





Sample roaster



MAY 11 2001



33

7/01



Mary Williams
on the road



screens



La Cufman



Description
a.m. cupping



STYLE NO. 3-3-20H

NEAREST MILLION USE DOWN

coffee department 2001

ASSIGNMENTS

DATE



S.R. tasting 8/01



20

7/01



volcan de agua



location: Guatemala



**“Coffee is our tradition. And we share it
with people around the world.”**

— Hector Cortez, farmer, Antigua, Guatemala



Coffee farmers in Antigua, Guatemala



The Farmers

By fax, mail, phone and email we invited farmers around the world to submit entries in our competition for the best coffees of the year. No crop was too small, no farm too remote.

From Kona to Sumatra, from Nyeri to Antigua, farmers we'd known for many years and others we'd not yet met considered their year's work. From blossom to coffee cherry, from harvesting to drying, rarely is coffee held to higher standards, given so much personal attention.

One-pound samples of green coffee beans. Delivered by horse, bicycle, truck, bus, train and plane. From coffee farms on forested hillsides to remote mountain airstrips to some of the busiest airports in the world, all the way to our tasting room in Seattle.

Pre. Emba. ☒ XEmbarque: ☒ X

Fecha: 3.21.01

Calidad: MINAS DE OR
PREMIUM

Código: 3.21.01

C: STARBUCKS C
COMPANY

Muestra: SPMO 001

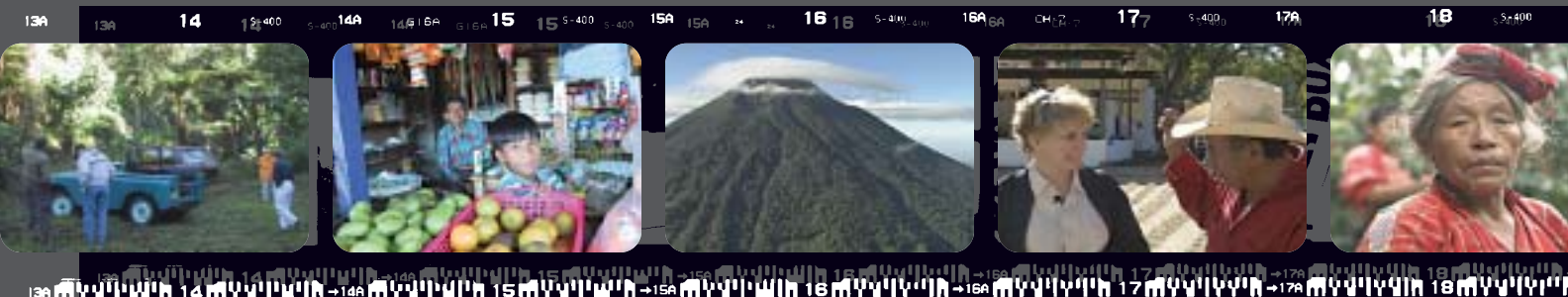
Contrato:

