



COMPANY PROFILE

February 2008

THE STARBUCKS STORY

Starbucks Coffee Company was founded in 1971, opening its first store in Seattle's Pike Place Market. Starbucks, named after the first mate in Herman Melville's *Moby Dick*, is the world's leading retailer, roaster and brand of specialty coffee with millions of customer visits per week at stores in North America, Europe, Middle East, Latin America and the Pacific Rim.

Italian Inspiration

When Howard Schultz first joined the company in the early 1980s, Starbucks was already a highly respected local roaster and retailer of whole bean and ground coffees. A business trip to Italy opened Schultz's eyes to the rich tradition of the espresso beverage.

Espresso drinks became an essential element of Schultz's vision. He purchased Starbucks with the support of local investors in 1987. In addition to well-situated stores, Starbucks sells coffee, tea, food and entertainment products through its specialty operations.

Convenience

Starbucks stores may be found in urban and suburban areas, as well as many rural communities worldwide. An expanded number of Drive Thru and Off-Highway stores also provide a convenient alternative for our customers.

In addition to our company-operated stores, Starbucks works with certain carefully chosen businesses to operate licensed stores in a variety of venues. Since 1991 Starbucks® coffee has been available at licensed airport stores and travel plazas operated by HMSHost in the U.S. Licensed and Foodservice stores can also be found on college campuses through licensing agreements with Aramark, Sodexo and Compass. Thanks to these licensing agreements, our customers can enjoy their Starbucks in select supermarkets, hotels and military bases throughout North America, and in foodservice venues around the world.

Coffee aficionados can also find Starbucks® coffee in a variety of places, including United Airlines, Horizon Air, Seattle's Key Arena and Safeco Field, Chicago's Wrigley Field, University of Washington athletic venues, the Experience Music Project interactive museum, Hyatt Hotels, Barnes & Noble bookstores in the U.S. and Chapters and Indigo bookstores in Canada.

The Starbucks Experience

"You get more than the finest coffee when you visit a Starbucks—you get great people, first-rate music and a comfortable and upbeat meeting place," says Howard Schultz, Starbucks chairman, president and chief executive officer. "We establish the value of buying a product at Starbucks by our uncompromising quality and by building a personal relationship with each of our customers. Starbucks is rekindling America's love affair with coffee, bringing romance and fresh flavor back to the brew."

Passion for Quality

Starbucks offers coffee lovers a selection of coffees from around the world. Our coffee buyers personally travel to the coffee-growing regions of Latin America, Africa/Arabia and Asia/Pacific to select the highest-quality *arabica* beans. Once these quality beans arrive at one of the company's four roasting facilities, Starbucks professional roasters pursue the art of creating the rich signature Starbucks Roast™. This dark roast is not just a color; it is the cumulative result of expert roasters knowing coffee and bringing balance to all of its flavor attributes.

Coffee & More

In addition to quality coffee, Starbucks features a variety of hand-crafted beverages, Tazo® teas, Ethos™ water, pastries and, in some markets, a selection of sandwiches and salads. Starbucks merchandise includes exclusive espresso machines and coffee brewers, unique confections and other coffee- and tea-related items.

Starbucks Entertainment

Starbucks Entertainment selects the finest in music, books and film to offer Starbucks customers the opportunity to discover quality entertainment in a fun and convenient way as part of their daily coffee routines. Starbucks Entertainment has made a transformative impact on the entertainment industry through its innovative relationships with music labels, publishers and filmmakers; and its breakthrough Starbucks Hear Music™ Coffeehouses in Santa Monica, San Antonio, Miami and Bellevue, Washington.

Starbucks Entertainment selections can be purchased at Starbucks stores in select markets worldwide, and online at www.starbucks.com/hearmusic. Starbucks Entertainment has also teamed with Apple to create a Starbucks Entertainment area on the iTunes store (www.iTunes.com/starbucks) in the U.S., and to offer the exclusive "Now Playing" feature on the iTunes® Wi-Fi Music Store at select Starbucks coffeehouses in the U.S., which enables customers to instantly preview, purchase, and download the music playing overhead in the store.

Cool Blended, Bottled & Delicious Treats

In spring 1995, Frappuccino® blended beverage was introduced to Starbucks line of beverages. In summer 2004, Starbucks premiered Frappuccino® Light blended coffee beverages in response to customer requests for a lighter blended coffee option with the same delicious taste. Frappuccino® Light blended coffee beverages have 30–40 percent fewer calories than the original Frappuccino® blended coffee beverages. Frappuccino® juice blends, made with real fruit juice and brewed tea, were introduced in summer 2006.

