



**Starbucks Corporation
Fiscal 2003 Annual Report**

To experience today.

A photograph of a man and a woman sitting at a light-colored wooden desk in a modern office or library setting. The woman, on the left, is wearing a grey blazer over a black top and is looking at a laptop. The man, on the right, is wearing a grey sweater and is also looking at a laptop. There are two white mugs on the desk, one in front of each person. A large, blue, conical lamp is positioned between them. The background is a solid brown wall. On the left side of the image, there is a vertical strip of colorful, abstract art. The text "To imagine tomorrow." is overlaid in the center of the image in a gold, serif font.

To imagine tomorrow.

To preserve. To progress.

To create trust. To surprise.

To be familiar. To make new discoveries.

To nurture and inspire the human spirit.

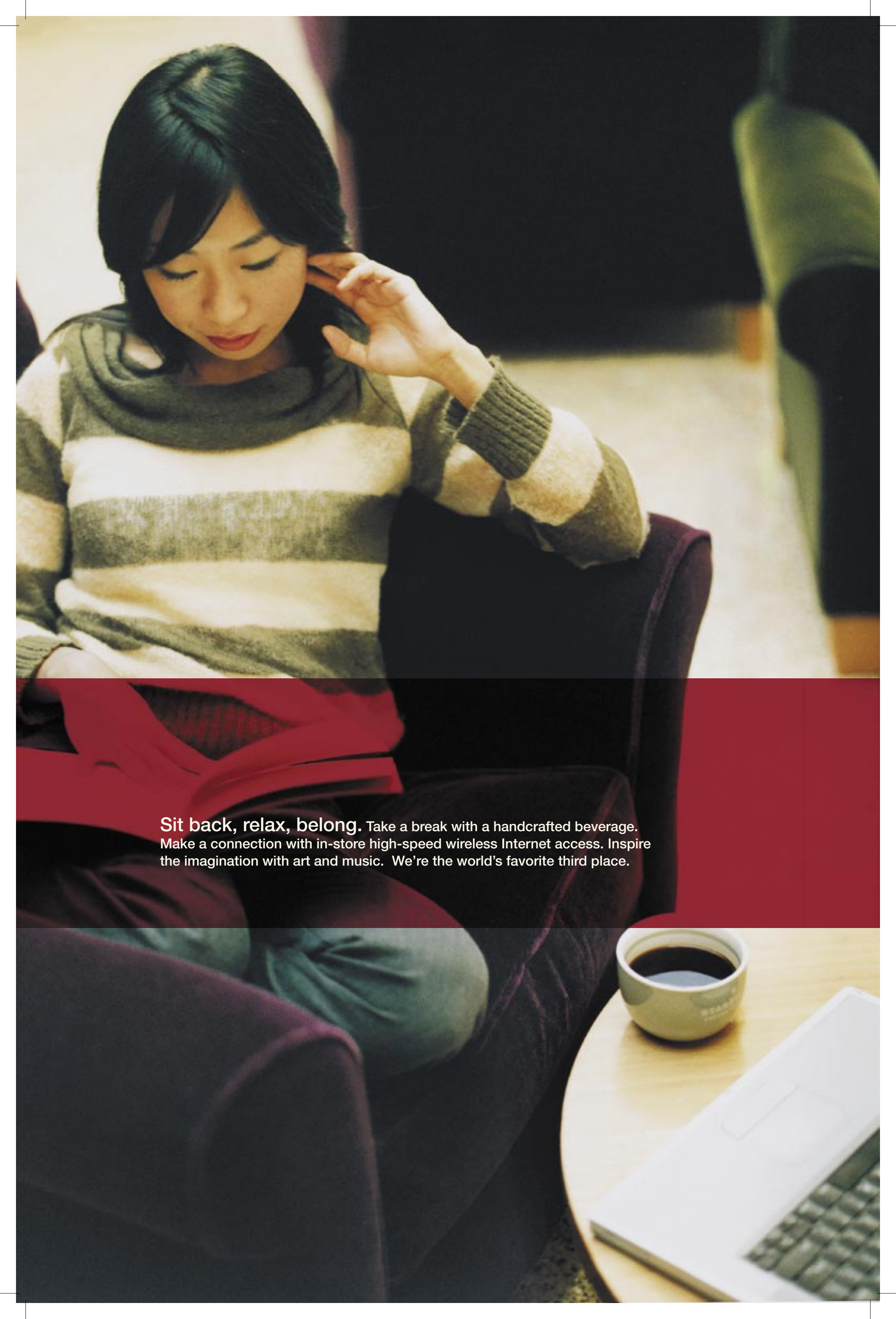
To continually look for ways to make people's lives just a little bit better.