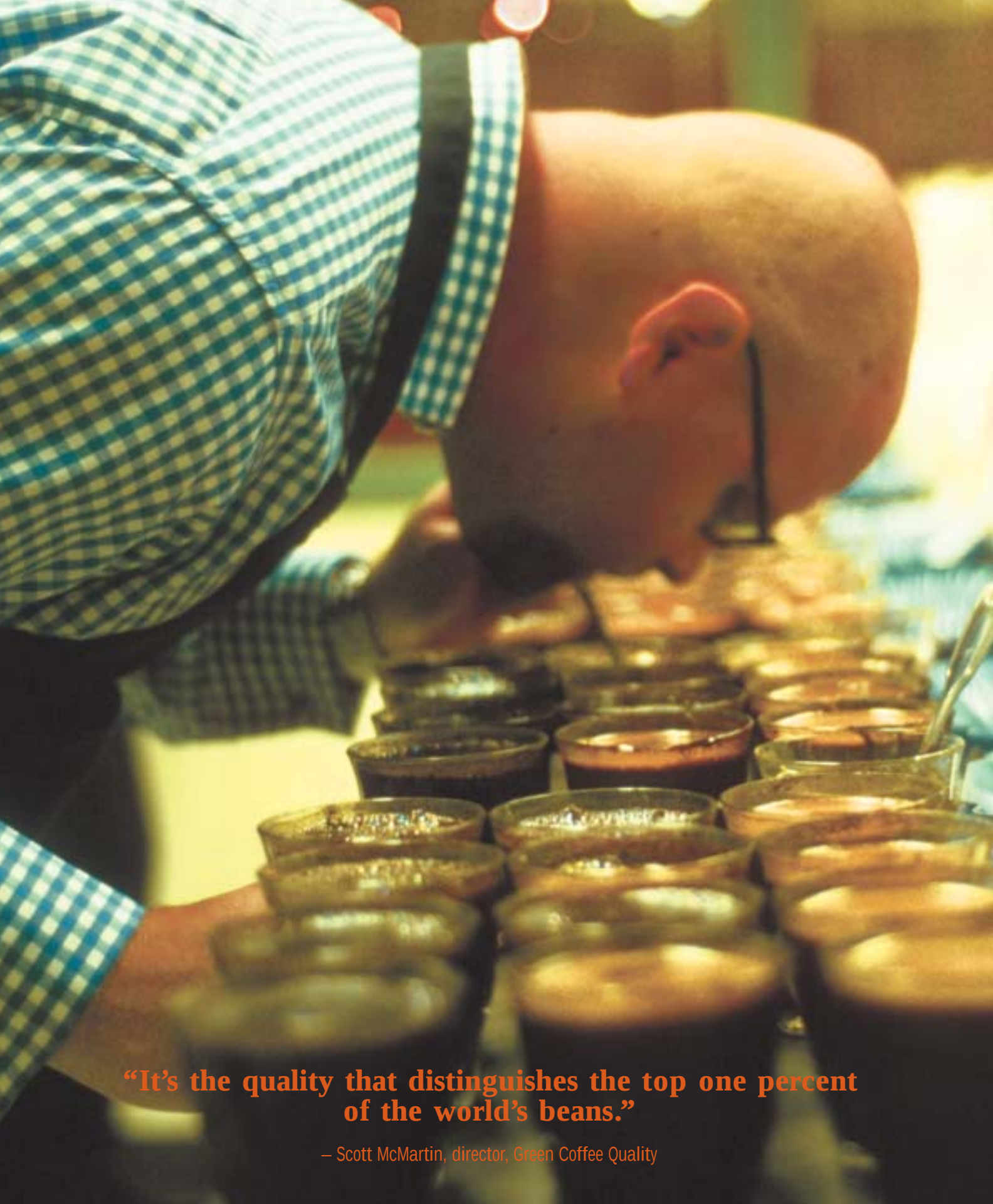
Observaciones: STARBUCKS SPECIAL RESERVE BLE

Asistencia de Calidad: ☒ X

NP. #.

CDM





“It’s the quality that distinguishes the top one percent of the world’s beans.”

