (ii) and (iv) below;
 - (ii) immediately upon termination of a Participant's Active Status for Misconduct;
 - (iii) twelve (12) months after the date on which a Participant other than a Non-Employee Director ceased performing services as a result of his or her total and permanent Disability;
 - (iv) twelve (12) months after the date of the death of a Participant whose Active Status terminated as a result of his or her death; and
 - (v) thirty-six (36) months after the date on which the Participant ceased performing services as a result of Retirement.
- (b) **Extension of Term**. Notwithstanding subsection (a) above, the Committee shall have the authority to extend the expiration date of any outstanding Option, other than an Incentive Stock Option, or SAR in circumstances in which it deems such action to be appropriate (provided that no such extension shall extend the term of an Option or SAR beyond the date on which the Option or SAR would have expired if no termination of the Partner's Active Status had occurred).

Section 9. Effects of Change of Control.

Notwithstanding any other provision in the Plan to the contrary, the following provisions shall apply unless otherwise provided in the most recently executed agreement between the Participant and the Company, or specifically prohibited under applicable laws, or by the rules and regulations of any applicable governmental agencies or national securities exchanges or quotation systems.

- (a) **Acceleration**. Awards of a Participant shall be Accelerated (as defined in Section 9(b) below) as follows:
- (i) With respect to Non-Employee Directors, upon the occurrence of a Change of Control;

- (ii) With respect to any Partner, upon the occurrence of a Change of Control described in Section 2(g)(i);
 - (iii) With respect to any Partner who Resigns for Good Reason or whose Active Status is terminated within one year after a Change of Control described in Section 2(g)(ii) or (iii);
 - (iv) With respect to any Partner, upon the occurrence of a Change of Control described in Section 2(g)(iv) in connection with which each Award is not assumed or an equivalent award substituted by such successor entity or a parent or subsidiary of such successor entity; and
 - (v) With respect to any Partner who Resigns for Good Reason or whose Active Status is terminated within one year after a Change of Control described in Section 2(g)(iv) in connection with which each Award is assumed or an equivalent award substituted by the successor entity or a parent or subsidiary of such successor entity.
- (b) **Definition**. For purposes of this Section 9, Awards of a Participant being “Accelerated” means, with respect to such Participant:
- (i) any and all Options and SARs shall become fully vested and immediately exercisable, and shall remain exercisable throughout their entire term;
 - (ii) any restriction periods and restrictions imposed on Restricted Stock or Restricted Stock Units that are not performance-based shall lapse;
 - (iii) any restriction periods and restrictions imposed on Restricted Stock or Restricted Stock Units that are performance-based (and for which the performance period has not yet been completed) shall lapse, with such performance-based criteria deemed achieved at the target level specified in the Award Agreement; and
 - (iv) the restrictions and deferral limitations and other conditions applicable to any other Awards shall lapse, and such other Awards shall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant.

PART III

SPECIFIC TERMS APPLICABLE TO OPTIONS, STOCK AWARDS AND SARS

Section 10. Grant, Terms and Conditions of Options .

- (a) **Designation**. Each Option shall be designated in an Award Agreement as either an Incentive Stock Option or a Nonqualified Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Partner during any calendar year (under all plans of the Company) exceeds \$100,000, such excess Options shall be treated as Nonqualified Stock Options. Options shall be taken into account in the order in which they were granted.

- (b) **Terms of Options**. The term of each Incentive Stock Option shall be no more than ten (10) years from the date of grant. However, in the case of an Incentive Stock Option granted to a Participant who, at the time the Option is granted, owns Shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the term of the Option shall be no more than five (5) years from the date of grant. The term of all Nonqualified Stock Options shall be no more than ten (10) years from the date of grant.
- (c) **Option Exercise Prices**.
- (i) The per Share exercise price under an Incentive Stock Option shall be as follows:
 - (A) If granted to a Partner who, at the time of the grant of such Incentive Stock Option, owns shares representing more than ten percent (10%) of the voting power of all classes of shares of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.
 - (B) If granted to any other Partner, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
 - (ii) The per Share exercise price under a Nonqualified Stock Option or SAR shall be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.
 - (iii) In no event shall the Board or the Committee be permitted to Reprice an Option after the date of grant without shareholder approval.
- (d) **Vesting**. Unless otherwise provided in the applicable Award Agreement or any written severance or employment agreement between the Company and the Optionee, to the extent Options vest and become exercisable in increments, such Options shall cease vesting as of the date of the Optionee's Disability or termination of such Optionee's Active Status (or, for Directors, as of the date the Director ceases to serve as a Director) for reasons other than Retirement or death, and, in case of such Optionee's termination of Active Status (or, for Directors, the Director's ceasing to serve as a Director) due to Retirement or death, such Options shall become fully vested and immediately exercisable.
- (e) **Substitution of SARs for Options**. Notwithstanding anything in this Plan to the contrary, if the Company is required to or elects to record as an expense in its consolidated statements of earnings the cost of Options pursuant to ASC 718 or a similar accounting requirement, the Committee shall have the sole discretion to substitute, without receiving Participants' permission, SARs paid only in stock for outstanding Options; provided, the terms of the substituted SARs are the same as the terms of the Options, the number of shares underlying the number of SARs equals the number of shares underlying the Options and the difference between the Fair Market Value of the underlying Shares and the grant price of the SARs is equivalent to the

difference between the Fair Market Value of the underlying shares and the exercise price of the Options.

- (f) **Exercise**. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Committee at the time of grant, and as are permissible under the terms of the Plan. An Option may not be exercised for a fraction of a Share.
- (g) **One-Time Option Exchange Offer**. Notwithstanding any other provision of the Plan to the contrary, upon approval of the Company's shareholders, the Committee may provide for, and the Company may implement, a one-time-only option exchange offer, pursuant to which certain outstanding Options could, at the election of the person holding such Option, be tendered to the Company for cancellation in exchange for the issuance of a lesser amount of Options with a lower exercise price, provided that such one-time-only option exchange offer is commenced within six months of the date of such shareholder approval.

Section 11. Grant, Terms and Conditions of Stock Awards, Restricted Stock and Restricted Stock Units.

- (a) **Designation**. Stock Awards, Restricted Stock or Restricted Stock Units may be granted either alone, in addition to, or in tandem with other Awards granted under the Plan. Restricted Stock or Restricted Stock Units may include dividend or dividend equivalent rights, as may be specified in the Award Agreement; provided, however, that dividends or dividend equivalent rights shall not be paid currently with respect to any Shares underlying awards of Restricted Stock or Restricted Stock Units that vest or are earned on the basis of Performance Criteria, except to the extent that such Shares are earned. After the Committee determines that it will offer a Stock Award, Restricted Stock or Restricted Stock Units, it will advise the Participant in writing or electronically, by means of an Award Agreement, of the terms, conditions and restrictions, including vesting, if any, related to the offer, including the number of Shares that the Participant shall be entitled to receive or purchase, the price to be paid, if any, and, if applicable, the time within which the Participant must accept the offer. The offer shall be accepted by execution of an Award Agreement or as otherwise directed by the Committee. Payment, if any, of a Stock Award, Restricted Stock and Restricted Stock Units may be made as permitted by Section 7(b). Restricted Stock Units can be settled in Shares valued at Fair Market Value on the settlement date, in cash, or partly in Shares and partly in cash, as the Committee shall deem appropriate. The term of each award of Restricted Stock or Restricted Stock Units shall be at the discretion of the Committee.
- (b) **Performance Criteria**. Restricted Stock and Restricted Stock Units granted pursuant to the Plan that are intended to qualify as "performance based compensation" under Section 162(m) of the Code shall be subject to the attainment of performance goals relating to the Performance Criteria selected by the Committee and specified at the time such Restricted Stock and Restricted Stock Units are granted. For purposes of this Plan, "Performance Criteria" means one or more of the following (as selected by the Committee): (i) cash flow; (ii) earnings per share, as adjusted for any stock split, stock

dividend or other recapitalization; (iii) earnings measures; (iv) return on equity; (v) total shareholder return; (vi) share price performance, as adjusted for any stock split, stock dividend or other recapitalization; (vii) return on capital; (viii) revenue; (ix) income; (x) profit margin; (xi) return on operating revenue; (xii) brand recognition/acceptance; (xiii) customer satisfaction; (xiv) productivity; (xv) expense targets; (xvi) market share; (xvii) cost control measures; (xviii) inventory turns or cycle time; (xix) balance sheet metrics; or (xx) strategic initiatives; provided, however, that "Performance Criteria" shall include any derivations of these Performance Criteria (e.g., income shall include pre-tax income, net income, operating income, etc.). Any of these Performance Criteria may be used to measure the performance of the Company as a whole or any business unit or division of the Company. Performance Criteria may be stated in absolute terms or relative to comparison companies or indices to be achieved during a period of time.

The Committee may provide, at the time it establishes performance goals for any award, that any evaluation of performance shall include or exclude any one or more of the following events that occurs during a performance period: (i) significant acquisitions or dispositions of businesses or assets by the Company, (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (iv) any reorganization and restructuring programs; (v) extraordinary items as described in Accounting Standards Codification section 225-20-20; (vi) significant, non-recurring charges or credits; and (vii) foreign exchange rates. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that satisfies the requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

- (c) **Vesting**. Unless the Committee determines otherwise, the Award Agreement shall provide for the forfeiture of the non-vested Shares underlying Restricted Stock or Restricted Stock Units upon the termination of a Participant's Active Status. To the extent that the Participant purchased the Shares granted under such Restricted Stock or Restricted Stock Units and any such Shares remain non-vested at the time the Participant's Active Status terminates, the termination of Active Status shall cause an immediate sale of such non-vested Shares to the Company at the original price per Share paid by the Participant.
- (d) **Plan Minimum Vesting or Issuance Requirements**. Subject to the exceptions in Section 11(e), all Restricted Stock or Restricted Stock Units granted to Executive Officers that are subject to vesting or issuance solely based on such Participant's continuing in Active Status may not vest in full or be issued earlier (except if accelerated pursuant to (A) Change of Control as described in Section 9 (including vesting acceleration in connection with employment termination following such event), (B) the death of the Participant, (C) the Disability of the Participant, or (D) the Participant's Retirement) than the three-year anniversary of the grant date, and all Restricted Stock or Restricted Stock Units granted to Executive Officers that are subject to vesting or issuance based in whole or in part on performance conditions and/or the level of achievement versus such performance conditions shall be subject to a performance period of not less than one year.

(e) **Exception to Plan Minimum Vesting or Issuance Requirements** .

- (i) Stock Awards, Restricted Stock or Restricted Stock Units that result in issuing up to 5% of the maximum aggregate number of Shares authorized for issuance under the Plan (the “5% Limit”) may be granted to any one or more Executive Officers without respect to the Plan Minimum Vesting or Issuance Requirements.
- (ii) All Restricted Stock or Restricted Stock Units granted to Executive Officers that have their vesting or issuance discretionarily accelerated, other than pursuant to (A) Change of Control as described in Section 9 (including vesting acceleration in connection with employment termination following such event), (B) the death of the Participant, (C) the Disability of the Participant, or (D) the Participant’s Retirement, are subject to the 5% Limit.
- (iii) Notwithstanding the foregoing, the Committee may accelerate the vesting of Restricted Stock or Restricted Stock Units such that the Plan Minimum Vesting Requirements are still satisfied, without such vesting acceleration counting toward the 5% Limit.
- (iv) The 5% Limit applies in the aggregate to Stock Awards, Restricted Stock or Restricted Stock Unit grants that do not satisfy Plan Minimum Vesting or Issuance Requirements and to the discretionary acceleration of Awards.

Section 12. Grant, Terms and Conditions of SARs .

- (a) **Grants**. The Committee shall have the full power and authority, exercisable in its sole discretion, to grant SARs to selected Participants. The Committee is authorized to grant both tandem stock appreciation rights, consisting of SARs with underlying Options (“Tandem SARs”), and stand-alone stock appreciation rights (“Stand-Alone SARs”) as described below. The terms of SARs shall be at the discretion of the Committee. In no event shall the Board or the Committee be permitted to Reprice a SAR after the date of grant without shareholder approval.
- (b) **Tandem SARs** .
 - (i) Participants may be granted a Tandem SAR, exercisable upon such terms and conditions as the Committee shall establish, to elect between the exercise of the underlying Option for Shares or the surrender of the Option in exchange for a distribution from the Company in an amount equal to the excess of (A) the Fair Market Value (on the Option surrender date) of the number of Shares in which the Participant is at the time vested under the surrendered Option (or surrendered portion thereof) over (B) the aggregate exercise price payable for such vested Shares.
 - (ii) No such Option surrender shall be effective unless it is approved by the Committee, either at the time of the actual Option surrender or at any earlier time. If the surrender is so approved, then the distributions to which the Participant shall become entitled under this Section 12(b) may be made in Shares valued at Fair Market Value (on the Option

surrender date), in cash, or partly in Shares and partly in cash, as the Committee shall deem appropriate.

- (iii) If the surrender of an Option is not approved by the Committee, then the Participant shall retain whatever rights he or she had under the surrendered Option (or surrendered portion thereof) on the Option surrender date and may exercise such rights at any time prior to the later of (A) five (5) business days after the receipt of the rejection notice or (B) the last day on which the Option is otherwise exercisable in accordance with the terms of the instrument evidencing such Option, but in no event may such rights be exercised more than ten (10) years after the date of the Option grant.

(c) **Stand-Alone SARs**.

- (i) A Participant may be granted a Stand-Alone SAR not tied to any underlying Option under Section 10 of the Plan. The Stand-Alone SAR shall cover a specified number of Shares and shall be exercisable upon such terms and conditions as the Committee shall establish. Upon exercise of the Stand-Alone SAR, the holder shall be entitled to receive a distribution from the Company in an amount equal to the excess of (A) the aggregate Fair Market Value (on the exercise date) of the Shares underlying the exercised right over (B) the aggregate base price in effect for those Shares.
 - (ii) The number of Shares underlying each Stand-Alone SAR and the base price in effect for those Shares shall be determined by the Committee at the time the Stand-Alone SAR is granted. In no event, however, may the base price per Share be less than the Fair Market Value per underlying Share on the grant date.
 - (iii) The distribution with respect to an exercised Stand-Alone SAR may be made in Shares valued at Fair Market Value on the exercise date, in cash, or partly in Shares and partly in cash, as the Committee shall deem appropriate.
 - (iv) The term of all Stand-Alone SARs shall be no more than ten (10) years from the date of grant.
- (d) **Exercised SARs**. The Shares issued in settlement of any SARs exercised under this Section 12, and the Shares underlying any exercised SARs that were not issued in settlement of the SAR, shall not be available for subsequent issuance under the Plan.

PART IV

TERM OF PLAN AND SHAREHOLDER APPROVAL

Section 13. Term of Plan. The Plan was originally effective as of the Original Effective Date. It shall continue in effect until the tenth anniversary of the Restated Effective Date or until terminated under Section 14 of the Plan or extended by an amendment approved by the shareholders of the Company pursuant to Section 14(a).

Section 14. Amendment and Termination of the Plan.