In 1996 the North American Coffee Partnership, a joint venture between Starbucks and Pepsi-Cola North America, began selling bottled Starbucks Frappuccino® coffee drinks. Six flavors are available in grocery channels in the U.S. and in select Starbucks stores. In 2002 Starbucks DoubleShot® espresso drink joined the ready-to-drink lineup as part of the joint venture.

In October 1995 Starbucks Coffee and Dreyer's Grand Ice Cream formed a joint venture to dish up a superpremium line of coffee ice creams. By July 1996 Starbucks became the No. 1 brand of coffee ice cream in the U.S. Currently, ice cream lovers can enjoy seven delectable flavors with favorites such as Java Chip and Coffee Almond Fudge.

At Grocery

Starbucks early success in grocery led to the test sale of coffee in Portland, Ore., supermarkets in 1996 and Chicago in 1997. In 1998 Starbucks and Kraft Foods, Inc. entered into a licensing agreement to accelerate the growth of Starbucks® coffee in grocery channels in the U.S. The arrangement draws on Kraft's extensive knowledge of selling, marketing and distributing packaged foods directly to grocery customers. Today Starbucks® coffee is available to customers in many major grocery stores across North America and the U.K.

Online

StarbucksStore.com is an alliance between Starbucks and Cooking.com. StarbucksStore.com offers the lineup of Starbucks® whole bean and ground coffees, including seasonal, promotional and the very special Starbucks® Black Apron Exclusives™ coffees. Through an easy-to-shop and efficient website, StarbucksStore.com offers premium coffee with affordable delivery. The site provides detailed descriptions of each coffee, including country of origin or characteristics of the blends as well as flavor notes and suggestions for other coffees that match preferred taste profiles.

THE VALUE OF OUR PEOPLE

Starbucks has more than 172,000 partners (employees) worldwide as of September 2007. Eligible part- and full-time partners qualify for a comprehensive benefit package that includes healthcare benefits and stock option grants through *Bean Stock*, Starbucks company-wide stock option plan.

Starbucks is committed to maintaining the quality, integrity and great taste of coffee as the company grows. “We have the most knowledgeable workforce in our industry,” says Schultz. “I take great pride, not in the number of stores we have opened, but in the growth and development of our people.”

“We realize our people are the cornerstone of our success, and we know that their ideas, commitment and connection to our customers are truly the essential elements in the *Starbucks Experience*.”

Each store partner participates in an extensive training program that facilitates strong coffee knowledge, product expertise and a commitment to customer service.

COMMITMENT TO COMMUNITY

Starbucks is dedicated to contributing positively to the communities in which it does business. The company recognizes the relationship between its success and the strength and vitality of the communities where it operates. Investing in communities is not only the right thing to do, it is also part of the Starbucks culture. At all levels of the organization, Starbucks partners strive to be good neighbors and active contributors in communities.

Foundation for Literacy

The Starbucks Foundation was established in 1997 with an initial contribution from the proceeds of Howard Schultz’s book, *Pour Your Heart Into It*. The Foundation is supported primarily through funding from Starbucks and by private contributions.

Since its inception, the Foundation has maintained a focus on improving the lives of youth through its support of literacy and nontraditional education programs. To date, the Foundation has provided more than \$11 million to more than 700 organizations. In 2005 the Foundation inaugurated its regional grant program, “Giving Voice.” This program funds organizations that work with youth (6–18) in arts, literacy and environmental education.

In September 2001, Starbucks began a four-year, \$1 million commitment to Jumpstart, a U.S. organization that pairs highly trained college students for one-to-one interaction with preschoolers to develop skills they need to succeed in kindergarten. In 2005, Starbucks renewed this partnership with an additional \$1.5 million over three years.

Building on its partnership with America SCORES, in 2005 the Starbucks Foundation made a \$500,000 commitment to the organization to grow its U.S. after-school programs. The financial support from the Foundation enables America SCORES to further develop and strengthen its programs, which use poetry, soccer and community service to promote literacy and the physical and social well-being of at-risk youth in urban communities.

In addition to the Foundation’s commitment to various literacy organizations, Starbucks partners and customers have donated more than 1.4 million books to libraries and children’s clubs across the U.S.