— Scott McMartin, director, Green Coffee Quality

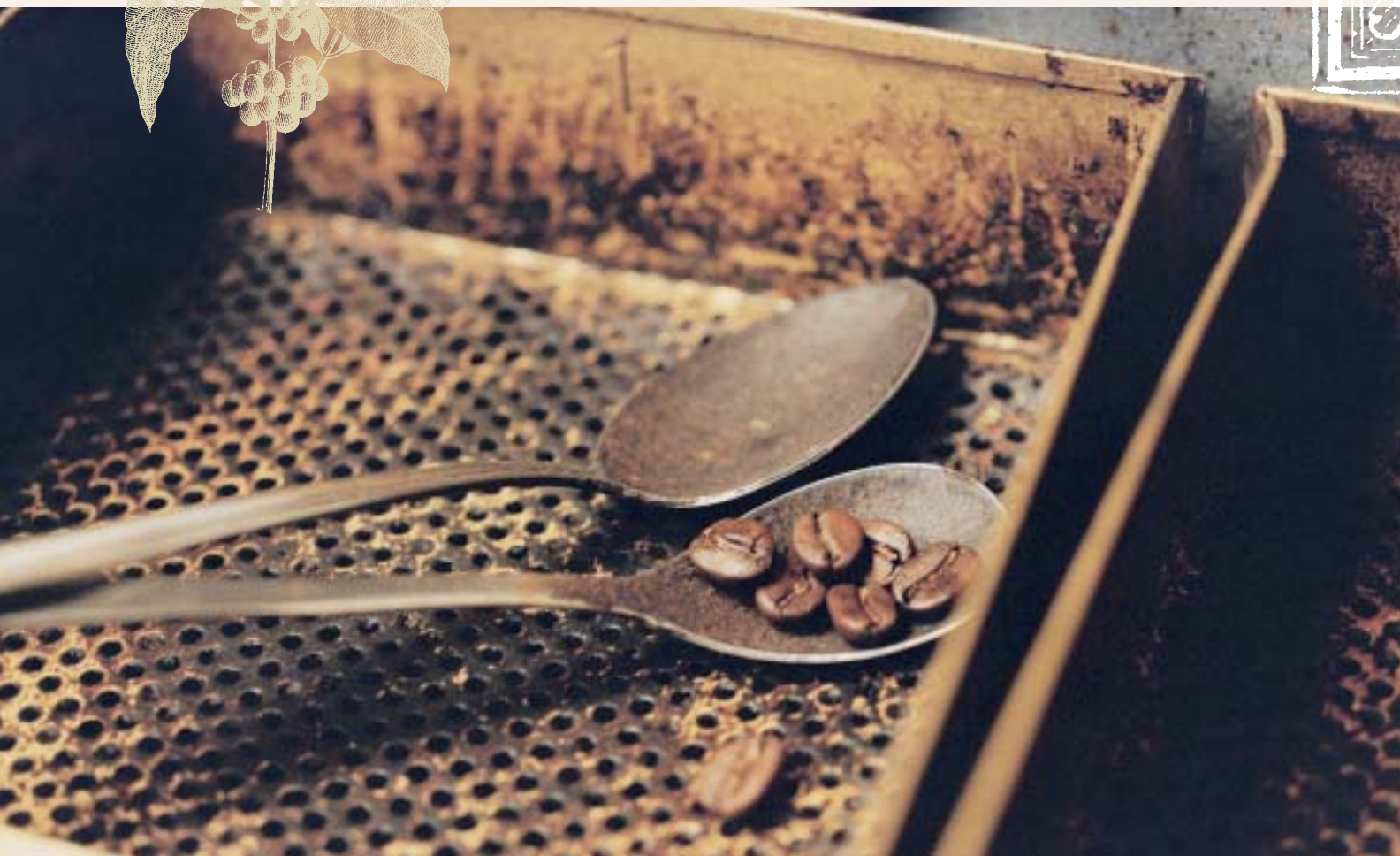


The Tasting Room

Beans from Costa Rica, Kenya, Ethiopia, Panama and Guatemala. Beans from Sumatra, Vietnam, Hawaii and Mexico. Hundreds of samples arrived in our tasting room.

And our green coffee specialists sampled each and every lot, looking to discover the unmistakable flavors of each region, what winemakers call *le goût de terroir*, the taste of the place. A balanced, harmonious whole of ideal climate, soil, elevation and skilled horticulture.

In our pursuit of the finest coffees of 2001, we started with hundreds of entries. Over six months we narrowed our selection to 50 finalists, then four extraordinary coffees. Our indisputable winners.