- (a) **Amendment and Termination**. The Board or the Committee may amend or terminate the Plan from time to time in such respects as the Board may deem advisable (including, but not limited to amendments which the Board deems appropriate to enhance the Company's ability to claim deductions related to stock option exercises); provided that to the extent required by the Code or the rules of Nasdaq or the SEC, shareholder approval shall be required for any amendment of the Plan. Subject to the foregoing, it is specifically intended that the Board or Committee may amend the Plan without shareholder approval to comply with legal, regulatory and listing requirements and to avoid unanticipated consequences deemed by the Committee to be inconsistent with the purpose of the Plan or any Award Agreement.
- (b) **Participants in Foreign Countries**. The Committee shall have the authority to adopt such modifications, procedures, and sub-plans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Subsidiaries may operate to assure the viability of the benefits from Awards granted to Participants performing services in such countries and to meet the objectives of the Plan.
- (c) **Effect of Amendment or Termination**. Any amendment or termination of the Plan shall not impair the rights of holders of Awards and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Participant and the Committee, which agreement must be in writing and signed by the Participant and the Company.

Section 15. Shareholder Approval. The effectiveness of the Plan is subject to approval by the shareholders of the Company in accordance with applicable Nasdaq rules.

PART V

OTHER PROVISIONS

Section 16. No Liability of Company. The Company and any Subsidiary that is in existence or hereafter comes into existence shall not be liable to a Participant or any other person as to: (i) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (ii) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Award granted hereunder.

Section 17. Non-Exclusivity of Plan. Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including without limitation, the granting of Stock Awards, Restricted Stock, Restricted Stock

Units, or Options otherwise than under this Plan or an arrangement not intended to qualify under Code Section 162(m), and such arrangements may be either generally applicable or applicable only in specific cases.

Section 18. Governing Law. This Plan and any agreements or other documents hereunder shall be interpreted and construed in accordance with the laws of the state of Washington and applicable federal law. Any reference in this Plan or in the agreement or other document evidencing any Award to a provision of law or to a rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

STARBUCKS CORPORATION

2005 NON-EMPLOYEE DIRECTOR SUB-PLAN
TO THE
STARBUCKS CORPORATION
2005 LONG-TERM EQUITY INCENTIVE PLAN

(as amended and restated effective September 11, 2018)

1. **Purpose.** The purpose of this Sub-Plan is (i) to assist in the administration and implementation of the Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as it may be amended from time to time (the "**Plan**"), by providing additional procedures and guidelines which apply specifically to Non-Employee Directors, and (ii) to attract and retain the services of experienced and knowledgeable Non-Employee Directors for the benefit of the Company and its shareholders. This Sub-Plan is intended to provide an incentive for Non-Employee Directors by linking the interests of the Non-Employee Directors with those of the Company's shareholders.
2. **Definitions.** Capitalized terms used without definition in this Sub-Plan shall have the meanings given to such terms in the Plan. To the extent that any term defined herein conflicts with the definition of such term under the Plan, the definition in this Sub-Plan shall control.

For purposes of the Sub-Plan:

- (a) "**Award**" shall mean any award or benefits granted under this Sub-Plan, including Options, Stock Awards, Restricted Stock and Restricted Stock Units.
 - (b) "**Award Agreement**" shall mean the written or electronic agreement between the Company and the Participant setting forth the terms of the Award.
 - (c) "**Board**" shall mean the Board of Directors of the Company.
 - (d) "**Disability**" shall mean a physical or mental condition resulting from bodily injury, disease or mental disorder which renders the Participant incapable of continuing his or her usual and customary service with the Company for a period of not less than 120 days or such other period as may be required by applicable law.
 - (e) "**Misconduct**" shall mean in the case of Non-Employee Directors, the removal from the Board for cause (as determined by the Company's shareholders).
 - (f) "**Non-Employee Director**" shall mean a Director who is not a Partner.
 - (g) "**Option**" shall mean an option to purchase Shares granted pursuant to this Sub-Plan that does not qualify or is not intended to qualify as an incentive stock option under Section 422 of the Code.
 - (h) "**Participant**" shall mean each Non-Employee Director who has not been a Partner at any time during the immediately preceding 12-month period, and each permitted transferee of an Award under Section 6(e).
 - (i) "**Plan**" shall mean the Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as it may be amended from time to time.
 - (j) "**Restricted Stock**" shall mean a grant of Shares subject to restrictions pursuant to this Sub-Plan.
 - (k) "**Restricted Stock Units**" shall mean a grant of the right to receive Shares or their cash equivalent (or both) pursuant to this Sub-Plan and may be paid in Shares, their cash equivalent or both.
 - (l) "**Stock Award**" shall mean a grant of fully vested Shares pursuant to this Sub-Plan.
-

- (m) “**Sub-Plan**” means this Starbucks Corporation 2005 Non-Employee Director Sub-Plan to the Plan, as such plan may be amended and restated from time to time.

3. **Administration of the Sub-Plan**.

- (a) **Board**. This Sub-Plan shall be administered by the Board, subject to such terms and conditions as the Board may prescribe; provided that they are consistent with the terms of the Plan. Notwithstanding anything herein to the contrary, in its discretion the Board may delegate some or all of its authority to administer this Sub-Plan to one or more committees of the Board.
- (b) **Authority; Powers**. Subject to the express terms and conditions set forth herein and the Plan, the Board shall have the discretion from time to time:
- (i) to grant Options, Stock Awards, Restricted Stock and Restricted Stock Units to Participants and to determine the terms and conditions of such Awards, including the determination of the Fair Market Value of the Shares and the exercise price, and to modify or amend each Award, with the consent of the Participant when required;
 - (ii) to determine the Participants to whom Awards, if any, will be granted hereunder, the timing of such Awards, and the number of Shares to be represented by each Award;
 - (iii) to construe and interpret this Sub-Plan and the Awards granted hereunder;
 - (iv) to prescribe, amend, and rescind rules and regulations relating to this Sub-Plan, including the form of Award Agreement, and manner of acceptance of an Award, such as correcting a defect or supplying any omission, or reconciling any inconsistency so that this Sub-Plan or any Award Agreement complies with applicable law, regulations and listing requirements and to avoid unanticipated consequences deemed by the Board to be inconsistent with the purposes of the Plan or any Award Agreement;
 - (v) to establish Performance Criteria (as defined in Section 11(b) of the Plan) for Awards made pursuant to the Plan in accordance with a methodology established by the Board, and to determine whether performance goals have been attained;
 - (vi) to accelerate or defer (with the consent of the Participant) the exercise or vested date of any Award;
 - (vii) to authorize any Person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted by the Board;
 - (viii) to establish sub-plans, procedures, or guidelines for the grant of Awards to Non-Employee Directors; and
 - (ix) to make all other determinations deemed necessary or advisable for the administration of this Sub-Plan;
- provided that, no consent of a Participant is necessary under clauses (i) or (vi) if a modification, amendment, acceleration, or deferral, in the reasonable judgment of the Board, confers a benefit on the Participant or is made pursuant to an adjustment in accordance with Section 7.
- (c) **Effect of Board’s Decision**. All decisions, determinations, and interpretations of the Board shall be final and binding on all Participants, the Company (including its Subsidiaries), any shareholder and all other Persons.

4. **Award Grants**.

- (a) **Initial Award Grant**. Each Participant initially elected or appointed to the Board effective other than at the Company’s Annual Meeting of Shareholders (the “Effective Date of Initial Election or Appointment”) shall be granted an Award, pursuant to one or more Award Agreements, of an Option and/or Restricted Stock Units (based on the Participant’s election in a manner and within the limitations specified by the Board) with a value on the date of grant equal to that portion of the annual compensation for Directors in effect on the Effective Date of Initial Election or Appointment that the Participant has elected to receive in the form of an Option and/or Restricted Stock Units multiplied by a fraction, the numerator of which is the number of

calendar days remaining between the date of the Company's then last Annual Meeting of Shareholders and the one year anniversary of such Annual Meeting of Shareholders on the Effective Date of Initial Election or Appointment, and the denominator of which is 365. The number of shares subject to an Option and/or Award of Restricted Stock Units under this Section 4(a) shall be determined pursuant to the formula set forth in Section 4(c).

- (b) **Annual Award Grant**. Beginning with the 2019 Annual Meeting of Shareholders, each Participant who is serving as a Director immediately following each of the Company's Annual Meeting of Shareholders shall be granted, on the date thereof, an Award, pursuant to one or more Award Agreements, of an Option and/or Restricted Stock Units (based on the Participant's election in a manner and within the limitations specified by the Board) with a value on the date of grant equal to that portion of the annual compensation for Directors in effect for such fiscal year that the Participant has elected to receive in the form of an Option and/or Restricted Stock Units. The number of shares subject to an Option and/or Award of Restricted Stock Units under this Section 4(b) shall be determined pursuant to the formula set forth in Section 4(c).
- (c) **Grant Formula**. The number of Shares subject to Awards to be granted under Sections 4(a) or 4(b) shall be determined as follows: (i) for Restricted Stock Units, by dividing the amount of director compensation that the Participant has elected to receive in the form of Restricted Stock Units by the Fair Market Value of the Common Stock on date of grant (rounded down to the nearest whole share) and (ii) for Options, by dividing the amount of director compensation that the Participant has elected to receive in the form of Options by the grant date fair value of an option, as determined in accordance with procedures generally utilized by the Company for its financial reporting purposes at the time of grant (rounded down to the nearest whole share).

5. **Vesting of Awards**. Unless otherwise approved by action of the Board and reflected in the applicable Award Agreement, Awards granted under this Sub-Plan shall be fully vested on the date of grant.

6. **Procedure for Exercise of Awards; Rights as a Shareholder**.

- (a) **Procedure**. An Award shall be exercised when written, electronic or verbal notice of exercise has been given to the Company, or the brokerage firm or firms approved by the Company to facilitate exercises and sales under this Sub-Plan, in accordance with the terms of the Award by the Person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been received by the Company or the brokerage firm or firms, as applicable. The notification to the brokerage firm shall be made in accordance with procedures of such brokerage firm approved by the Company. Full payment may, as authorized by the Board, consist of any consideration and method of payment allowable under Section 6(b) of this Sub-Plan. The Company shall issue (or cause to be issued) such Shares promptly upon exercise of or settlement of the Award. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 7 of this Sub-Plan.
- (b) **Method of Payment**. The consideration to be paid for any Shares to be issued upon exercise or other required settlement of an Award, including the method of payment, shall be determined by the Board at or prior to the time of settlement and which forms may include: (i) with respect to an Option, a request that the Company or the designated brokerage firm conduct a cashless exercise of the Option; (ii) cash; and (iii) tender of shares of Common Stock owned by the Participant in accordance with rules established by the Board from time to time. Shares used to pay the exercise price shall be valued at their Fair Market Value on the exercise date. Payment of the aggregate exercise price by means of tendering previously-owned shares of Common Stock shall not be permitted when the same may, in the reasonable opinion of the Company, cause the Company to record a loss or expense as a result thereof.
- (c) **Withholding Obligations**. To the extent required by applicable federal, state, local or foreign law, the Board may and/or a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise with respect to any Option, Stock Award, Restricted Stock or Restricted Stock Units, or any sale of Shares. The Company shall not be required to issue Shares or to recognize the disposition of such Shares until such obligations are satisfied. These obligations may be satisfied by having the Company withhold a portion of the Shares that otherwise would be issued to a Participant under such Award, such withholding to be done at the minimum tax rate required under applicable law or by tendering Shares previously acquired by the Participant in accordance with rules established by the Board from time to time.

- (d) **Shareholder Rights**. Except as otherwise provided in this Sub-Plan, until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares subject to the Award, notwithstanding the exercise of the Award.
- (e) **Non-Transferability of Awards**. An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in exchange for consideration, and may be exercised, during the lifetime of the Participant, only by the Participant, except that an Award may be transferred (i) by will or by the laws of descent or distribution, (ii) by gift or, with the consent of the Company for value, to immediate family members of the Participant, partnerships of which the only partners are members of the Participant's immediate family and trusts established solely for the benefit of such family members; and solely as it pertains to effecting an exercise of Awards transferred in accordance with this Section 6(e), the term Participant shall include a permitted transferee, (iii) to the extent permitted by the Board, to one or more beneficiaries on a Company-approved form who may exercise the Award after the Participant's death, or (iv) such further transferability as the Board may permit, on a general or specific basis, in which case the Board may impose conditions and limitations on any permitted transferability.

7. **Adjustments to Shares Subject to the Plan**. If any change is made to the Shares by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Shares as a class without the Company's receipt of consideration, appropriate adjustments shall be made to the number of Shares that are subject to outstanding Awards under this Sub-Plan. The Board may also make adjustments described in the previous sentence in the event of any distribution of assets to shareholders other than a normal cash dividend. In determining adjustments to be made under this Section 7, the Board may take into account such factors as it deems appropriate, including the restrictions of applicable law and the potential tax consequences of an adjustment, and in light of such factors may make adjustments that are not uniform or proportionate among outstanding Awards. Adjustments, if any, and any determinations or interpretations, including any determination of whether a distribution is other than a normal cash dividend, made by the Board shall be final, binding and conclusive. For purposes of this Section 7, conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration."

8. **Expiration of Options**.

- (a) **Expiration, Termination or Forfeiture of Options**. Unless otherwise provided in the applicable Award Agreement or any severance agreement, vested Options granted under this Sub-Plan shall expire, terminate, or otherwise be forfeited as follows:
 - (i) thirty-six (36) months after the date the Participant ceases to be a Director, other than in circumstances covered by (ii), (iii) or (iv) below;
 - (ii) immediately upon a Participant ceasing to be a Director due to Misconduct;
 - (iii) twelve (12) months after the date of the death of a Participant who ceased to be a Director as a result of his or her death; and
 - (iv) twelve (12) months after the date on which a Participant ceased to be a Director as a result of Disability.
- (b) **Extension of Term**. Notwithstanding subsection (a) above, the Board shall have the authority to extend the expiration date of any outstanding Option in circumstances in which it deems such action to be appropriate (provided that no such extension shall extend the term of an Option beyond the date on which the Option would have expired if no termination of the Participant's status as a Director had occurred).

9. **Terms and Conditions of Awards**.

- (a) **Award Agreement**. The terms and conditions of the grant of Awards to a Participant shall be set forth in an Award Agreement, which will include the terms, conditions and restrictions, including but not limited to vesting, if any, related to the offer.

- (b) **Exercise Price**. The exercise price for each Option shall be 100% of the Fair Market Value of a Share on the date the Option is granted.
 - (c) **Repricing**. In no event shall the Board or any committee of the Board be permitted to reprice an Award after the date of grant without shareholder approval.
 - (d) **Term of Award**. Unless otherwise provided in the applicable Award Agreement, the term of an Award shall be at the discretion of the Board.
10. **Termination and Amendment of the Sub-Plan**. This Sub-Plan shall terminate on the date of termination of the Plan and no Award may be granted pursuant to this Sub-Plan thereafter. The Board may, at any time and from time to time, amend, modify or suspend this Sub-Plan and all administrative rules, regulations and practices hereunder; provided, however, that no such amendment, modification, suspension or termination shall impair or adversely alter any Awards theretofore granted under this Sub-Plan, except with the consent of the Participant, nor shall any amendment, modification, suspension or termination deprive any Participant of any Shares that he or she may have acquired through or as a result of this Sub-Plan.
11. **Non-Exclusivity of this Sub-Plan**. Except as otherwise explicitly stated herein, the adoption of this Sub-Plan by the Board shall not be construed as amending, modifying or rescinding the Plan but is intended to serve as a framework for the Board with respect to grants to Participants.
12. **Multiple Award Grants**. The terms of each Award grant may differ from the terms of any other Award granted under this Sub-Plan. The Board may also make more than one grant of Awards to a given Participant during the term of this Sub-Plan.