To know that there are some things that should never change.

And there are some things that should.

To make someone's day.





Sit back, relax, belong. Take a break with a handcrafted beverage. Make a connection with in-store high-speed wireless Internet access. Inspire the imagination with art and music. We're the world's favorite third place.

To share the best.



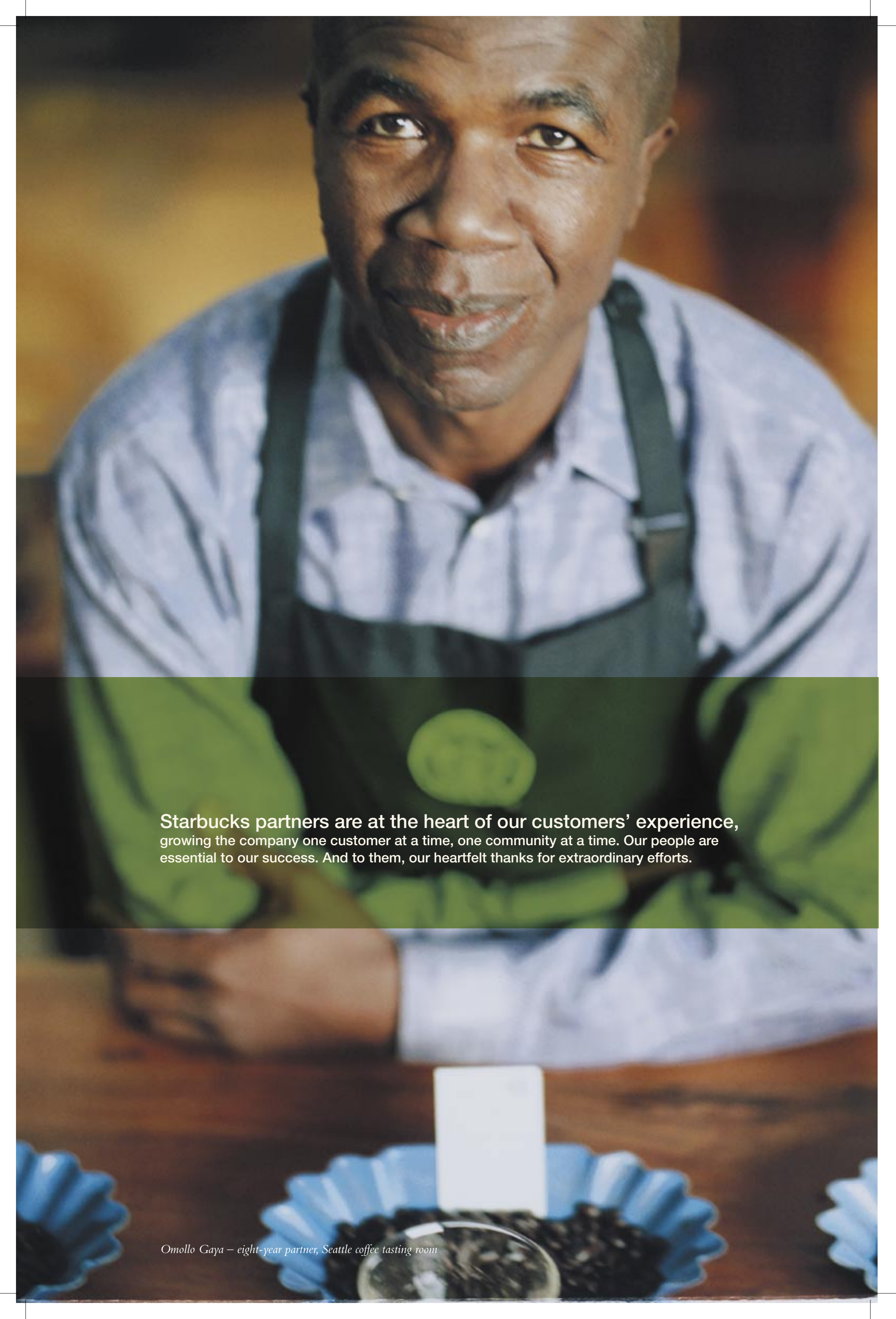
A woman, Katerina Savelio, is shown from the chest up, wearing a black Starbucks cap with the Siren logo and the word 'AMSTERDAM' on it. She is also wearing a red and black vest over a grey shirt. She is looking slightly to the right with a calm expression. The background is a blurred industrial setting with large, glowing yellow lights, likely from roasting equipment.