**“The coffee is who we are, the thing we do better
than anyone else in the world.”**

— Mary Williams, senior vice president, Coffee

Starbucks partner at University Village store, Seattle, Washington



The Coffees

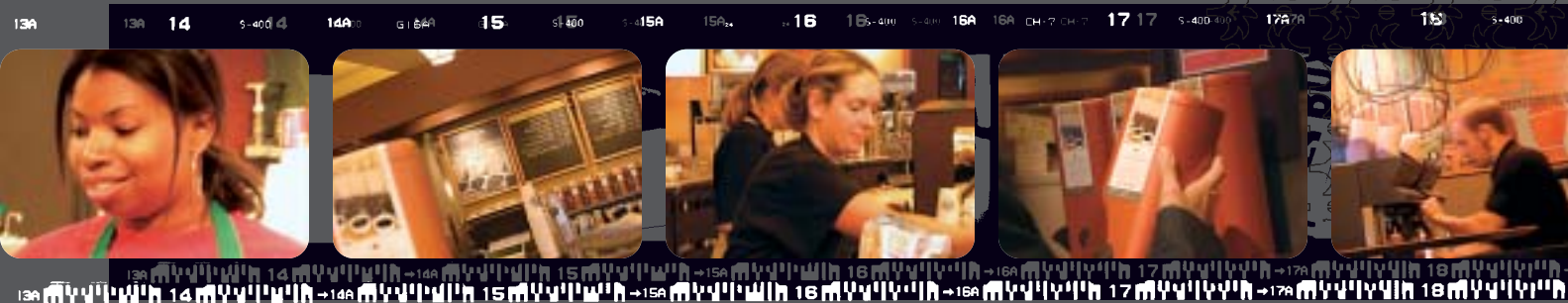
Here it comes. One cup of coffee. One cup to savor and to sip. One cup to get to know us by.

One cup with a complex floral and cocoa aroma, with flavors of lavender and spice, and a lemony acidity finishing on a note of black currants. Our Starbucks® Special Reserve single-origin: Guatemala Antigua Entre Volcanes.

Or Starbucks® Special Reserve Blend, combining beans of Kenya Nyeri, Ethiopia Yergacheffe and Guatemala Antigua.

Each selection transformed by our roasters into two extraordinary coffees we will never experience again.

But who knows what next year's harvest will bring?



**“My hope is that we protect our traditions
and grow our future.”**

— Estuardo Falla, coffee producer, Antigua, Guatemala



Student at Instituto Jose Rodrigo Perez Y Perez, Antigua, Guatemala

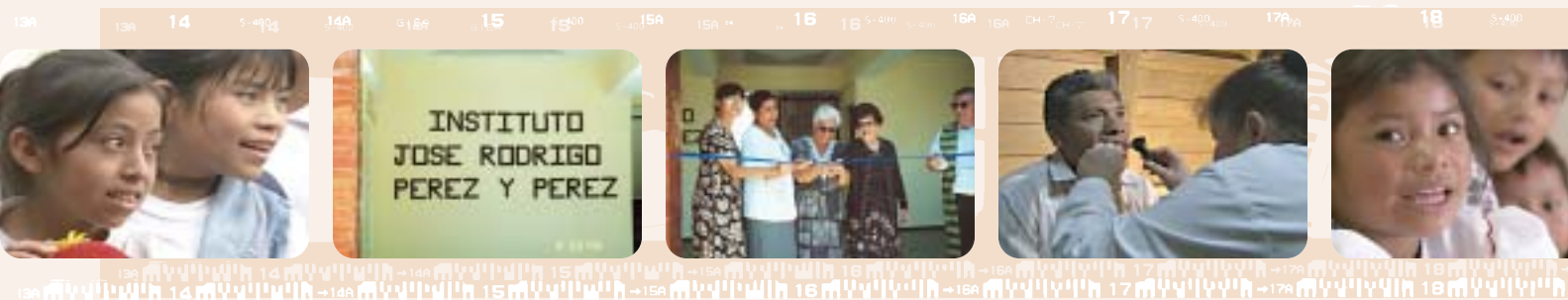


The Contribution

We try to make a difference among the people and places that produce coffee, within the countries we visit and to the families we touch. To help protect natural habitats, we encourage shade-grown coffee practices. To support traditional farming practices, we purchase sustainable coffees.

To celebrate this year's Starbucks® Special Reserve winners, we committed \$15,000 towards community, health or education programs in each country.

And today these communities rise to the promise of hope.



“The passion for exceptional coffee is what makes it taste great.”