(Approved by the Board of Directors on February 8, 2005; as amended and restated by the Board of Directors on March 22, 2016; as further amended and restated by the Board of Directors on September 11, 2018)

STARBUCKS CORPORATION
GLOBAL KEY EMPLOYEE RESTRICTED STOCK UNIT GRANT AGREEMENT
2005 LONG-TERM EQUITY INCENTIVE PLAN

STARBUCKS CORPORATION (the “Company”) does hereby grant to the individual named below (the “Participant”) an award (the “Award”) for the number of restricted stock units (the “Restricted Stock Units”) set forth below, effective on the Date of Grant set forth below. The Restricted Stock Units shall vest and become payable in shares of Common Stock (the “Shares”) according to the vesting schedule set forth below subject to earlier expiration or termination of the Restricted Stock Units as provided in this Global Key Employee Restricted Stock Unit Grant Agreement, including any special terms and conditions applicable to the Participant’s country contained in the Appendix A attached hereto (together with the Global Key Employee Restricted Stock Unit Grant Agreement, this “Agreement”). This Agreement shall be subject to the terms and conditions of the 2005 Long-Term Equity Incentive Plan (the “Plan”). Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan.

| | |
|--------------------------|--|
| Participant: | |
| Number of Units: | |
| Date of Grant: | |
| Vesting Schedule: | 25% on 1st Anniversary of Date of Grant 25% on 2nd Anniversary of Date of Grant 25% on 3rd Anniversary of Date of Grant 25% on 4th Anniversary of Date of Grant |

1. **Vesting Schedule; Form and Timing of Payment of Vested Restricted Stock Units.** Subject to the terms and conditions of this Agreement and the Plan, a number of the Restricted Stock Units will vest as set forth above, subject to the Participant’s continued Active Status through the applicable Vesting Date (except as provided in Sections 3.2, 3.3 or 3.4 below). Any Restricted Stock Units that vest will be paid to the Participant solely in whole Shares (and not in cash, as the Plan permits) on, or within thirty (30) days after, the relevant Vesting Date on which the Restricted Stock Units vest in accordance with this Section 1 (or, if earlier, upon a vesting event contemplated under Sections 3.2 or 3.4 below, as applicable), subject to any delayed payment required under Section 6 below.
2. **Dividend Equivalents.** On each date that a cash dividend is paid to holders of Shares, an amount (the “Dividend Equivalent Amount”) equal to the cash dividend that is paid on each Share, multiplied by the number of Shares subject to the Restricted Stock Units and any Dividend Equivalent RSUs (as defined below) that remain unvested and outstanding as of the dividend payment date, shall be credited for the benefit of the Participant, and such credited amount shall be converted into an additional number of Restricted Stock Units (“Dividend Equivalent RSUs”) determined by dividing the Dividend Equivalent Amount by the Fair Market Value of a Share on the dividend payment date, rounded up or down to the nearest whole number. Dividend Equivalent RSUs will be subject to the same conditions as the underlying Restricted Stock Units with respect to which the Dividend Equivalent RSUs were paid, including, without limitation, the vesting conditions and the provisions governing time and form of settlement applicable to the underlying Restricted Stock Units. Unless expressly provided otherwise, as used elsewhere in this Agreement “Restricted Stock Units” shall include any Dividend Equivalent RSUs that have been credited to the Participant’s account.
3. **Termination of Employment; Change of Control.**
 - 3.1 **Termination of Employment.** Except as provided in Sections 3.3 or 3.4 below, any unvested Restricted Stock Units subject to this Agreement shall immediately terminate and be automatically forfeited by the Participant to the Company upon the termination of the Participant’s Active Status with the Company or any Subsidiary or affiliate of the Company for any reason (as further described in Section 8(l) below), including without limitation, voluntary termination by the Participant, or termination by the Company or any Subsidiary or affiliate of the Company because of Misconduct.
 - 3.2 **Change of Control.** Upon a Change of Control, the vesting of the Restricted Stock Units shall accelerate, and the Restricted Stock Units shall become fully vested and payable to the extent and under the terms and conditions set

forth in the Plan; provided that for purposes of this Section 3.2, “Resignation (or Resign) for Good Reason” shall have the following meaning:

“Resignation (or Resign) for Good Reason” shall mean any voluntary termination by written resignation of the Active Status of a Participant after a Change of Control because of: (1) a material reduction in the Partner’s authority, responsibilities or scope of employment; (2) an assignment of duties to the Partner materially inconsistent with the Partner’s role at the Company (including its Subsidiaries and affiliates) prior to the Change of Control, (3) a material reduction in the Partner’s base salary or total incentive compensation; (4) a material reduction in the Partner’s benefits unless such reduction applies to all Partners of comparable rank; or (5) the relocation of the Partner’s primary work location more than 50 miles from the Partner’s primary work location prior to the Change of Control. Notwithstanding the foregoing, a Participant shall not be deemed to have Resigned for Good Reason unless the Participant, within one year after a Change of Control, (i) notifies the Company of the existence of the condition giving rise to a Resignation for Good Reason within 90 days of the initial existence of such condition, (ii) gives the Company at least 30 days following the date on which the Company receives such notice (and prior to termination) in which to remedy the condition, and (iii) if the Company does not remedy such condition within such 30-day period, actually terminates employment within 60 days after the expiration of such 30-day period (and before the Company remedies such condition). If the Company remedies such condition within such 30-day period (or at any time prior to the Participant’s actual termination), then any Resignation for Good Reason by the Participant on account of such condition will not be a Resignation for Good Reason.

- 3.3 Retirement.** If the Participant’s Active Status terminates due to Retirement, the Participant will continue to vest in all unvested Restricted Stock Units as if the Participant’s Active Status had not terminated, subject to and conditioned upon compliance with the terms of Section 4 through each Vesting Date.
- 3.4 Disability or Death.** If the Participant’s Active Status terminates due to Disability or death, all unvested Restricted Stock Units will vest in full as of the date of termination of Active Status due to Disability or death.

- 4. Misconduct.** As a condition to receiving and becoming eligible to vest in the Restricted Stock Units, the Participant hereby agrees not to engage in Misconduct.
- 5. Clawback.** If the Company determines, in its sole discretion, that the Participant has engaged in Misconduct, the Participant agrees and covenants that (a) any unvested portion of the Restricted Stock Units shall be immediately forfeited as of the date the Company determines that the Participant has engaged in Misconduct (the “Determination Date”); (b) if any part of the Restricted Stock Units vested and were settled prior to the Determination Date, upon the Company’s demand, the Participant shall immediately deliver to the Company (i) the Shares that the Participant acquired upon settlement of such Restricted Stock Units and (ii) to the extent any such Shares were previously sold by the Participant, a cash amount equal to the Fair Market Value as of the Determination Date of the Shares contemplated to be returned to the Company under this clause; and (c) the foregoing remedies set forth in this Section 5. shall not be the Company’s exclusive remedies, which shall include, among other remedies, injunctive relief and damages that may be available to the Company. The Company reserves all other rights and remedies available to it at law or in equity.
- 6. Code Section 409A.** The provisions in this Section 6 shall apply if the Participant is subject to taxation in the United States.
- 6.1** To the extent the Restricted Stock Units constitute “nonqualified deferred compensation” that is subject to Code Section 409A (“NQ Deferred Compensation”), any Restricted Stock Units that are payable upon or with reference to the date that the Participant’s Active Service terminates (i) shall not be paid unless the Participant experiences a “separation from service” within the meaning of Code Section 409A and (ii) if the Participant is a “specified employee” within the meaning of Code Section 409A on the date of the Participant’s separation from service, then the Restricted Stock Units shall be paid on the first business day of the seventh month following the Participant’s separation from service, or, if earlier, on the date of the Participant’s death, to the extent such delayed payment is required in order to avoid a prohibited distribution under Code Section 409A.
- 6.2** This Award and payments made pursuant to this Agreement and the Plan are intended to qualify for an exemption from or comply with Code Section 409A. Notwithstanding any other provision in this Agreement and the Plan, the Company, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify this Agreement and/or the Plan so that the Restricted Stock Units granted to the Participant qualify for exemption from or comply with Code Section 409A; provided, however, that

the Company makes no representations that the Restricted Stock Units shall be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to the Restricted Stock Units. Nothing in this Agreement or the Plan shall provide a basis for any person to take action against the Company or any Subsidiary or affiliate of the Company based on matters covered by Code Section 409A, including the tax treatment of any amount paid or Award made under this Agreement, and neither the Company nor any of its Subsidiaries or affiliates shall under any circumstances have any liability to any Participant or his or her estate or any other party for any taxes, penalties or interest imposed under Code Section 409A for any amounts paid or payable under this Agreement.

6.3 If the vesting of the Restricted Stock Units is accelerated upon a Change of Control, the Restricted Stock Units are considered NQ Deferred Compensation, and the Change of Control does not constitute a “change in control event,” within the meaning of the U.S. Treasury Regulations, then the cash equivalent of the Restricted Stock Units calculated as of the date of the Change in Control shall be paid on the earliest of the applicable Vesting Date, the date of the Participant’s death or the date the Participant’s Active Status terminates due to Disability.

7. **Responsibility for Taxes.** Regardless of any action the Company or, if different, the Participant’s employer (the “Employer”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Participant’s participation in the Plan and legally applicable to the Participant (“Tax-Related Items”), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant’s responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to the grant of the Restricted Stock Units, the vesting or settlement of the Restricted Stock Units, the issuance of Shares in settlement of the Restricted Stock Units, the subsequent sale of Shares acquired at vesting and the receipt of any dividends and/or any dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Restricted Stock Units to reduce or eliminate the Participant’s liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Participant is subject to tax in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant must pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant hereby authorizes the Company and/or the Employer, or their respective agents, in their sole discretion and without any notice to or additional authorization by the Participant, to satisfy their withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Participant’s wages or other cash compensation paid to the Participant by the Company and/or the Employer; or
- (b) withholding from proceeds of the sale of Shares issued in settlement of the vested Restricted Stock Units, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant’s behalf pursuant to this authorization without further consent), to the extent and in the manner permitted by all applicable securities laws, including making any necessary securities registration or taking any other necessary actions; or
- (c) withholding in whole Shares to be issued in settlement of the vested Restricted Stock Units based on the Fair Market Value of the underlying Shares on the date the withholding obligation arises, in an amount equal to the aggregate withholding obligation as determined by the Company and/or the Employer with respect to such Award, provided, however that if the Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (a) and (b) above.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts in the Participant’s country or other applicable withholding rates, including maximum applicable rates in the Participant’s country, to the extent permitted under the Plan, in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares is held back solely for the

purpose of paying the Tax-Related Items due as a result of the Participant's participation in the Plan. In the event the Tax-Related Items withholding obligation would result in a fractional number of Shares to be withheld by the Company, such number of Shares to be withheld shall be rounded up to the next nearest number of whole Shares. If, due to rounding of Shares, the value of the number of Shares retained by the Company pursuant to this provision is more than the amount required to be withheld, then the Company may pay such excess amount to the relevant tax authority as additional withholding with respect to the Participant.

Finally, the Participant is required to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items. The Participant shall have no further rights with respect to any Shares that are retained by the Company pursuant to this provision, and under no circumstances will the Company be required to issue any fractional Shares.

8. Nature of Grant. In accepting the grant of the Award, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units or other awards, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;
- (c) all decisions with respect to future restricted stock units or other awards, if any, will be at the sole discretion of the Company;
- (d) the Award and the Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service relationship with the Company and shall not interfere with the ability of the Employer to terminate the Participant's employment or service relationship, if any;
- (e) the Participant's participation in the Plan is voluntary;
- (f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (h) unless otherwise agreed with the Company, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not granted as consideration for, or in connection with, the service that the Participant may provide as a director of a Subsidiary or affiliate of the Company;
- (i) the future value of the Shares subject to the Restricted Stock Units is unknown, indeterminable, and cannot be predicted with certainty;
- (j) after termination of the Participant's Active Status, the Participant is no longer eligible to receive any new restricted stock units under the Plan;
- (k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of the Participant's Active Status (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service contract, if any);
- (l) for purposes of the Restricted Stock Units, and notwithstanding anything to the contrary provided in the Plan, the Participant's Active Status will be considered terminated as of the date the Participant is no longer actively providing services to the Company or one of its Subsidiaries or affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where

the Participant is employed or providing services or the terms of the Participant's employment or service contract, if any), and unless otherwise provided in this Agreement or the Plan, the Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g. , the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service contract, if any); the Committee shall have the exclusive discretion to determine when the Participant's Active Status for purposes of the Award is terminated (including whether the Participant may still be considered to be providing services while on a leave of absence);

(m) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Stock; and

(n) the following provisions apply only if the Participant is providing services outside the United States:

- (1) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose; and
- (2) neither the Company, the Employer nor any other Subsidiary or affiliate of the Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

9. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant should consult with his or her own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

10. **Data Privacy.**

- (a) **Data Collection and Usage.** *The Company and any Subsidiary or affiliate of the Company, including the Employer, may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all restricted stock units or any other entitlement to Shares or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*
- (b) **Stock Plan Administration Service Providers.** *The Company transfers Data to Fidelity Plan Services, LLC and its affiliated companies (collectively, "Fidelity"), an independent service provider based in the United States, which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other provider(s) serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*
- (c) **International Data Transfers.** *The Company and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company's legal basis, where required, for the transfer of Data is the Participant's consent.*
- (d) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, securities, exchange control and labor laws.*

- (e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her consent, the Participant's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant Restricted Stock Units or other equity awards to the Participant or administer or maintain such awards.
- (f) **Data Subject Rights.** The Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.

By accepting the Restricted Stock Units and indicating consent via the Company's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, the Participant understands that the Company may rely on a different legal basis for the processing or transfer of Data in the future and/or request that the Participant provide another data privacy consent. If applicable and upon request of the Company or the Employer, the Participant agrees to provide an executed acknowledgment or data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such acknowledgement, agreement or consent requested by the Company and/or the Employer.

11. **Governing Law/Choice of Venue.** The Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of Washington, as provided in the Plan, without regard for its conflict of laws provisions. For purposes of litigating any dispute that arises under this grant or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington, and agree that such litigation shall be conducted exclusively in the courts of King County, or the federal courts of the United States for the 9th Circuit, and no other courts, where this grant is made and/or to be performed.
12. **Compliance with Law.** Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. The Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, the Participant agrees that the Company shall have unilateral authority to amend the Plan and this Agreement without the Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.
13. **Language.** The Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Participant to understand the terms of this Agreement and any other documents related to the Plan. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
14. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such

documents by electronic delivery and agrees to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.