The finest cup of coffee in the world. Sourced around the globe,
roasted and packaged innovatively to lock in flavor, then delivered everywhere.
Unwavering attention to detail at every step.

Katerina Savelio — eight-year partner, Kent Roasting Plant, Washington

To see the future in people.





Starbucks partners are at the heart of our customers' experience, growing the company one customer at a time, one community at a time. Our people are essential to our success. And to them, our heartfelt thanks for extraordinary efforts.

Omollo Gaya – eight-year partner, Seattle coffee tasting room

Whether we're introducing benefits for
part-time partners or guidelines to encourage
sustainable coffee production; wireless Internet access
or the Starbucks Card Duetto™ Visa®; a new beverage
or a new blend; our approach is the same.

We preserve. And we progress.

We listen today. And we imagine tomorrow.

We hold on to our core. And we reinvent the experience.

Every time we discover something new and fresh,
we discover that inspiration and innovation,
muse and motivation are energized as much by our past as by
the promise of our future.

And that's just the beginning.

To our Shareholders,

From the early days of Starbucks history, we have eagerly embraced possibilities and let our imagination propel us to create new experiences instead of accepting the status quo. That spirit, combined with our belief that a company can indeed achieve the delicate balance between social and fiscal responsibility, and, frankly, our genuine love for a great cup of coffee, has guided Starbucks on an amazing journey from a single store in Seattle to a global presence with more than 7,000 locations worldwide. That journey, which has yielded some wonderful rewards, is still in its early stages.

In a challenging economic environment where enduring success is extremely difficult to achieve, Starbucks continues to thrive. The overwhelming global acceptance of the Starbucks brand has resulted in the strongest performance in our history. Fiscal 2003 was marked by consolidated net revenues of \$4.1 billion (up 24 percent from \$3.3 billion in fiscal 2002), annual comparable store sales growth of 8 percent, and increased market capitalization from approximately \$300 million in 1992 to approximately \$12 billion in 2003. In addition, we opened 1,201 retail store locations worldwide, including the 1,000th store in our Asia Pacific region. We also celebrated our 12th consecutive year of positive comparable store sales growth of 5 percent or greater and at fiscal year-end, we had 141 consecutive months of positive comparable store sales growth – all impressive achievements.

These accomplishments are rooted in some of our basic beliefs – treat everyone with respect and dignity, tirelessly source and roast the finest *arabica* coffee beans, and contribute positively to our communities and our environment. From our early decision to offer health benefit coverage to both full- and part-time eligible partners (employees), to creating a third place environment between work and home, to publishing our externally verified Corporate Social Responsibility Annual Report, Starbucks has fashioned a unique business model that balances the need to deliver long-term shareholder value with our desire to integrate social consciousness into every aspect of our business. And we continue to devise new ways to enrich the *Starbucks Experience*. For example, we recently introduced the Starbucks Card Duetto™ Visa® – the first-of-its-kind payment card which blends credit card functionality with the reloadable Starbucks Card. Within just two months of its introduction, the Duetto Card was recognized by *Business Week* as one of the “Best Products of 2003” – a harbinger of its strong potential, and acknowledgment of its significance as an innovative product.

While our financial achievements were indeed spectacular, the recognition we received for the *way* we do business was equally gratifying. We were pleased in 2003 to be on *Fortune* magazine’s Best Places to Work list once again, ranked number 9 on *Fortune* magazine’s Most Admired Companies list, and included on the Dow Jones Sustainability Index and the annual *Business Ethics* list of the 100 Best Corporate Citizens. We were also excited to be included on the prestigious Fortune 500 list for the first time, and were deeply honored to be the recent recipient of the Colombian government’s Order of The Grand Cross Medal, the highest honor awarded by the State of Nariño, for our work in the local coffee communities. This recognition was especially significant because it is the first time that *any* company has received this prestigious medal – the previous recipients include the Spanish government and a branch of the United Nations. Perhaps the most important recognition we received was from our people: the results of our internal partner satisfaction and engagement survey were the highest in our history. Partner satisfaction increased and our partner engagement scores identified Starbucks as a top employer. These results reflect an amazing degree of passion and commitment among our partners – the people responsible for delivering the *Starbucks Experience* to our customers every day. These honors are an affirmation of our strength and unity as a company. We remain committed to our goals and guiding principles; they have provided an enduring framework for our success.