— Peter Torrebiarte, trader, Green Coffee



A cupping session, coffee tasting room



SKU	Vendor	Contract	Bag	Coffee	Previous Results			Flavor Notes		Acid	Flavor	Status
164458	13131	531	25	COSTA RICA 46.5%				6CUPS-				
ICO		Container	Devan	H20%	Stage	Cup Date	Cupped By	Green Notes		Body	Aroma	Usage
5/025/0245		SUDU369						GREEN NOTES: MED. T. GREEN, BAKED, BROWN, W/ DARK EDGES, MED SIZES - FAIR PREP				COS04

The Promise

The search to find the best coffees of 2001 was very familiar to us. The same passion, the same extraordinary care and the same unwavering attention to detail accompany our search for every one of the coffees we offer.

And no matter the coffee, a Starbucks® Special Reserve or House Blend or Kenya or Sumatra, our commitment is the same: Everything we do begins and ends with coffee.

One person, one moment, one cup at a time.

Welcome to Starbucks.



To our Shareholders,

Over the past year, our world has changed dramatically. People everywhere have paused to consider what is really important, and we are more keenly aware that our connection with other people is what matters most. Starbucks has always provided a gathering place in our communities. Now, more than ever before, Starbucks offers a haven where people can relax and enjoy each other's company over a cup of coffee.

When we speak about Starbucks success, we often refer to measures such as the quality of our coffee and the strength of our brand. Yet we take care to acknowledge the remarkable role that people, our partners, our customers and our shareholders, contribute to Starbucks ongoing success. The combined commitment and caring of everyone who touches Starbucks provides us with a solid foundation even in times of challenge.

During this year, our partners (employees) faced extraordinary hardships on two different occasions, and they unhesitatingly responded to serve our customers and communities. The first challenge occurred on February 28, 2001, when Seattle was rocked by a 6.8 earthquake. Our first concern was the safety of our people, and we are extremely grateful that our partners and customers safely evacuated Starbucks buildings and area stores. While the Starbucks Support Center (our headquarters) remained structurally sound, the building sustained considerable cosmetic damage, and for several months following the earthquake, many Support Center partners were displaced as the building was repaired. However, immediately after the earthquake, our partners sprang into action to make sure that normal processes were restored so that there was virtually no disruption to our store operations and service to our customers.

On September 11, 2001, we shared shock and sadness with the world when the tragic events occurred in New York City, Washington, D.C., and western Pennsylvania. Many of our partners were personally and directly affected as these tragedies unfolded near their homes and workplaces. Despite their grief and sorrow, our partners reacted in a way that inspired hope among all of us. Numerous partners who worked in stores in New York City, Washington, D.C. and Pennsylvania immediately and selflessly protected their partners and served their communities to assist relief efforts. They sheltered and supported customers and fellow partners in the midst of the attacks; donated coffee, food, money and time to relief agencies; waited for hours to give blood; and kept their stores open through the night to serve and shelter emergency workers. They truly exemplified the best of Starbucks, and we are deeply moved by their heartfelt actions.

Partners and customers throughout the world also demonstrated their caring and compassion by supporting Starbucks Cares, a program created to raise funds to benefit The September 11th Fund established by United Way of New York and the New York Community Trust. The Company and our international business partners provided Starbucks Cares with a seed gift of \$1.2 million. In addition, many of our partners, customers and business associates have generously donated funds to Starbucks Cares, which has collected over \$2.6 million to support victims and their families as of December 2001.

These are just three examples of the extraordinary dedication and humanity that embody the spirit of Starbucks. We also acknowledge the efforts that our partners put forth each day: as they travel to origin countries to source our coffees; as they roast and package our coffees, blend our teas and support our retail business and specialty operations; as they serve customers in our stores and through Starbucks.com; and as they contribute positively to our communities. They are phenomenal people and we are proud to be their partners.

Throughout challenging times, strong companies are able to remain stable. Even in a volatile economy, Starbucks strength is reflected in our growth, continued responsiveness to the needs of communities worldwide and our ability to attract and retain a remarkable workforce. This year as we celebrate our 30th anniversary, our values are the same as when we first opened our doors. These values are reflected in our mission statement and guiding principles, which govern the way we interact with our partners, customers, community and the environment, the quality of our products and our commitment to our shareholders to continue profitability.