15. **Severability**. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
16. **Undertakings**. The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the Restricted Stock Units pursuant to the provisions of this Agreement.
17. **No Rights as Shareholder**. Except as otherwise provided in Section 2, the Participant will not have dividend, voting or any other rights as a shareholder of the Shares with respect to the Restricted Stock Units. Upon payment of the vested Restricted Stock Units in Shares, the Participant will obtain full dividend, voting and other rights as a shareholder of the Company.
18. **Restrictions on Transfer**. Notwithstanding anything in the Plan to the contrary, the Restricted Stock Units granted pursuant to this Award may not be sold, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose), assigned, hypothecated, transferred, disposed of in exchange for consideration, made subject to attachment or similar proceedings, or otherwise disposed of under any circumstances, except that this Award may be transferred (i) by will or by laws of descent and distribution applicable to a deceased Participant or (ii) pursuant to a domestic relations order.
19. **Appendix A**. Notwithstanding any provisions in this Agreement, the Award of Restricted Stock Units shall be subject to any special terms and conditions set forth in Appendix A for the Participant's country. Moreover, if the Participant relocates to one of the countries included in Appendix A, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix A constitutes part of this Global Key Employee Restricted Stock Unit Agreement.
20. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings (as provided in Section 16 above) that may be necessary to accomplish the foregoing.
21. **Waiver**. If the Participant breaches or otherwise does not comply with any provision of this Agreement, but the Company does not act upon this breach or non-compliance and continues to comply with its obligations under this Agreement, this shall not mean that the Company waives any other provision of this Agreement or will otherwise permit any further breach of or non-compliance with any provision of this Agreement.
22. **Insider Trading/Market Abuse Laws**. Depending on the Participant's country or the country in which Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and the Participant's country, which may affect the Participant's ability to accept, acquire, sell or attempt to sell, or otherwise dispose of Shares, rights to Shares (e.g. , Restricted Stock Units) or rights linked to the value of Shares during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in the applicable jurisdiction). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before possessing inside information. Furthermore, the Participant may be prohibited from (i) disclosing insider information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities, including third parties who are fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. The Participant acknowledges that it is the Participant's responsibility to comply with any applicable restrictions, and the Participant should consult with the Participant's own personal legal and financial advisors on this matter before taking any action related to the Plan.
23. **Foreign Asset/Account Reporting; Exchange Controls**. The Participant's country may have certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside the Participant's country. The Participant

may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. The Participant acknowledges that it is his or her responsibility to comply with such regulations, and the Participant should consult his or her personal legal advisor for any details.

Finally, the Company hereby strongly recommends that the Participant seek the advice of a personal tax and/or legal advisor to obtain specific information concerning the tax and other legal consequences associated with the Restricted Stock Units.

* * *

By the Participant's signature and the Company's signature below, the Participant and the Company agree that this grant is governed by this Agreement and the Plan.

EXECUTED as of the Date of Grant.

STARBUCKS CORPORATION

By _____

Its _____

PARTICIPANT

Signature _____

**APPENDIX A TO
STARBUCKS CORPORATION
GLOBAL KEY EMPLOYEE RESTRICTED STOCK UNIT GRANT AGREEMENT
2005 LONG-TERM EQUITY INCENTIVE PLAN**

Capitalized terms not explicitly defined in this Appendix A but defined in the Global Key Employee Restricted Stock Unit Grant Agreement, the Plan or any applicable country-specific sub-plan shall have the same definitions as in the Plan, any applicable country-specific sub-plan and/or the Global Key Employee Restricted Stock Unit Grant Agreement (the “Key Employee RSU Agreement”).

TERMS AND CONDITIONS

This Appendix A, which is part of the Key Employee RSU Agreement, includes additional terms and conditions that govern the Restricted Stock Units granted to the Participant under the Plan and that will apply to the Participant if he or she is in one of the countries listed below.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Date of Grant, the Company shall, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to the Participant under these circumstances.

NOTIFICATIONS

This Appendix A also includes information regarding exchange control and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2018. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Appendix A as the only source of information relating to the consequences of his or her participation in the Plan because such information may be outdated when the Restricted Stock Units vest and/or when the Participant sells any Shares acquired at vesting of the Restricted Stock Units.

In addition, the information contained herein is general in nature and may not apply to the Participant’s particular situation. As a result, the Company is not in a position to assure the Participant of any particular result. The Participant, therefore, should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation.

Finally, if the Participant is a citizen or resident of a country other than that in which he or she is currently residing and/or working, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Date of Grant, the information contained herein may not be applicable in the same manner to the Participant.

EUROPEAN UNION

TERMS AND CONDITIONS

The following provision applies to Participants residing in the European Union:

No Continued Vesting Upon Termination Due to Retirement. Section 3.3 of the Key Employee RSU Agreement shall not apply and Sections 1 and 3.1 of the Key Employee RSU Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Restricted Stock Units held by Participants residing in the European Union.

AUSTRALIA

TERMS AND CONDITIONS

Retirement. The Company reserves the right not to apply Section 3.3 of the Key Employee RSU Agreement, in which case, Sections 1 and 3.1 of the Key Employee RSU Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Restricted Stock Units. Alternatively, provided the Participant is not subject to taxation in the United States, the Company reserves the right to accelerate vesting of the Restricted Stock Units such that the Award would become fully vested as of the date Active Status terminates due to Retirement and the Award would be payable in accordance with Section 1 of the Key Employee RSU Agreement to the extent that it has not previously been forfeited.

Australia Offer Document. The offer of Restricted Stock Units is intended to comply with the provisions of the Corporations Act 2001, Australian Securities & Investments Commission (“ASIC”) Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the offer of Restricted Stock Units to Australian resident employees, which will be provided to the Participant with this Agreement.

Compliance with Law . Notwithstanding anything in the Key Employee RSU Agreement or the Plan to the contrary, the Participant will not be entitled to, and shall not claim, any benefit under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits. Further, the Employer is under no obligation to seek or obtain the approval of its shareholders in general meeting for the purpose of overcoming any such limitation or restriction.

NOTIFICATIONS

Tax Information. The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. If an Australian bank is assisting with the transaction, the bank will file the report on behalf of the Participant.

CANADA

TERMS AND CONDITIONS

Termination of Active Status. Notwithstanding anything to the contrary provided in the Plan, and except as expressly required by applicable legislation, the Participant’s Active Status shall be considered terminated as of the date that is the earlier of (a) the date that the Participant receives notice of termination of employment; (b) the date the Participant terminates employment; or (c) the date the Participant is no longer actively employed by the Company or any Subsidiary or affiliate of the Company regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law); the Committee shall have the exclusive discretion to determine when the Participant’s Active Status shall be considered terminated for purposes of the Restricted Stock Units (including when the Participant may still be considered to be providing services while on a leave of absence).

The following provisions apply if the Participant is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressément souhaité que cette Convention, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Data Privacy Notice and Consent. The following provision supplements the Data Privacy section of the Key Employee RSU Agreement:

The Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel (professional or not) involved with the administration and operation of the Plan. The Participant further authorizes the Company, any Subsidiary and affiliate and the Employer to disclose and discuss the Participant's participation in the Plan with their advisors. The Participant further authorizes the Company, any Subsidiary and affiliate and the Employer to record such information and to keep it in the Participant's employee file.

NOTIFICATIONS

Securities Law Information . The Participant is permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided that the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (*i.e.* , the NASDAQ Global Select Market).

Foreign Asset/Account Reporting Information. Foreign specified property, including shares of stock (*i.e.* , Shares), options to purchase Shares and other rights to receive Shares (*e.g.* , Restricted Stock Units) of a non-Canadian company held by a Canadian resident employee must generally be reported annually on a Form T1135 (Foreign Income Verification Statement), if the total cost of his or her foreign specified property exceeds C\$100,000 at any time during the year. Thus, Restricted Stock Units likely must be reported (generally at a nil cost) if the C\$100,000 cost threshold is exceeded because of other foreign specified property the Participant holds. When Shares are acquired, their cost generally is the adjusted cost base (" ACB ") of the Shares. The ACB ordinarily is equal to the fair market value of the Shares at the time of acquisition, but if the Participant owns other Shares (acquired separately), this ACB may have to be averaged with the ACB of the other Shares. The Participant should consult with a personal tax advisor to ensure compliance with the applicable reporting obligations.

CHINA

TERMS AND CONDITIONS

Acceptance of Award . The Participant must log on to the Fidelity website and certify his or her Fidelity account as a condition of this Award. If the Participant does not certify his or her Fidelity account in the manner instructed by Fidelity and/or the Company before the first vesting date occurs, the Award will be subject to cancellation at the Company's sole discretion. If the Award is cancelled, the Participant will have no rights to the underlying Shares or any corresponding benefit.

The following terms and conditions apply only to Participants who are subject to exchange control restrictions in China, as determined by the Company in its sole discretion.

Termination of Employment; Change of Control. The following provision supplements the Termination of Employment; Change of Control section of the Key Employee RSU Agreement:

Due to legal restrictions in China, the Participant agrees that the Company reserves the right to require the automatic sale of any Shares acquired at vesting of the Restricted Stock Units upon the termination of the Participant's Active Status with the Company or any Subsidiary or affiliate of the Company for any reason, including without limitation, voluntary termination by the Participant, termination because of the Participant's Retirement, Disability or death or termination by the Company or any Subsidiary or affiliate of the Company because of Misconduct. The Participant hereby authorizes the sale of all Shares issued to him or her as soon as administratively practicable after the applicable termination of Active Status and pursuant to this authorization. The Participant further agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares and the Participant expressly authorizes the Company's designated broker to complete the sale of such Shares. The Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of Shares, the Participant will receive the sale proceeds less any amounts necessary to satisfy Tax-Related Items and applicable transaction fees or commissions. Due to currency exchange conversion rate fluctuation between the applicable vesting date of the Restricted Stock Units and (if later) the date on which the Shares are sold, the amount of sale proceeds may be more or less than the fair market value of the Shares on the applicable vesting date (which is the relevant amount for purposes of calculating amounts necessary to satisfy applicable Tax-Related Items).

Furthermore, the Company reserves the right not to apply Section 3.3 of the Key Employee RSU Agreement, in which case, Sections 1 and 3.1 of the Key Employee RSU Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Restricted Stock Units. Alternatively, provided the Participant is not subject to taxation in the United States, the Company reserves the right to accelerate vesting of the Restricted

Stock Units such that the Award would become fully vested as of the date Active Status terminates due to Retirement and the Award would be payable in accordance with Section 1 of the Key Employee RSU Agreement to the extent that it has not previously been forfeited.

Exchange Control Restriction. Due to exchange control laws and regulations in China, the Participant will be required immediately to repatriate to China the cash proceeds from the sale of Shares and any cash dividends paid on such Shares. The Participant further understands that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company or a Subsidiary expressly for this purpose. By accepting the Restricted Stock Units, the Participant agrees that any cash proceeds from the sale of Shares or the receipt of any dividends may be transferred to such special account prior to being delivered to the Participant. The proceeds may be paid to the Participant in U.S. dollars or in local currency at the Company's discretion. If the proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to open a U.S. dollar bank account in China and provide the bank account details to the Company or the Employer. The Participant acknowledges that, if the cash proceeds are paid in local currency, the Company is under no obligation to secure any particular currency exchange conversion rate. Furthermore, compliance with local exchange control laws and regulations may delay the conversion of cash proceeds into local currency. The Participant agrees that, if the conversion of the cash proceeds into local currency is delayed, he or she shall bear the risk of any currency exchange conversion rate fluctuation between the date on which the Shares issued at vesting of the Restricted Stock Units are sold or the cash dividend is paid and the date of conversion of the cash proceeds into local currency. The Participant further agrees to comply with any other requirements that the Company may impose in the future in order to facilitate compliance with exchange control requirements in China.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. The Participant may be required to report to the State Administration of Foreign Exchange all details of his or her foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-China residents. Under these rules, the Participant may be subject to reporting obligations for the Restricted Stock Units, Shares acquired under the Plan and Plan-related transactions. The Participant should consult with a personal tax advisor in this regard.

COSTA RICA

There are no country-specific provisions.

HONG KONG

TERMS AND CONDITIONS

Sale of Shares. Shares issued at vesting of the Restricted Stock Units are accepted as a personal investment. In the event that Shares are acquired pursuant to the Restricted Stock Units within six (6) months of the Date of Grant, the Participant agrees that the Restricted Stock Units may not be offered to the public or otherwise disposed of prior to the six-month anniversary of the Date of Grant.

NOTIFICATIONS

SECURITIES WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. The Participant is advised to exercise caution in relation to the offer. If the Participant is in any doubt about any of the contents of this Agreement, the Plan or any Plan prospectus, the Participant should obtain independent professional advice. The Restricted Stock Units and any Shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to Partners and Consultants of the Company or a Subsidiary or affiliate of the Company. The Agreement, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. The Restricted Stock Units and related documents are intended solely for the personal use of each Partner and/or Consultant and may not be distributed to any other person.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

ITALY

TERMS AND CONDITIONS

Plan Document Acknowledgment . In accepting the Restricted Stock Units, the Participant acknowledges a copy of the Plan was made available to the Participant, and that the Participant has reviewed the Plan and the Agreement, in their entirety and fully understands and accepts all provisions of the Plan and the Agreement.

The Participant further acknowledges that he or she has read and specifically and expressly approves the following provision in the Key Employee RSU Agreement: Section 1 (“Vesting Schedule; Form and Timing of Payment of Vested Restricted Stock Units”); Section 3 (“Termination of Employment; Change of Control”); Section 7 (“Responsibility for Taxes”); Section 8 (“Nature of Grant”); Section 10 (“Data Privacy”); Section 12 (“Compliance with Law”); and Section 20 (“Imposition of Other Requirements”).

NOTIFICATIONS

Foreign Asset/Account Reporting Information . If the Participant holds investments abroad or foreign financial assets (e.g. , cash, Shares, Restricted Stock Units) that may generate income taxable in Italy, the Participant must report them on his or her annual tax return or on a special form if no tax return is due, irrespective of their value. The same reporting duties apply if the Participant is a beneficial owner of the investments, even if he or she does not directly hold investments abroad or foreign assets.

JAPAN

NOTIFICATIONS

Foreign Asset/Account Reporting Information. The details of any assets held outside of Japan as of December 31 (including the Shares acquired under the Plan) must be reported annually to the extent such assets have a total net fair market value exceeding ¥50 million. Such report is due by March 15 each year. The Participant should consult with his or her personal tax advisor as to whether the reporting obligation applies to the Participant and whether the Participant will be required to report details of his or her Restricted Stock Units, as well as the Shares, in the report.

NETHERLANDS

There are no country-specific provisions.

SINGAPORE

TERMS AND CONDITIONS

Settlement of Awards and Sale of Shares. This provision supplements the Form and Timing of Payment of Restricted Stock Units section of the Key Employee RSU Agreement:

The Participant hereby agrees that the Shares acquired pursuant to the Restricted Stock Units will not be offered for sale in Singapore prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”) or pursuant to, and in accordance with the condition of, any other applicable provisions of the SFA.

NOTIFICATIONS

SECURITIES LAW INFORMATION: *The Restricted Stock Units are granted to the Participant by the Company pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA and the offer is not made with a view to the Restricted Stock Units or the Shares subject to Restricted Stock Units being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.*

Chief Executive Officer and Director Notification Requirement. The Chief Executive Officer (“CEO”) and any director, associate director or shadow director of a Singaporean Subsidiary or affiliate of the Company are subject to certain notification requirements under the Singapore Companies Act. The CEO and any director must notify the Singaporean Subsidiary or affiliate of the Company in writing of an interest in the Company (e.g. , Restricted Stock Units or Shares) or any related company within

two (2) business days of (i) the interest's acquisition or disposal, (ii) any change in a previously disclosed interest (e.g. , when the Shares are sold), or (iii) becoming CEO or a director, associate director or shadow director.