During fiscal 2003, we broadened our scope and strengthened our position as one of the world’s leading brands. We developed and introduced several new beverages, including Malt Frappuccino® blended beverages and Iced Shaken Refreshment beverages, expanded into previously untapped markets and continued to reach out to an ever-growing customer base. The Starbucks brand has been warmly embraced by new customers of myriad cultural, ethnic, economic and geographic backgrounds, reaffirming our belief that our brand has enduring and universal appeal. Through significant retail, foodservice and grocery growth, the acquisition of Seattle Coffee Company (the parent company to Seattle’s Best Coffee® and Torrefazione Italia®), product and store innovation and locally relevant marketing, we further extended the solid base for our long-term growth. In addition, we continued to expand the depth and impact of our high-speed wireless Internet access service. At the end of fiscal 2003, we had more than 2,600 T-Mobile® HotSpotsm locations, and we are actively exploring new ways to introduce innovations to the Wi-Fi network. This year, we coupled unique digital entertainment content from our pioneering Hear Music Artist’s Choice™ CD series with the Wi-Fi network in our stores, and offered exclusive access to interviews with Sheryl Crow, in which she described her selections for this one-of-a-kind compact disc. In the coming year, we plan to introduce additional innovative, exclusive content that will further enhance the *Starbucks Experience* and create an even more compelling connection with our customers.

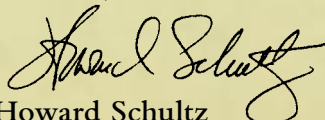
The *Starbucks Experience* resonates with our customers around the world. Based on their enthusiastic reception of the brand, we have expanded our international business and developed a strategic platform for long-term success as we did in the early days of Starbucks growth in North America, and we intend to fully capitalize on the enormous global opportunity for Starbucks. We expect to reach profitability in our international operations in fiscal 2004, and we are passionately committed to our ultimate goal to have approximately 25,000 Starbucks locations worldwide.

Making a positive impact on the communities in which we live and work remains a cornerstone of our company. We continue to apply our innovative spirit to make a difference in the lives of people who produce coffee and tea as well as protecting and maintaining the natural environment in origin countries. Through such programs as our Commitment to Origins™ coffee offerings and our partnership with Conservation International, we have taken a leading role in corporate social responsibility. By encouraging sound social, environmental and economic practices through our Coffee Sourcing Guidelines and other innovative programs, we are further strengthening the positive impact we’re making in coffee communities. These endeavors also reinforce our dedication to helping to ensure a sustainable, long-term supply of high-quality coffee.

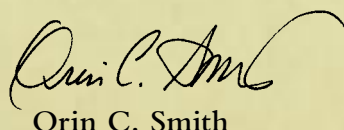
Starbucks has shaped the way in which coffee is enjoyed and experienced around the world. From the farmers in origin countries to our partners (employees) and shareholders, we appreciate your passion and commitment in helping us define the *Starbucks Experience* today and in the future. We intend to continue to nurture our spirit of discovery, and we remain ever-mindful of the power of imagining possibilities instead of seeing limitations.

To everyone who has contributed to shaping, delivering and sharing the *Starbucks Experience*, who has believed in us and inspired us – thank you. The best is truly yet to come.