Starbucks made its first significant international literacy commitment in 2005 when the company committed U.S. \$5 million to support educational programs in China. To oversee and advise on the development and structure of the Starbucks China Education Project, a steering committee was formed with members consisting of Starbucks executives, Chinese government officials, the China Soong Ching Ling Foundation and local community organizations. With this financial commitment and steering committee in place, Starbucks is developing a strategic corporate social responsibility platform to strengthen its philanthropic and social commitments in China. Starbucks first effort under the auspices of the China Education Project was the allocation in February 2006 of \$1.5 million to the China Soong Ching Ling Foundation.

Sustainable Coffee Production in Coffee-Growing Regions

Starbucks realizes that the success of the farmers with whom we do business is intrinsically linked to the sustainability of our business. Starbucks has adopted an integrated approach to coffee purchasing based on the following six fundamental principles:

- Paying premium prices for premium coffee to help farmers make profits and support their families.
 - For fiscal 2006, Starbucks paid \$1.42 per pound on average for 294 million pounds of green coffee.
- Encouraging participation in C.A.F.E. (Coffee and Farmer Equity) Practices, our social and environmental guidelines for coffee purchasing.
 - The guidelines include 28 indicators against which suppliers (farmers, cooperatives, processors and exports) are evaluated, including prerequisites for quality and economic transparency.
- Purchasing conservation (shade grown) and certified coffees, including organic and Fair Trade Certified™. In fiscal 2006 Starbucks purchased:
 - 2 million pounds of conservation (shade grown) coffee.
 - 12 million pounds of certified organic coffee.
 - 18 million pounds of Fair Trade Certified™ coffee. Starbucks remains the largest purchaser, roaster and distributor of Fair Trade Certified™ coffee in North America.
- Providing funds for farmers to access affordable credit so that they can invest in their farms and receive assistance to help them through cash shortages during crop cycles.
 - To date, Starbucks has committed \$10.5 million to three not-for-profit organizations – the Calvert Foundation, Verde Ventures and EcoLogic Finance – to provide affordable credit to approximately 74,000 small-scale farmers and suppliers.



- Investing in social development projects in coffee-producing countries.
 - The combined total of Starbucks investments in coffee-growing communities was \$2.7 million in fiscal 2006, which included \$1 million toward Tropical Storm Stan relief efforts. The funds were used to help pay for 103 projects located in 11 countries, benefiting an estimated 545,000 local farmers, their families and community residents.
- Collaborating with coffee producers globally on coffee quality, production, processing and research through the company's team of experts at the Starbucks Farmer Support Center, located in Costa Rica.

Starbucks commitment to coffee quality and its sustainability is part of its core values and is integrated throughout business. Working together with farmers, communities, non-governmental organizations and other partners, Starbucks is working to strengthen coffee farms and to ensure the supply of high-quality coffees that Starbucks customers expect and enjoy.

Urban Coffee Opportunities (UCO)

In 1998 Starbucks formed a joint-venture partnership with Earvin "Magic" Johnson's Johnson Development Corp. This innovative venture, known as Urban Coffee Opportunities, LLC (UCO), enhances the development of Starbucks stores in ethnically diverse neighborhoods with an initial focus on African-American and Hispanic communities. Today there are more than 114 Starbucks stores developed by UCO in cities that include Los Angeles, New York and Seattle.

STARBUCKS GOES INTERNATIONAL

In 1996 Starbucks opened its first overseas store in Tokyo, Japan. Today there are more than 700 stores in Japan.

In addition to Japan, Starbucks opened stores in Singapore in 1996; the Philippines in 1997; the U.K., Taiwan, Thailand, New Zealand and Malaysia in 1998; Beijing, Kuwait, South Korea and Lebanon in 1999; United Arab Emirates, Hong Kong, Shanghai, Australia, Qatar, Saudi Arabia, and Bahrain in 2000; Switzerland and Austria in 2001; Oman, Germany, Spain, Mexico, Puerto Rico, Southern China (Macau and Shenzhen), Greece and Indonesia in 2002; Turkey, Peru, Chile and Cyprus in 2003; France in 2004; Jordan, Bahamas and Ireland in 2005; Brazil and Egypt in 2006, and Romania, Denmark and the Netherlands in 2007.

Starbucks broke ground in April 2002 for the new roasting plant in Amsterdam, the Netherlands. Full plant operations began in spring 2003.

With more than 15,700 stores in 43 countries, Starbucks is becoming one of the most respected brands in the world.