SWITZERLAND

TERMS AND CONDITIONS

Retirement. The Company reserves the right not to apply Section 3.3 of the Key Employee RSU Agreement, in which case Sections 1 and 3.1 of the Key Employee RSU Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Restricted Stock Units.

NOTIFICATIONS

Securities Law Information. The Restricted Stock Units are not intended to be publicly offered in or from Switzerland. Because the offer of the Restricted Stock Units is considered a private offering, it is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Restricted Stock Units constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the Restricted Stock Units may be publicly distributed or otherwise made publicly available in Switzerland. Further, neither the Agreement nor any other offering or marketing material relating to the Restricted Stock Units have been or will be filed with, approved or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

THAILAND

NOTIFICATIONS

Exchange Control Information. Thai residents realizing cash proceeds in excess of US\$50,000 in a single transaction from the sale of Shares or dividends paid on such Shares must immediately repatriate all cash proceeds to Thailand and convert such proceeds to Thai Baht within 360 days of repatriation or deposit the funds in an authorized foreign exchange account in Thailand. The inward remittance must also be reported to the Bank of Thailand on a foreign exchange transaction form. Failure to comply with these obligations may result in penalties assessed by the Bank of Thailand.

The Participant should consult with his or her personal advisor prior to taking any action with respect to the remittance of proceeds into Thailand. The Participant is responsible for ensuring compliance with all exchange control laws in Thailand.

UNITED KINGDOM

TERMS AND CONDITIONS

Responsibility for Taxes. The following provision supplements the Responsibility for Taxes section of the Key Employee RSU Agreement:

Without limitation to Section 7 of the Key Employee RSU Agreement, the Participant agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs (" HMRC ") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold on the Participant's behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Participant's behalf.

Notwithstanding the foregoing, if the Participant is an executive officer or director of the Company (within the meaning of Section 13(k) of the Exchange Act), the Participant acknowledges that he or she may not be able to indemnify the Company or the Employer for the amount of any income tax not collected from or paid by the Participant, as it may be considered a loan. In this case, the amount of any income tax not collected within ninety (90) days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute a benefit to the Participant on which additional income tax and National Insurance Contributions (" NICs ") may be payable. The Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any NICs due on this additional benefit, which may also be recovered from the Participant at any time by any of the means referred to in Section 7 of the Key Employee RSU Agreement.

**STARBUCKS CORPORATION
GLOBAL KEY EMPLOYEE PERFORMANCE-BASED STOCK OPTION GRANT AGREEMENT
FOR PURCHASE OF STOCK UNDER THE
2005 LONG-TERM EQUITY INCENTIVE PLAN**

STARBUCKS CORPORATION (the “Company”) does hereby grant to the individual named below (the “Optionee”), the number of options to purchase a share (a “Share”) of the Company’s Common Stock (the “Options”) set forth below for the exercise price per share (the “Exercise Price”) set forth below. Such Options shall vest to the extent the vesting conditions set forth in this Agreement are satisfied and terminate according to the term described below in this Global Key Employee Performance-Based Stock Option Grant Agreement (this “Agreement”). All terms of this Agreement shall be subject to the terms and conditions of the 2005 Long-Term Equity Incentive Plan (the “Plan”). Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same definition as in the Plan (or any applicable sub-plan thereto).

| | |
|------------------------------|------------------------------------|
| Optionee: | |
| Number of Options: | |
| Type of Option Grant: | Non-Qualified Stock Option |
| Exercise Price: | |
| Date of Grant: | |
| Term of Option: | 10 years from Date of Grant |
| Performance Period: | |
| Vesting Date | |

ACKNOWLEDGMENT AND CONSENT

1. **Vesting Conditions**. Except as provided in Section 2, the number of Options granted under the Award shall vest and become exercisable on the Vesting Date to the extent the Performance Goal set forth on the schedule that is attached hereto as Schedule I is attained as of the Vesting Date and subject to the Optionee’s continued Active Status through the Vesting Date.
2. **Termination of Employment; Change of Control**.
 - 2.1 **Termination of Employment**. Except as provided in Section 2.2 or 2.3 below (or as otherwise determined by the Board), any unvested Options subject to this Agreement shall immediately terminate and be automatically forfeited by the Optionee to the Company upon the termination of the Optionee’s Active Status with the Company or any Subsidiary or affiliate of the Company for any reason (as further described in Section 6(n) below), including without limitation, voluntary termination by the Optionee, or termination by the Company or any Subsidiary or affiliate of the Company because of Misconduct.
 - 2.2 **Change of Control**. Upon a Change of Control, the vesting of the Options shall accelerate, and the Options shall become fully vested and exercisable to the extent and under the terms and conditions set forth in the Plan if the Performance Goal has been attained or will be attained in connection with the Change of Control; provided, that for purposes of this Section, “Resignation (or Resign) for Good Reason” shall have the following meaning:

“Resignation (or Resign) for Good Reason” shall mean any voluntary termination by written resignation of the Active Status of an Optionee after a Change of Control because of: (1) a material reduction in the Partner’s authority, responsibilities or scope of employment; (2) an assignment of duties to the Partner materially inconsistent with the Partner’s role at the Company (including its Subsidiaries and affiliates) prior to the Change of Control, (3) a material reduction in the Partner’s base salary or total incentive compensation; (4) a material reduction in the Partner’s benefits unless such reduction applies to all Partners of comparable rank; or (5) the relocation of the Partner’s primary work

location more than 50 miles from the Partner's primary work location prior to the Change of Control. Notwithstanding the foregoing, an Optionee shall not be deemed to have Resigned for Good Reason unless the Optionee, within one year after a Change of Control, (i) notifies the Company of the existence of the condition giving rise to a Resignation for Good Reason within 90 days of the initial existence of such condition, (ii) gives the Company at least 30 days following the date on which the Company receives such notice (and prior to termination) in which to remedy the condition, and (iii) if the Company does not remedy such condition within such 30-day period, actually terminates employment within 60 days after the expiration of such 30-day period (and before the Company remedies such condition). If the Company remedies such condition within such 30-day period (or at any time prior to the Optionee's actual termination), then any Resignation for Good Reason by the Optionee on account of such condition will not be a Resignation for Good Reason.

- 2.3 **Death, Disability and Certain Termination Events.** If the Optionee's Active Status terminates due to death, Disability, voluntary Resignation for Good Reason (in the absence of a Change of Control) or involuntary termination absent Misconduct prior to the last day of the Performance Period, the Optionee shall vest in the Options on the Vesting Date to the extent the Performance Goal is attained as of the Vesting Date. For avoidance of doubt, Retirement by the Optionee shall not accelerate vesting of the Options.
3. **Misconduct.** As a condition to receiving and becoming eligible to vest and exercise the Options, the Optionee hereby agrees not to engage in Misconduct.
4. **Clawback.** If the Company determines, in its sole discretion, that the Optionee has engaged in Misconduct, the Optionee agrees and covenants that (a) any unexercised portion of the Options shall be immediately forfeited as of the date the Company determines that the Optionee has engaged in Misconduct (the "Determination Date"); (b) if any part of the Options were exercised prior to the Determination Date, upon the Company's demand, the Optionee shall immediately deliver to the Company (i) the Shares that the Optionee acquired upon exercise of such Options (net of the value of cash paid by Optionee in a cash exercise, if applicable) and (ii) to the extent any such Shares were previously sold by the Optionee, a cash amount equal to the Fair Market Value as of the Determination Date of the Shares contemplated to be returned to the Company under this clause (net of the value of cash paid by Optionee in a cash exercise, if applicable); and (c) the foregoing remedies set forth in this Section 4 shall not be the Company's exclusive remedies, which shall include, among other remedies, injunctive relief and damages that may be available to the Company. The Company reserves all other rights and remedies available to it at law or in equity.
5. **Responsibility for Taxes.** Regardless of any action the Company or, if different, the Optionee's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Optionee's participation in the Plan and legally applicable to the Optionee ("Tax-Related Items"), the Optionee acknowledges that the ultimate liability for all Tax-Related Items is and remains his or her responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Optionee further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Options, including but not limited to, the grant, vesting or exercise of the Options, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Options to reduce or eliminate the Optionee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Optionee is subject to tax in more than one jurisdiction, he or she acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to exercise of the Options or any other relevant taxable or tax withholding event, as applicable, the Optionee must pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Optionee authorizes the Company and/or the Employer, or their respective agents, in their sole discretion, to satisfy their withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Optionee's wages or other cash compensation paid to the Optionee by the Company and/or the Employer; or
- (b) withholding from proceeds of the sale of Shares acquired upon exercise of the Options, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Optionee's behalf pursuant to this authorization without further consent), to the extent and in the manner permitted by all applicable securities laws, including making any necessary securities registration or taking any other necessary actions; or

- (c) withholding in whole Shares to be issued at exercise of the Options based on the Fair Market Value of the underlying Shares on the date the withholding obligation arises, in an amount equal to the aggregate withholding obligation as determined by the Company and/or the Employer with respect to such Options.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Optionee's country, to the extent permitted under the Plan, in which case the Optionee may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Optionee is deemed to have been issued the full number of Shares subject to the exercised Options, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Optionee's participation in the Plan. In the event the Tax-Related Items withholding obligation would result in a fractional number of Shares to be withheld by the Company, such number of Shares to be withheld shall be rounded up to the next nearest number of whole Shares. If, due to rounding of Shares, the value of the number of Shares retained by the Company pursuant to this provision is more than the amount required to be withheld, then the Company may pay such excess amount to the relevant tax authority as additional withholding with respect to the Optionee.

Finally, the Optionee is required to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of his or her participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver Shares or the proceeds of the sale of Shares if the Optionee fails to comply with his or her obligations in connection with the Tax-Related Items. The Optionee shall have no further rights with respect to any Shares that are retained by the Company pursuant to this provision, and under no circumstances will the Company be required to issue any fractional Shares.

6. Nature of Grant. In accepting the grant of the Options, the Optionee acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the Options is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of options or other awards, or benefits in lieu of options, even if options have been granted in the past;
- (c) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;
- (d) the Optionee's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service relationship with the Company and shall not interfere with the ability of the Employer to terminate his or her employment or service relationship, if any;
- (e) the Optionee is voluntarily participating in the Plan;
- (f) the Options and the Shares subject to the Options, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) the Options and the Shares subject to the Options, and the income from and value of same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (h) unless otherwise agreed with the Company, the Options and the Shares subject to the Options, and the income from and value of same, are not granted as consideration for, or in connection with, the service that the Optionee may provide as a director of a Subsidiary or affiliate of the Company;
- (i) the future value of the Shares subject to the Options is unknown, indeterminable, and cannot be predicted with certainty;
- (j) if the underlying Shares do not increase in value, the Options will have no value;

- (k) if the Optionee exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value even below the Exercise Price;
 - (l) after termination of the Optionee's Active Status, the Optionee is no longer eligible to receive any new options under the Plan;
 - (m) no claim or entitlement to compensation or damages shall arise from termination of the Options resulting from termination of the Optionee's Active Status (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Optionee is employed or providing services or the terms of the Optionee's employment or service contract, if any);
 - (n) for purposes of the Options, and notwithstanding anything to the contrary provided in the Plan, the Optionee's Active Status will be considered terminated as of the date the Optionee is no longer actively providing services to the Company or one of its Subsidiaries or affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Optionee is employed or providing services or the terms of the Optionee's employment or service contract, if any), and, unless otherwise provided in this Agreement or the Plan, (i) the Optionee's right to vest in the Options under the Plan, if any will terminate as of such date and will not be extended by any notice period (e.g. , the Optionee's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Optionee is employed or providing services or the terms of the Optionee's employment or service contract, if any), and (ii) the period (if any) during which the Optionee may exercise the Options after termination of the Optionee's Active Status will commence on such date and will not be extended by any notice period under employment laws in the jurisdiction where the Optionee is employed or providing services or the terms of the Optionee's employment or service contract, if any; the Committee shall have the exclusive discretion to determine when the Optionee's Active Status for purposes of the Option grant is terminated (including whether the Optionee may still be considered to be providing services while on a leave of absence);
 - (o) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Stock; and
 - (p) the following provisions apply only if the Optionee is providing services outside the United States:
 - (1) the Option and the Shares subject to the Option, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose; and
 - (2) neither the Company, the Employer nor any other Subsidiary or affiliate of the Company shall be liable for any foreign exchange rate fluctuation between the Optionee's local currency and the United States Dollar that may affect the value of the Options or of any amounts due to the Optionee pursuant to the exercise of the Options or the subsequent sale of any Shares acquired upon exercise.
7. **Method of Payment.** The permissible methods of payment of consideration for any Shares to be issued upon exercise of an Option shall be (i) a request that the Company or the designated brokerage firm conduct a cashless exercise of the Option and (ii) cash.
8. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Optionee's participation in the Plan, or the Optionee's acquisition or sale of the underlying Shares. The Optionee should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.
9. **Data Privacy.**
- (a) **Data Collection and Usage.** *The Company and any Subsidiary or affiliate of the Company, including the Employer, may collect, process and use certain personal information about the Optionee, including, but not limited to, the Optionee's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares or equivalent benefits awarded,*

canceled, exercised, vested, unvested or outstanding in the Optionee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Optionee's consent.

- (b) **Stock Plan Administration Service Providers.** The Company transfers Data to Fidelity Plan Services, LLC and its affiliated companies (collectively, "Fidelity"), an independent service provider based in the United States, which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other provider(s) serving in a similar manner. The Optionee may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*
- (c) **International Data Transfers.** The Company and its service providers are based in the United States. The Optionee's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company's legal basis, where required, for the transfer of Data is the Optionee's consent.*
- (d) **Data Retention.** The Company will hold and use Data only as long as is necessary to implement, administer and manage the Optionee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, securities, exchange control and labor laws.*
- (e) **Voluntariness and Consequences of Consent Denial or Withdrawal.** Participation in the Plan is voluntary and the Optionee is providing the consents herein on a purely voluntary basis. If the Optionee does not consent, or if the Optionee later seeks to revoke his or her consent, the Optionee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Optionee's consent is that the Company would not be able to grant Options or other equity awards to the Optionee or administer or maintain such awards.*
- (f) **Data Subject Rights.** The Optionee may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where the Optionee is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Optionee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Optionee can contact his or her local human resources representative.*

By accepting the Options and indicating consent via the Company's acceptance procedure, the Optionee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, the Optionee understands that the Company may rely on a different legal basis for the processing or transfer of Data in the future and/or request that the Optionee provide another data privacy consent. If applicable and upon request of the Company or the Employer, the Optionee agrees to provide an executed acknowledgment or data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from the Optionee for the purpose of administering the Optionee's participation in the Plan in compliance with the data privacy laws in the Optionee's country, either now or in the future. The Optionee understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such acknowledgement, agreement or consent requested by the Company and/or the Employer.

10. **Governing Law/Choice of Venue.** The Options and the provisions of this Agreement are governed by, and subject to, the laws of the State of Washington, as provided in the Plan, without regard for its conflict of laws provisions. For purposes of litigating any dispute that arises under this grant or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington, agree that such litigation shall be conducted exclusively in the courts of King County, or the federal courts of the United States for the 9th Circuit, and no other courts, where this grant is made and/or to be performed.