Onward,

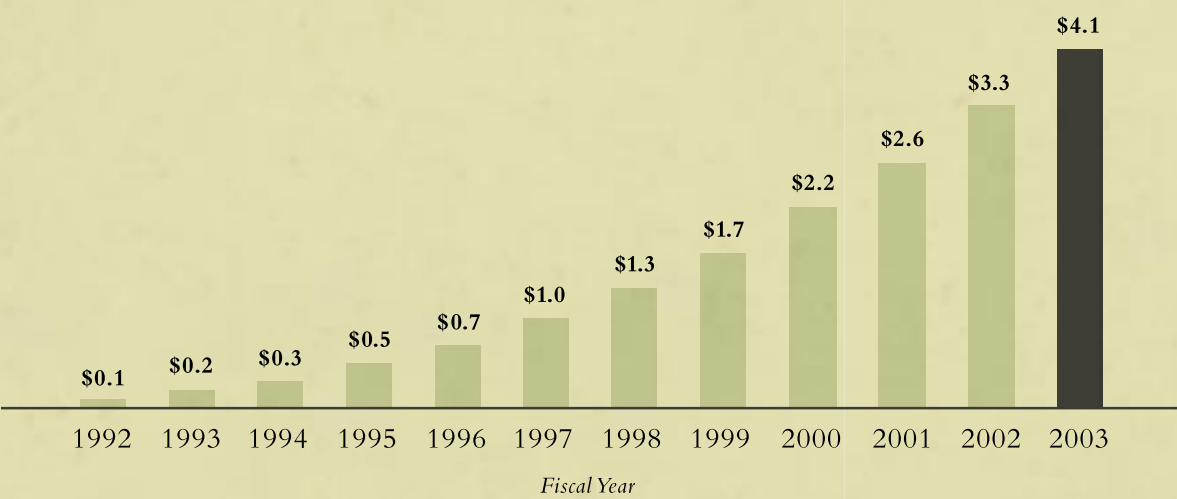


Howard Schultz
chairman and chief global strategist

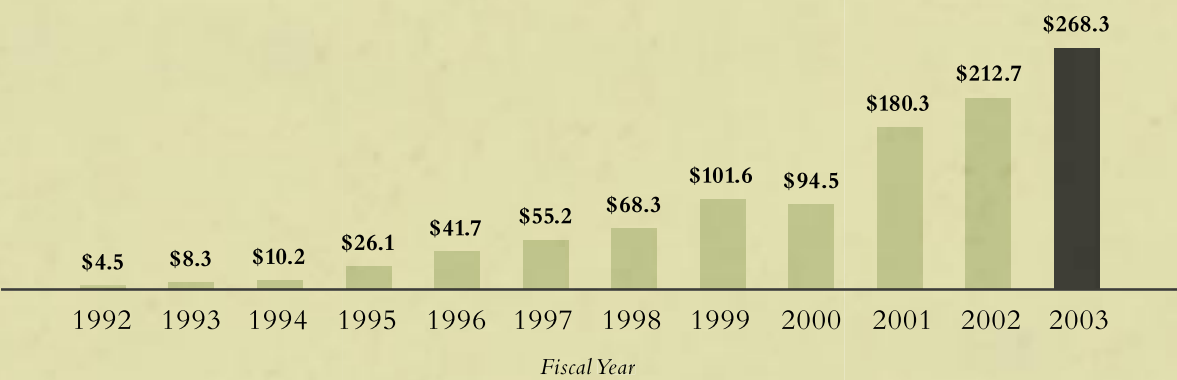


Orin C. Smith
president and chief executive officer

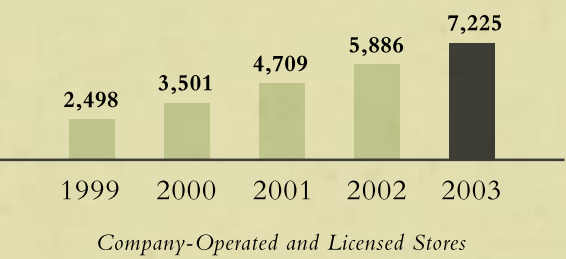
Highlights Starbucks Corporation



NET REVENUES (in billions)

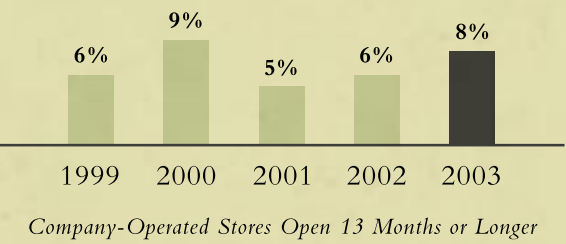


NET EARNINGS (in millions)



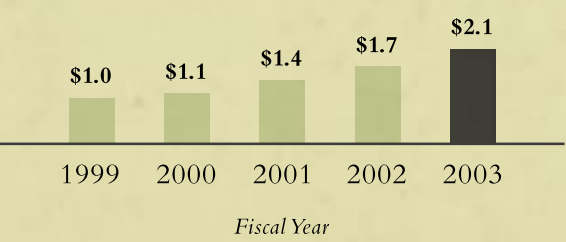
Company-Operated and Licensed Stores

STORES OPEN at YEAR END



Company-Operated Stores Open 13 Months or Longer

COMPARABLE STORE SALES



SHAREHOLDERS' EQUITY (in billions)

FISCAL 2003 ACCOMPLISHMENTS

- Attained record net revenues and net earnings
- Achieved first fiscal quarter of \$1 billion in net revenues
- Achieved 12th consecutive year of comparable store sales of 5% or higher
- Continued product innovation with introduction of Iced Shaken Refreshments
- Extended existing product lines with Toffee Nut Latte, Peppermint Mocha and Malt Frappuccino® blended beverages
- Recorded nearly 100 million Starbucks Card transactions
- Reached a total of 34 international markets by adding four new markets: Chile, Peru, Southern China and Turkey
- Opened 1,000th store in the Asia Pacific region
- Acquired Seattle Coffee Company, which added the Seattle's Best Coffee® and Torrefazione Italia® brands to the Starbucks portfolio
- Expanded production capacity by opening two new roasting plants in Carson Valley, Nevada, and Amsterdam, Netherlands
- Employed over 74,000 partners (employees) worldwide