11. **Compliance with Law**. Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon exercise of the Options prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. The Optionee understands that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, the Optionee agrees that the Company shall have unilateral authority to amend the Plan and this Agreement without the Optionee’s consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.
12. **Language**. Optionee acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Optionee to understand the terms of this Agreement and any other documents related to the Plan. If the Optionee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
13. **Electronic Delivery and Acceptance**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.
14. **Severability**. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
15. **Undertakings**. The Optionee hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Optionee or the Option pursuant to the provisions of this Agreement.
16. **Restrictions on Transfer**. Notwithstanding anything in the Plan to the contrary, the Options granted pursuant to this Award may not be sold, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose), assigned, hypothecated, transferred, disposed of in exchange for consideration, made subject to attachment or similar proceedings, or otherwise disposed of under any circumstances, except that the Options may be transferred (i) by will or by laws of descent and distribution applicable to a deceased Optionee, (ii) pursuant to a domestic relations order, (iii) to the extent permitted by the Board or Committee, to one or more of the beneficiaries on a Company-approved form who may exercise the Option after the Optionee’s death; and/or (iv) by gift to a Family Member of the Optionee. For purposes of this Section 16, a “Family Member” shall include any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing an Optionee’s household (other than a tenant or an employee), a trust in which these persons have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or an Optionee) control the management of assets, and any other entity in which these persons (or an Optionee) own more than fifty percent (50%) of the voting interests.
17. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on the Optionee’s participation in the Plan, on the Options and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Optionee to sign any additional agreements or undertakings (as provided in Section 15 above) that may necessary to accomplish the foregoing.
18. **Waiver**. If the Optionee breaches or otherwise does not comply with any provision of this Agreement, but the Company does not act upon this breach or non-compliance and continues to comply with its obligations under this Agreement, this shall not mean that the Company waives any other provision of this Agreement or will otherwise permit any further breach of or non-compliance with any provision of this Agreement.

Finally, the Company hereby strongly recommends that the Optionee seek the advice of a personal tax and/or legal advisor to obtain specific information concerning the tax and other legal consequences associated with the Options.

* * *

By the Optionee's signature and the Company's signature below, the Optionee and the Company agree that this grant is governed by this Agreement and the Plan.

EXECUTED as of the Date of Grant.

STARBUCKS CORPORATION

By _____

Its _____

OPTIONEE

Signature _____

STARBUCKS CORPORATION
GLOBAL KEY EMPLOYEE RESTRICTED STOCK UNIT GRANT AGREEMENT
2005 LONG-TERM EQUITY INCENTIVE PLAN
(PERFORMANCE-BASED)

STARBUCKS CORPORATION (the “Company”) does hereby grant to the individual named below (the “Participant”) an award (the “Award”) of performance restricted stock units (the “Performance RSUs”) in a target amount as set forth below (“Target RSUs”), effective on the Date of Grant set forth below. The Performance RSUs granted under this Global Key Employee Restricted Stock Unit Grant Agreement, including any special terms and conditions applicable to the Participant’s country contained in Appendix A attached hereto (together with the Global Key Employee Restricted Stock Unit Grant Agreement, this “Agreement”) shall, subject to the attainment of certain performance goals set forth below (the “Performance Goals”), relating to the Performance Criteria specified in the 2005 Long-Term Equity Incentive Plan, vest and become payable in shares of Common Stock (the “Shares”), subject to earlier expiration or termination of the Performance RSUs as provided in this Agreement. The Performance RSUs and the terms of this Agreement, including the Appendices, shall be subject to the terms and conditions of the 2005 Long-Term Equity Incentive Plan (the “Plan”). Capitalized terms not explicitly defined in this Agreement but defined in the Plan shall have the same definitions as in the Plan.

| | |
|---------------------------------------|--|
| Partner Name: | |
| Target Restricted Stock Units: | |
| Date of Grant: | |
| Performance Period: | |

1. **Vesting Schedule**. The number of Performance RSUs granted under the Award that actually vest and that will be settled shall be determined pursuant to a two-step process: (i) first the maximum number of Performance RSUs that are eligible to vest shall be determined as provided under Section 1.1 hereof on the basis of the level at which the Performance Goals specified on attached Schedule I are actually attained and (ii) then the maximum number of Performance RSUs calculated under clause (i) that will actually vest shall be determined on the basis of the Participant’s completion of the requirements set forth in Section 1.2 hereof.

1.1 **Performance Goal Requirements**. The attached Schedule I specifies the Performance Goals required to be attained during the Performance Period in order for the Performance RSUs to become eligible to vest. As soon as reasonably practicable following the end of the Performance Period, the Committee shall determine in its sole discretion the attainment level of the Performance Goals. On the basis of the determined level of attainment of the Performance Goals, the Target RSUs will be multiplied by the applicable percentage determined in accordance with the performance matrix set forth in Schedule I. The number of Performance RSUs resulting from such determination shall constitute the maximum number of Performance RSUs in which the Participant may vest under this Award (the “Earned Performance RSUs”).

1.2 **Active Status Vesting**. Subject to the terms and conditions of this Award, a number of Earned Performance RSUs will vest as detailed in the attached Schedule I of this Agreement, subject to the Participant’s continued Active Status through the date the Performance RSUs are paid pursuant to Section 3.

2. **Dividend Equivalents**. On each date that a cash dividend is paid to holders of Shares during the Performance Period, an amount (the “Dividend Equivalent Amount”) equal to the cash dividend that is paid on each Share, multiplied by the number of Shares subject to the Target RSUs and any Dividend Equivalent RSUs (as defined below) that remain unvested and outstanding as of the dividend payment date, shall be credited for the benefit of the Participant, and such credited amount shall be converted into an additional number of Performance RSUs (“Dividend Equivalent RSUs”) determined by dividing the Dividend Equivalent Amount by the Fair Market Value of a Share on the dividend payment date, rounded up or down to the nearest whole number. At the end of the Performance Period, the number of Dividend Equivalent RSUs will be adjusted to reflect the number of Dividend Equivalent RSUs that would have been credited to the Participant as of the Date of Grant if such calculations had been based on the number of Earned Performance RSUs (such adjusted number, the “Earned Dividend Equivalent RSUs”). During the period beginning immediately following the last day of the Performance Period and ending on the date the Performance RSUs granted hereunder are paid pursuant to Section 3 below, Dividend Equivalent RSUs will accrue on any Earned Performance RSUs and any Earned Dividend Equivalent RSUs. Dividend Equivalent RSUs will be

subject to the same conditions as the underlying Performance RSUs with respect to which Dividend Equivalent RSUs were paid, including, without limitation, the vesting conditions and the provisions governing time and form of settlement applicable to the underlying Performance RSUs. Unless expressly provided otherwise, as used elsewhere in this Agreement, "Performance RSUs" shall include any Dividend Equivalent RSUs that have been credited to the Participant's account.

3. Form and Timing of Payment of Vested Performance RSUs. Subject to the terms and conditions of this Agreement and the Plan, any Performance RSUs that vest will be paid to the Participant solely in whole Shares (and not in cash, as the Plan permits), on, or within sixty (60) days after, (i) the last day of the Performance Period, including upon a vesting resulting from the Participant's termination due the Participant's Retirement pursuant to Section 4.3 below or from the Participant's termination prior to the last day of the Performance Period resulting from the Participant's termination due to death or Disability pursuant to Section 4.4 below or (ii) a vesting event contemplated in Section 4.2 below or vesting event resulting from the Participant's termination following the last day of the Performance Period resulting from the Participant's termination due to death or Disability pursuant to Section 4.4 below.

4. Termination of Employment; Change of Control.

4.1 Termination of Employment. Except as provided in Sections 4.2, 4.3 or 4.4 below, any unvested Performance RSUs subject to this Agreement shall immediately terminate and be automatically forfeited by the Participant to the Company upon the termination of the Participant's Active Status with the Company or any Subsidiary or affiliate of the Company for any reason (as further described in Section 9(l) below), including without limitation, voluntary termination by the Participant, or termination by the Company or any Subsidiary or affiliate of the Company because of Misconduct.

4.2 Change of Control. Upon a Change of Control, the vesting of the Performance RSUs shall accelerate, and the Performance RSUs shall become fully vested and payable to the extent and under the terms and conditions set forth in the Plan; provided that, for purposes of this Section 4.2, "Resignation (or Resign) for Good Reason" shall have the following meaning:

"Resignation (or Resign) for Good Reason" shall mean any voluntary termination by written resignation of the Active Status of a Participant after a Change of Control because of: (1) a material reduction in the Partner's authority, responsibilities or scope of employment; (2) an assignment of duties to the Partner materially inconsistent with the Partner's role at the Company (including its Subsidiaries and affiliates) prior to the Change of Control, (3) a material reduction in the Partner's base salary or total incentive compensation; (4) a material reduction in the Partner's benefits unless such reduction applies to all Partners of comparable rank; or (5) the relocation of the Partner's primary work location more than 50 miles from the Partner's primary work location prior to the Change of Control. Notwithstanding the foregoing, a Participant shall not be deemed to have Resigned for Good Reason unless the Participant, within one year after a Change of Control, (i) notifies the Company of the existence of the condition giving rise to a Resignation for Good Reason within 90 days of the initial existence of such condition, (ii) gives the Company at least 30 days following the date on which the Company receives such notice (and prior to termination) in which to remedy the condition, and (iii) if the Company does not remedy such condition within such 30-day period, actually terminates employment within 60 days after the expiration of such 30-day period (and before the Company remedies such condition). If the Company remedies such condition within such 30-day period (or at any time prior to the Participant's actual termination), then any Resignation for Good Reason by the Participant on account of such condition will not be a Resignation for Good Reason.

4.3 Retirement. If the Participant's Active Status terminates due to Retirement on a day following the date that is six (6) months after the Date of Grant, the Participant will continue to be eligible to vest in a number of Performance RSUs equal to the Earned Performance RSUs.

4.4 Death or Disability. If the Participant's Active Status terminates due to Disability or death on or prior to the last day of the Performance Period, a number of Performance RSUs equal to the Target RSUs will vest in full as of the date of termination of Active Status due to Disability or death. If the Participant's Active Status terminates due to Disability or death following the last day of the Performance Period, a number of Performance RSUs equal to the Earned Performance RSUs will vest in full as of the date of termination of Active Status due to Disability or death.

5. Misconduct. As a condition to receiving and becoming eligible to vest in the Performance RSUs, the Participant hereby agrees not to engage in Misconduct.

6. Clawback. If the Company determines, in its sole discretion, that the Participant has engaged in Misconduct, the Participant agrees and covenants that (a) any unvested portion of the Performance RSUs shall be immediately forfeited as of the date the Company determines that the Participant has engaged in Misconduct (the "Determination Date"); (b) if any part of the

Performance RSUs vested and were settled prior to the Determination Date, upon the Company's demand, the Participant shall immediately deliver to the Company (i) the Shares that the Participant acquired upon settlement of such Performance RSUs, and (ii) to the extent any of such Shares were previously sold by the Participant, a cash amount equal to the Fair Market Value as of the Determination Date of the Shares contemplated to be returned to the Company under this clause; and (c) the foregoing remedies set forth in this Section 6 shall not be the Company's exclusive remedies, which shall include, among other remedies, injunctive relief and damages that may be available to the Company. The Company reserves all other rights and remedies available to it at law or in equity.

7. Code Section 409A. The provisions in this Section 7 shall apply if the Participant is subject to taxation in the United States.

7.1 To the extent the Performance RSUs constitute "nonqualified deferred compensation" that is subject to Code Section 409A ("NQ Deferred Compensation"), any Performance RSUs that are payable upon or with reference to the date that the Participant's Active Service terminates (i) shall not be paid unless the Participant experiences a "separation from service" within the meaning of Code Section 409A and (ii) if the Participant is a "specified employee" within the meaning of Code Section 409A on the date of the Participant's separation from service, then the Performance RSUs shall be paid on the first business day of the seventh month following the Participant's separation from service, or, if earlier, on the date of the Participant's death, to the extent such delayed payment is required in order to avoid a prohibited distribution under Code Section 409A.

7.2 This Award and payments made pursuant to this Agreement and the Plan are intended to qualify for an exemption from or comply with Code Section 409A. Notwithstanding any other provision in this Agreement and the Plan, the Company, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify this Agreement and/or the Plan so that the Performance RSUs granted to the Participant qualify for exemption from or comply with Code Section 409A; provided, however, that the Company makes no representations that the Performance RSUs shall be exempt from or comply with Code Section 409A and makes no undertaking to preclude Code Section 409A from applying to the Performance RSUs. Nothing in this Agreement or the Plan shall provide a basis for any person to take action against the Company or any Subsidiary or affiliate of the Company based on matters covered by Code Section 409A, including the tax treatment of any amount paid or Award made under this Agreement, and neither the Company nor any of its Subsidiaries or affiliates shall under any circumstances have any liability to any Participant or his or her estate or any other party for any taxes, penalties or interest imposed under Code Section 409A for any amounts paid or payable under this Agreement.

7.3 If the vesting of the Performance RSUs is accelerated in connection with a Change of Control, the Performance RSUs are considered NQ Deferred Compensation, and the Change of Control does not constitute a "change in control event," within the meaning of the U.S. Treasury Regulations, then the cash equivalent of the Performance RSUs as of the date of the Change in Control shall be paid on the earliest of the applicable Vesting Date, the date of the Participant's death or the date the Participant's Active Status terminates due to Disability.

8. Responsibility for Taxes. Regardless of any action the Company or, if different, the Participant's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance RSUs, including, but not limited to the grant of the Performance RSUs, the vesting or settlement of the Performance RSUs, the issuance of Shares in settlement of the Performance RSUs, the subsequent sale of Shares acquired at vesting and the receipt of any dividends and/or any dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Performance RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Participant is subject to tax in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant must pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant hereby authorizes the Company and/or the Employer, or their respective agents, in their sole discretion and without any notice to or additional authorization by the Participant, to satisfy their withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the Employer; or
- (b) withholding from proceeds of the sale of Shares issued in settlement of the vested Performance RSUs, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization without further consent), to the extent and in the manner permitted by all applicable securities laws, including making any necessary securities registration or taking any other necessary actions; or
- (c) withholding in whole Shares to be issued in settlement of the vested Performance RSUs based on the Fair Market Value of the underlying Shares on the date the withholding obligation arises in an amount equal to the aggregate withholding obligation as determined by the Company and/or the Employer with respect to such Award, provided, however that if the Participant is a Section 16 officer of the Company under the Exchange Act, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (a) and (b) above.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts in the Participant's country or other applicable withholding rates, including maximum applicable rates in the Participant's country, to the extent permitted under the Plan, in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares underlying the vested Performance RSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the Participant's participation in the Plan. In the event the Tax-Related Items withholding obligation would result in a fractional number of Shares to be withheld by the Company, such number of Shares to be withheld shall be rounded up to the next nearest number of whole Shares. If, due to rounding of Shares, the value of the number of Shares retained by the Company pursuant to this provision is more than the amount required to be withheld, then the Company may pay such excess amount to the relevant tax authority as additional withholding with respect to the Participant.

Finally, the Participant is required to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items. The Participant shall have no further rights with respect to any Shares that are retained by the Company pursuant to this provision, and under no circumstances will the Company be required to issue any fractional Shares.

9. Nature of Grant. In accepting the grant of the Award, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time; to the extent permitted by the Plan;
- (b) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units or other awards, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;
- (c) all decisions with respect to future restricted stock units or other awards, if any, will be at the sole discretion of the Company;
- (d) the Award and the Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service relationship with the Company and shall not interfere with the ability of the Employer to terminate the Participant's employment or service relationship, if any;
- (e) the Participant's participation in the Plan is voluntary;
- (f) the Performance RSUs and the Shares subject to the Performance RSUs, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (g) the Performance RSUs and the Shares subject to the Performance RSUs, and the income from and value of same, are not part of normal or expected compensation or salary for purposes of calculating any severance,

resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

- (h) unless otherwise agreed with the Company, the Performance RSUs and the Shares subject to the Performance RSUs, and the income from and value of same, are not granted as consideration for, or in connection with, the service that the Participant may provide as a director of a Subsidiary or affiliate of the Company;
- (i) the future value of the Shares subject to the Performance RSUs is unknown, indeterminable, and cannot be predicted with certainty;
- (j) after termination of the Participant's Active Status, the Participant is no longer eligible to receive any new restricted stock units under the Plan;
- (k) no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance RSUs resulting from termination of the Participant's Active Status (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service contract, if any);
- (l) for purposes of the Performance RSUs, and notwithstanding anything to the contrary provided in the Plan, the Participant's Active Status will be considered terminated as of the date the Participant is no longer actively providing services to the Company or one of its Subsidiaries or affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service contract, if any), and unless otherwise provided in this Agreement or the Plan, the Participant's right to vest in the Performance RSUs under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g. , the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or providing services or the terms of the Participant's employment or service contract, if any); the Committee shall have the exclusive discretion to determine when the Participant's Active Status for purposes of the Award is terminated (including whether the Participant may still be considered to be providing services while on a leave of absence);
- (m) unless otherwise provided in the Plan or by the Company in its discretion, the Performance RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the Performance RSUs or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Common Stock; and
- (n) the following provisions apply only if the Participant is providing services outside the United States:
 - (1) the Performance RSUs and the Shares subject to the Performance RSUs, and the income from and value of same, are not part of normal or expected compensation or salary for any purpose; and
 - (2) neither the Company, the Employer nor any other Subsidiary or affiliate of the Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Performance RSUs or of any amounts due to the Participant pursuant to the settlement of the Performance RSUs or the subsequent sale of any Shares acquired upon settlement.

10. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant should consult with his or her own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

11. Data Privacy.

- (a) ***Data Collection and Usage.*** *The Company and any Subsidiary or affiliate of the Company, including the Employer, may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or*

directorships held in the Company, details of all performance restricted stock units or any other entitlement to Shares or equivalent benefits awarded, cancelled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.

- (b) **Stock Plan Administration Service Providers**. The Company transfers Data to Fidelity Plan Services, LLC and its affiliated companies (collectively, "Fidelity"), an independent service provider based in the United States, which is assisting the Company with the implementation, administration and management of the Plan. The Company may select a different service provider or additional service providers and share Data with such other provider(s) serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*
- (c) **International Data Transfers**. The Company and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company's legal basis, where required, for the transfer of Data is the Participant's consent.*
- (d) **Data Retention**. The Company will hold and use Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, securities, exchange control and labor laws.*
- (e) **Voluntariness and Consequences of Consent Denial or Withdrawal**. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her consent, the Participant's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Company would not be able to grant Performance RSUs or other equity awards to the Participant or administer or maintain such awards.*
- (f) **Data Subject Rights**. The Participant may have a number of rights under data privacy laws in his or her jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.*

By accepting the Performance RSUs and indicating consent via the Company's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, the Participant understands that the Company may rely on a different legal basis for the processing or transfer of Data in the future and/or request that the Participant provide another data privacy consent. If applicable and upon request of the Company or the Employer, the Participant agrees to provide an executed acknowledgment or data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such acknowledgement, agreement or consent requested by the Company and/or the Employer.

- 12. Governing Law/Choice of Venue.** The Award and the provisions of this Agreement are governed by, and subject to, the laws of the State of Washington, as provided in the Plan, without regard for its conflict of laws provisions. For purposes of litigating any dispute that arises under this grant or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Washington, and agree that such litigation shall be conducted exclusively in the courts of King County, or the federal courts of the United States for the 9th Circuit, and no other courts, where this grant is made and/or to be performed.

13. **Compliance with Law.** Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, the Company shall not be required to deliver any Shares issuable upon settlement of the Performance RSUs prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. The Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, the Participant agrees that the Company shall have unilateral authority to amend the Plan and this Agreement without the Participant’s consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.
14. **Language.** The Participant acknowledges and represents that he or she is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, as to allow the Participant to understand the terms of this Agreement and any other documents related to the Plan. If the Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
15. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company.
16. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
17. **Undertakings.** The Participant hereby agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either the Participant or the Performance RSUs pursuant to the provisions of this Agreement.
18. **No Rights as Shareholder.** Except as otherwise provided in Section 2, the Participant will not have dividend, voting or any other rights as a shareholder of the Shares with respect to the Performance RSUs. Upon payment of the vested Performance RSUs in Shares, the Participant will obtain full dividend, voting and other rights as a shareholder of the Company.
19. **Restrictions on Transfer.** Notwithstanding anything in the Plan to the contrary, the Performance RSUs granted pursuant to this Award may not be sold, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose), assigned, hypothecated, transferred, disposed of in exchange for consideration, made subject to attachment or similar proceedings, or otherwise disposed of under any circumstances, except that this Award may be transferred (i) by will or by laws of descent and distribution applicable to a deceased Participant or (ii) pursuant to a domestic relations order.
20. **Appendix A.** Notwithstanding any provisions in this Agreement, the Award of Performance RSUs shall be subject to any special terms and conditions set forth in Appendix A for the Participant’s country. Moreover, if the Participant relocates to one of the countries included in Appendix A, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix A constitutes part of this Agreement.
21. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant’s participation in the Plan, on the Performance RSUs and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings (as provided in Section 17 above) that may be necessary to accomplish the foregoing.
22. **Waiver.** If the Participant breaches or otherwise does not comply with any provision of this Agreement, but the Company does not act upon this breach or non-compliance and continues to comply with its obligations under this Agreement, this shall not mean that the Company waives any other provision of this Agreement or will otherwise permit any further breach of or non-compliance with any provision of this Agreement.
23. **Insider Trading/Market Abuse Laws.** Depending on the Participant’s country or the country in which Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and the Participant’s country, which may affect the Participant’s ability to accept, acquire, sell or attempt to

sell, or otherwise dispose of Shares, rights to Shares (e.g., Performance RSUs) or rights linked to the value of Shares during such times as the Participant is considered to have “inside information” regarding the Company (as defined by the laws or regulations in the applicable jurisdiction). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before possessing inside information. Furthermore, the Participant may be prohibited from (i) disclosing insider information to any third party (other than on a “need to know” basis) and (ii) “tipping” third parties or causing them otherwise to buy or sell securities, including third parties who are fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. The Participant acknowledges that it is the Participant’s responsibility to comply with any applicable restrictions, and the Participant should consult with the Participant’s own personal legal and financial advisors on this matter before taking any action related to the Plan.

24. **Foreign Asset/Account Reporting; Exchange Controls.** The Participant’s country may have certain foreign asset and/or account reporting requirements and/or exchange controls which may affect the Participant’s ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside the Participant’s country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in the Participant’s country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant’s participation in the Plan to the Participant’s country through a designated bank or broker and/or within a certain time after receipt. The Participant acknowledges that it is his or her responsibility to comply with such regulations, and the Participant should consult his or her personal legal advisor for any details.

Finally, the Company hereby strongly recommends that the Participant seek the advice of a personal tax and/or legal advisor to obtain specific information concerning the tax and other legal consequences associated with the Performance RSUs.

* * *

By the Participant’s signature and the Company’s signature below, the Participant and the Company agree that this grant is governed by this Agreement and the Plan.

EXECUTED as of the Date of Grant.

STARBUCKS CORPORATION

By _____
Its _____

PARTICIPANT
Signature _____

**APPENDIX A TO
STARBUCKS CORPORATION
GLOBAL KEY EMPLOYEE RESTRICTED STOCK UNIT GRANT AGREEMENT
2005 LONG-TERM EQUITY INCENTIVE PLAN**

Capitalized terms not explicitly defined in this Appendix A but defined in the Global Key Employee Restricted Stock Unit Grant Agreement, the Plan or any applicable country-specific sub-plan shall have the same definitions as in the Plan, any applicable country-specific sub-plan and/or the Global Key Employee Restricted Stock Unit Grant Agreement.

TERMS AND CONDITIONS

This Appendix A, which is part of the Global Key Employee Restricted Stock Unit Grant Agreement, includes additional terms and conditions that govern the Performance RSUs granted to the Participant under the Plan and that will apply to the Participant if he or she is in one of the countries listed below.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Date of Grant, the Company shall, in its sole discretion, determine to what extent the additional terms and conditions included herein will apply to the Participant under these circumstances.

NOTIFICATIONS

This Appendix A also includes information regarding exchange control and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2018. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Appendix A as the only source of information relating to the consequences of his or her participation in the Plan because such information may be outdated when the Performance RSUs vest and/or when the Participant sells any Shares acquired at vesting of the Performance RSUs.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation. As a result, the Company is not in a position to assure the Participant of any particular result. The Participant, therefore, should seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation.

Finally, if the Participant is a citizen or resident of a country other than that in which he or she is currently residing and/or working, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Date of Grant, the information contained herein may not be applicable in the same manner to the Participant.

EUROPEAN UNION

TERMS AND CONDITIONS

The following provision applies to Participants residing in the European Union:

No Continued Vesting Upon Termination Due to Retirement. Section 4.3 of the Global Key Employee Restricted Stock Unit Grant Agreement shall not apply and Sections 1, 3 and 4.1 of the Global Key Employee Restricted Stock Unit Grant Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Performance RSUs held by Participants residing in the European Union.

AUSTRALIA

TERMS AND CONDITIONS

Retirement. The Company reserves the right not to apply Section 4.3 of the Global Key Employee Restricted Stock Unit Grant Agreement, in which case, Sections 1, 3 and 4.1 of the Global Key Employee Restricted Stock Unit Grant Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Performance RSUs. Alternatively, provided the Participant is not subject to taxation in the United States, the Company reserves the right to accelerate the vesting of the Performance RSUs, as of the date the Participant's Active Status terminates due to Retirement, with respect to a number of Performance RSUs determined by the Company at its discretion, in which case, the Award will be payable within sixty (60) days or as soon as practicable following the date the Participant's Active Service terminates.

Australia Offer Document. The offer of Performance RSUs is intended to comply with the provisions of the Corporations Act 2001, Australian Securities & Investments Commission (“ASIC”) Regulatory Guide 49 and ASIC Class Order CO 14/1000. Additional details are set forth in the Offer Document for the offer of Performance RSUs to Australian resident employees, which will be provided to the Participant with this Agreement.

Compliance with Law . Notwithstanding anything in the Global Key Employee Restricted Stock Unit Grant Agreement or the Plan to the contrary, the Participant will not be entitled to, and shall not claim, any benefit under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits. Further, the Employer is under no obligation to seek or obtain the approval of its shareholders in general meeting for the purpose of overcoming any such limitation or restriction.

NOTIFICATIONS

Tax Information. The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. If an Australian bank is assisting with the transaction, the bank will file the report on behalf of the Participant.

CANADA

TERMS AND CONDITIONS

Termination of Active Status. Notwithstanding anything to the contrary provided in the Plan, and except as expressly required by applicable legislation, the Participant’s Active Status shall be considered terminated as of the date that is the earlier of (a) the date that the Participant receives notice of termination of employment; (b) the date the Participant terminates employment; or (c) the date the Participant is no longer actively employed by the Company or any Subsidiary or affiliate of the Company regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law); the Committee shall have the exclusive discretion to determine when the Participant’s Active Status shall be considered terminated for purposes of the Performance RSUs (including when the Participant may still be considered to be providing services while on a leave of absence).

The following provisions apply if the Participant is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressement souhaité que cette Convention, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Data Privacy Notice and Consent. The following provision supplements the Data Privacy section of the Global Key Employee Restricted Stock Unit Grant Agreement:

The Participant hereby authorizes the Company and the Company’s representatives to discuss with and obtain all relevant information from all personnel (professional or not) involved with the administration and operation of the Plan. The Participant further authorizes the Company, any Subsidiary and affiliate and the Employer to disclose and discuss the Participant’s participation in the Plan with their advisors. The Participant further authorizes the Company, any Subsidiary and affiliate and the Employer to record such information and to keep it in the Participant’s employee file.

NOTIFICATIONS

Securities Law Information . The Participant is permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided that the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (*i.e.* , the NASDAQ Global Select Market).

Foreign Asset/Account Reporting Information. Foreign specified property, including shares of stock (*i.e.*, Shares), options to purchase Shares and other rights to receive Shares (*e.g.*, Performance RSUs) of a non-Canadian company held by a Canadian resident employee must generally be reported annually on a Form T1135 (Foreign Income Verification Statement), if the total cost of his or her foreign specified property exceeds C\$100,000 at any time during the year. Thus, Performance RSUs likely must be reported (generally at a nil cost) if the C\$100,000 cost threshold is exceeded because of other foreign specified property the Participant holds. When Shares are acquired, their cost generally is the adjusted cost base (“ACB”) of the Shares. The ACB ordinarily is equal to the fair market value of the Shares at the time of acquisition, but if the Participant owns other Shares (acquired separately), this ACB may have to be averaged with the ACB of the other Shares. The Participant should consult with a personal tax advisor to ensure compliance with the applicable reporting obligations.

CHINA

TERMS AND CONDITIONS

Acceptance of Award. The Participant must log on to the Fidelity website and certify his or her Fidelity account as a condition of this Award. If the Participant does not certify his or her Fidelity account in the manner instructed by Fidelity and/or the Company before the first vesting date occurs, the Award will be subject to cancellation at the Company’s sole discretion. If the Award is cancelled, the Participant will have no rights to the underlying Shares or any corresponding benefit.

The following terms and conditions apply only to Participants who are subject to exchange control restrictions in China, as determined by the Company in its sole discretion.

Termination of Employment; Change of Control. The following provision supplements the Termination of Employment; Change of Control section of the Global Key Employee Restricted Stock Unit Grant Agreement:

Due to legal restrictions in China, the Participant agrees that the Company reserves the right to require the automatic sale of any Shares acquired at vesting of the Performance RSUs upon the termination of the Participant’s Active Status with the Company or any Subsidiary or affiliate of the Company for any reason, including without limitation, voluntary termination by the Participant, termination because of the Participant’s Retirement, Disability or death or termination by the Company or any Subsidiary or affiliate of the Company because of Misconduct. The Participant hereby authorizes the sale of all Shares issued to him or her as soon as administratively practicable after the applicable termination of Active Status and pursuant to this authorization. The Participant further agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares and the Participant expressly authorizes the Company’s designated broker to complete the sale of such Shares. The Participant acknowledges that the Company’s designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of Shares, the Participant will receive the sale proceeds less any amounts necessary to satisfy Tax-Related Items and applicable transaction fees or commissions. Due to currency exchange conversion rate fluctuation between the applicable vesting date of the Performance RSUs and (if later) the date on which the Shares are sold, the amount of sale proceeds may be more or less than the fair market value of the Shares on the applicable vesting date (which is the relevant amount for purposes of calculating amounts necessary to satisfy applicable Tax-Related Items).

Furthermore, the Company reserves the right not to apply Section 4.3 of the Global Key Employee Restricted Stock Unit Grant Agreement, in which case, Sections 1, 3 and 4.1 of the Global Key Employee Restricted Stock Unit Grant Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Performance RSUs. Alternatively, provided the Participant is not subject to taxation in the United States, the Company reserves the right to accelerate the vesting of the Performance RSUs, as of the date the Participant’s Active Status terminates due to Retirement, with respect to a number of Performance RSUs determined by the Company at its discretion, in which case, the Award will be payable within sixty (60) days or as soon as practicable following the date the Participant’s Active Service terminates.

Exchange Control Restriction. Due to exchange control laws and regulations in China, the Participant will be required immediately to repatriate to China the cash proceeds from the sale of Shares and any cash dividends paid on such Shares. The Participant further understands that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company or a Subsidiary expressly for this purpose. By accepting the Performance RSUs, the Participant agrees that any cash proceeds from the sale of Shares or the receipt of any dividends may be transferred to such special account prior to being delivered to the Participant. The proceeds may be paid to the Participant in U.S. dollars or in local currency at the Company’s discretion. If the proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to open a U.S. dollar bank account in China and provide the bank account details to the Company or the Employer. The Participant acknowledges that, if the cash proceeds are paid in local currency, the Company is under no obligation to secure any particular currency exchange conversion rate. Furthermore, compliance with local exchange control laws

and regulations may delay the conversion of cash proceeds into local currency. The Participant agrees that, if the conversion of the cash proceeds into local currency is delayed, he or she shall bear the risk of any currency exchange conversion rate fluctuation between the date on which the Shares issued at vesting of the Performance RSUs are sold or the cash dividend is paid and the date of conversion of the cash proceeds into local currency. The Participant further agrees to comply with any other requirements that the Company may impose in the future in order to facilitate compliance with exchange control requirements in China.

NOTIFICATIONS

Foreign Asset/Account Reporting Information. The Participant may be required to report to the State Administration of Foreign Exchange all details of his or her foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-China residents. Under these rules, the Participant may be subject to reporting obligations for the Performance RSUs, Shares acquired under the Plan and Plan-related transactions. The Participant should consult with a personal tax advisor in this regard.

COSTA RICA

There are no country-specific provisions.

HONG KONG

TERMS AND CONDITIONS

Sale of Shares. Shares issued at vesting of the Performance RSUs are accepted as a personal investment. In the event that Shares are acquired pursuant to the Performance RSUs within six (6) months of the Date of Grant, the Participant agrees that the Performance RSUs may not be offered to the public or otherwise disposed of prior to the six-month anniversary of the Date of Grant.

NOTIFICATIONS

SECURITIES WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. The Participant is advised to exercise caution in relation to the offer. If the Participant is in any doubt about any of the contents of this Agreement, the Plan or any Plan prospectus, the Participant should obtain independent professional advice. The Performance RSUs and any Shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to Partners and Consultants of the Company or a Subsidiary or affiliate of the Company. The Agreement, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong. The Performance RSUs and related documents are intended solely for the personal use of each Partner and/or Consultant and may not be distributed to any other person.

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

ITALY

TERMS AND CONDITIONS

Plan Document Acknowledgment . In accepting the Performance RSUs, the Participant acknowledges a copy of the Plan was made available to the Participant, and that the Participant has reviewed the Plan and the Agreement, in their entirety and fully understands and accepts all provisions of the Plan and the Agreement.

The Participant further acknowledges that he or she has read and specifically and expressly approves the following provision in the Global Key Employee Restricted Stock Unit Grant Agreement: Section 1 ("Vesting Schedule"); Section 3 ("Form and Timing of Payment of Vested Performance RSUs"); Section 4 ("Termination of Employment; Change of Control"); Section 8 ("Responsibility for Taxes"); Section 9 ("Nature of Grant"); Section 11 ("Data Privacy"); Section 13 ("Compliance with Law"); and Section 21 ("Imposition of Other Requirements").

NOTIFICATIONS

Foreign Asset/Account Reporting Information . If the Participant holds investments abroad or foreign financial assets (*e.g.* , cash, Shares, Performance RSUs) that may generate income taxable in Italy, the Participant must report them on his or her annual tax return or on a special form if no tax return is due, irrespective of their value. The same reporting duties apply if the Participant is a beneficial owner of the investments, even if he or she does not directly hold investments abroad or foreign assets.

JAPAN

NOTIFICATIONS

Foreign Asset/Account Reporting Information. The details of any assets held outside of Japan as of December 31 (including the Shares acquired under the Plan) must be reported annually to the extent such assets have a total net fair market value exceeding ¥50 million. Such report is due by March 15 each year. The Participant should consult with his or her personal tax advisor as to whether the reporting obligation applies to the Participant and whether the Participant will be required to report details of his or her Performance RSUs, as well as the Shares, in the report.

NETHERLANDS

There are no country-specific provisions.

SINGAPORE

TERMS AND CONDITIONS

Settlement of Awards and Sale of Shares. This provision supplements the Form and Timing of Payment of Performance RSUs section of the Global Key Employee Restricted Stock Unit Grant Agreement:

The Participant hereby agrees that the Shares acquired pursuant to the Performance RSUs will not be offered for sale in Singapore prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”) or pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

NOTIFICATIONS

SECURITIES LAW INFORMATION: *The Performance RSUs are granted to the Participant by the Company pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA and the offer is not made with a view to the Performance RSUs or the Shares subject to Performance RSUs being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.*

Chief Executive Officer and Director Notification Requirement. The Chief Executive Officer (“CEO”) and any director, associate director or shadow director of a Singaporean Subsidiary or affiliate of the Company are subject to certain notification requirements under the Singapore Companies Act. The CEO and any director must notify the Singaporean Subsidiary or affiliate of the Company in writing of an interest in the Company (*e.g.* , Performance RSUs or Shares) or any related company within two (2) business days of (i) the interest’s acquisition or disposal, (ii) any change in a previously disclosed interest (*e.g.* , when the Shares are sold), or (iii) becoming CEO or a director, associate director or shadow director.

SWITZERLAND

TERMS AND CONDITIONS

Retirement. The Company reserves the right not to apply Section 4.3 of the Global Leadership Restricted Stock Unit Grant Agreement, in which case Sections 1, 3 and 4.1 of the Leadership RSU Agreement shall be deemed amended, accordingly, such that no references to continued vesting after a termination due to Retirement shall apply to the Performance RSUs.

NOTIFICATIONS

Securities Law Information. The Performance RSUs are not intended to be publicly offered in or from Switzerland. Because the offer of the Performance RSUs is considered a private offering, it is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Performance RSUs constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the Performance RSUs may be publicly distributed or otherwise made publicly available in Switzerland. Further, neither the Agreement nor any other offering or marketing material relating to the Performance RSUs have been or will be filed with, approved or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

THAILAND

NOTIFICATIONS

Exchange Control Information. Thai residents realizing cash proceeds in excess of US\$50,000 in a single transaction from the sale of Shares or dividends paid on such Shares must immediately repatriate all cash proceeds to Thailand and convert such proceeds to Thai Baht within 360 days of repatriation or deposit the funds in an authorized foreign exchange account in Thailand. The inward remittance must also be reported to the Bank of Thailand on a foreign exchange transaction form. Failure to comply with these obligations may result in penalties assessed by the Bank of Thailand.

The Participant should consult with his or her personal advisor prior to taking any action with respect to the remittance of proceeds into Thailand. The Participant is responsible for ensuring compliance with all exchange control laws in Thailand.

UNITED KINGDOM

TERMS AND CONDITIONS

Responsibility for Taxes. The following provision supplements the Responsibility for Taxes section of the Global Key Employee Restricted Stock Unit Grant Agreement:

Without limitation to the Responsibility for Taxes section of the Global Key Employee Restricted Stock Unit Grant Agreement, the Participant agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold on the Participant's behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Participant's behalf.

Notwithstanding the foregoing, if the Participant is an executive officer or director of the Company (within the meaning of Section 13(k) of the Exchange Act), the Participant acknowledges that he or she may not be able to indemnify the Company or the Employer for the amount of any income tax not collected from or paid by the Participant, as it may be considered a loan. In this case, the amount of any income tax not collected within ninety (90) days of the end of the U.K. tax year in which the event giving rise to the Tax-Related Item(s) occurs may constitute a benefit to the Participant on which additional income tax and National Insurance Contributions ("NICs") may be payable. The Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any NICs due on this additional benefit, which may also be recovered from the Participant at any time by any of the means referred to in the Responsibility for Taxes section of the Global Key Employee Restricted Stock Unit Grant Agreement.

SUBSIDIARIES OF STARBUCKS CORPORATION

The list below excludes certain subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary under SEC rules as of September 30, 2018 .

| Entity Name | Organized Under the Laws of: |
|--|------------------------------|
| AmRest Coffee s.r.o. | Czech Republic |
| AmRest Coffee Sp. z o. o. | Poland |
| AmRest Kavezo Kft. | Hungary |
| Bay Bread LLC | Delaware |
| Beijing Starbucks Coffee Co., Ltd. | China |
| Chengdu Starbucks Coffee Company Limited | China |
| CHH Cafe LLC | Texas |
| CHH Holdings of Texas LLC | Texas |
| Coffee Concepts (Southern China) Limited | Hong Kong |
| Coffee House Holdings, Inc. | Washington |
| Conifer Ventures Limited | United Kingdom |
| Corporacion Starbucks Farmer Support Center Colombia | Colombia |
| Emerald City C.V. | Netherlands |
| Evolution Fresh, Inc. | Delaware |
| Farmer Support Center, Asociacion Civil | Mexico |
| Guangdong Starbucks Coffee Company Limited | China |
| High Grown Investment Group (Hong Kong) Ltd. | Hong Kong |
| Holding Company International Limited | United Kingdom |
| Hubei Starbucks Coffee Company Limited | China |
| Koffee Sirena LLC | Russia |
| North American Coffee Partnership | New York |
| Olympic Casualty Insurance Company | Vermont |
| Princi Global Limited | United Kingdom |
| Princi London Limited | United Kingdom |
| Princi Properties Limited | United Kingdom |
| Princi UK Limited | United Kingdom |
| Qingdao American Starbucks Coffee Company Limited | China |
| SBI Nevada, Inc. | Nevada |
| SCI Europe I, LLC | Washington |
| SCI Europe II, LLC | Washington |
| SCI Investment, Inc. | Washington |
| Seastar Colombia Supply Company S.A.S. | Colombia |
| Seattle Coffee Company | Georgia |
| Seattle's Best Coffee LLC | Washington |
| Shanghai Starbucks Coffee Enterprise Co., Ltd. | China |
| Shaya Coffee Limited | Cyprus |
| Siren Retail Corporation | Washington |
| SR Holdings Corporation | Washington |
| SR2 Holdings Corporation | Washington |
| Starbucks (China) Company Limited | China |
| Starbucks (Shanghai) Coffee Company Limited | China |
| Starbucks (Shanghai) Supply Chain Co., Ltd. | China |
| Starbucks (Shanghai) Trade Company Limited | China |
| Starbucks AINI Coffee (Yunnan) Company Limited | China |

| | |
|---|----------------|
| Starbucks Asia Pacific Investment Holding II Limited | Hong Kong |
| Starbucks Asia Pacific Investment Holding III Limited | Hong Kong |
| Starbucks Asia Pacific Investment Holding Limited | Hong Kong |
| Starbucks Capital Asset Leasing Company, LLC | Delaware |
| Starbucks Card Europe Limited | United Kingdom |
| Starbucks Coffee (Cayman) Holdings Ltd. | Cayman Islands |
| Starbucks Coffee (Dalian) Company Limited | China |
| Starbucks Coffee (Liaoning) Company Limited | China |
| Starbucks Coffee (Shenzhen) Company Limited | China |
| Starbucks Coffee (Thailand) Co., Ltd. | Thailand |
| Starbucks Coffee Agronomy Company S.R.L. | Costa Rica |
| Starbucks Coffee Asia Pacific Limited | Hong Kong |
| Starbucks Coffee Austria GmbH | Austria |
| Starbucks Coffee Canada, Inc. | Canada |
| Starbucks Coffee Company (Australia) Pty Ltd | Australia |
| Starbucks Coffee Company (UK) Limited | United Kingdom |
| Starbucks Coffee Development (Yunnan) Company Limited | China |
| Starbucks Coffee EMEA B.V. | Netherlands |
| Starbucks Coffee France S.A.S. | France |
| Starbucks Coffee Holdings (UK) Limited | United Kingdom |
| Starbucks Coffee International, Inc. | Washington |
| Starbucks Coffee Japan, Ltd. | Japan |
| Starbucks Coffee Korea Co., Ltd. | South Korea |
| Starbucks Coffee Netherlands B.V. | Netherlands |
| Starbucks Coffee Switzerland GmbH | Switzerland |
| Starbucks Coffee Trading Company Sarl | Switzerland |
| Starbucks EMEA Holdings Ltd | United Kingdom |
| Starbucks EMEA Investment Ltd | United Kingdom |
| Starbucks EMEA Ltd | United Kingdom |
| Starbucks Farmer Support Center Rwanda Ltd | Rwanda |
| Starbucks Farmer Support Center Tanzania Limited | Tanzania |
| Starbucks Holding Company | Washington |
| Starbucks Holding Company Pte. Ltd. | Singapore |
| Starbucks International (Holdings) Ltd | United Kingdom |
| Starbucks Italy S.r.l. | Italy |
| Starbucks Manufacturing Corporation | Washington |
| Starbucks Manufacturing EMEA B.V. | Netherlands |
| Starbucks New Venture Company | Washington |
| Starbucks Singapore Investment Pte. Ltd. | Singapore |
| Starbucks Switzerland Austria Holdings B.V. | Netherlands |
| Starbucks Trading, G.K. | Japan |
| Tata Starbucks Private Limited | India |
| Teavana Puerto Rico, LLC | Delaware |
| The New French Bakery, Inc. | California |
| Torrefazione Italia LLC | Washington |
| Torz and Macatonia Limited | United Kingdom |
| Xi'an Starbucks Coffee Company Limited | China |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 33-52526, 33-52528, 33-92208, 33-92184, 333-65181, 333-94987, 333-37442, 333-70648, 333-101806, 333-114090, 333-123688, 333-142878, 333-167572, 333-174995 and 333-191512 on Form S-8 and Registration Statement No. 333-213645 on Form S-3 of our reports dated November 16, 2018, relating to the financial statements of Starbucks Corporation, and the effectiveness of Starbucks Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Starbucks Corporation for the year ended September 30, 2018.

/s/ Deloitte & Touche LLP

Seattle, Washington
November 16, 2018

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin R. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2018 of Starbucks Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2018

/s/ Kevin R. Johnson

Kevin R. Johnson

president and chief executive officer

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Maw, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended September 30, 2018 of Starbucks Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2018

/s/ Scott Maw

Scott Maw

executive vice president, chief financial officer

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Starbucks Corporation (“Starbucks”) on Form 10-K for the fiscal year ended September 30, 2018 , as filed with the Securities and Exchange Commission on November 16, 2018 (the “Report”), Kevin R. Johnson, president and chief executive officer, and Scott Maw, executive vice president, chief financial officer of Starbucks, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Starbucks.

November 16, 2018

/s/ Kevin R. Johnson

Kevin R. Johnson

president and chief executive officer

November 16, 2018

/s/ Scott Maw

Scott Maw

executive vice president, chief financial officer