We are pleased that even during a year punctuated by unexpected trials, as well as a slowing economy, we achieved the highest net earnings figure in the history of our company and opened a record number of stores. Additionally, fiscal 2001 marked the 10th consecutive year of 5 percent or higher annual comparable store sales growth. As we remain focused on our products, customers and operations, Starbucks continues to be the leading retailer, roaster and brand of specialty coffee in the world. We believe this core strength, bolstered by our strategic expansion, will ensure Starbucks continued success as an enduring global brand.

Starbucks has experienced enormous growth in our 30-year history. By December 2001, we opened more than 3,900 locations in North America and more than 1,000 locations in 23 international markets. During fiscal year 2001, we entered Bahrain, Saudi Arabia and Israel and were delighted to open in Switzerland, our first market in continental Europe. We increased our presence in continental Europe by opening our first store in Austria in December 2001, and will soon open stores in Spain and Germany. We believe that people in these new markets and around the world will embrace our brand and will enjoy the *Starbucks Experience* as part of their daily lives.

Fiscal year 2001 was a banner year for Starbucks Coffee Japan, Ltd. Japan is our largest international market, which now has over 300 stores, and we were thrilled to celebrate the fifth anniversary of our first international location in the Ginza district of Tokyo this past fiscal year. We are also extremely proud that Starbucks Coffee Japan introduced a stock option program for partners. In addition, Starbucks Coffee Japan executed a successful initial public offering at a time when capital markets were distressed, and listed its shares on the Nasdaq Japan, Inc. market. All of these achievements are a remarkable testament to the global relevance of the Starbucks brand and the strong performance of our partners in Japan.

Over the past few years, the numerous achievements of our international ventures have made us realize that the opportunity available to Starbucks far surpasses what we originally conceived. By the end of fiscal year 2002, we plan to announce Starbucks entry into two more continental European markets, for a total of six markets. We are also continuing development in the Asia Pacific region and initiating development work in Latin America. Additionally, we plan to open at least 100 locations in international Company-operated markets and 275 locations in international licensed markets in fiscal year 2002.

As we move forward, we remain focused on our coffee and the people who produce it. We offer the highest quality coffee in the world because we source only the finest *arabica* beans from around the globe, including Africa, Central and South America and the Asia Pacific region. Since coffee is the foundation of our business, Starbucks pays premium prices as a standard practice to ensure the quality of our coffee. Beyond this, we continually seek ways to sustain and positively contribute to the economic, environmental and social conditions in coffee-origin countries.

To assist us in our efforts, we have forged relationships with organizations such as Conservation International and TransFair USA. Our work with Conservation International, a nonprofit organization that helps preserve environmental hotspots throughout the world, has resulted in the production of our

Shade Grown Mexico coffee and the development of Starbucks new coffee sourcing guidelines, a groundbreaking program through which we hope to foster the sustainability of coffee farms and improved quality of life for communities in origin countries. We invite you to read more about our sourcing guidelines in the following letter from Mary Williams, Starbucks senior vice president of Coffee.

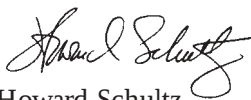
We also work with TransFair USA, which certifies Fair Trade coffee and helps farmers obtain a fair price (as defined by international Fair Trade standards) even when market prices are low. This is especially critical today as the oversupply of coffee has caused the price of coffee to plummet. Starbucks sells Fair Trade Certified coffee in all Company-owned stores located in the United States and recently committed to purchase one million pounds of Fair Trade coffee over the next 12-18 months. Soon we plan to sell Fair Trade Certified coffee in our Canadian stores and offer it to our licensees in North America.

Beyond these partnerships, we also provided funding for specific projects, including building health clinics and a school in Guatemala and East Timor. In fiscal year 2001, we assisted farmers in Chiapas, Mexico, through Ecologic Enterprise Ventures, Inc., a nonprofit organization providing affordable crop financing to small-scale farmers in Latin America. Starbucks has increased its level of assistance for next year and has also committed one million dollars through Calvert Community Investments to provide additional low-interest loans to coffee farmers. We believe these sources of credit will enable farmers to maintain the quality of their coffee and improve the standard of living for their families. These examples represent Starbucks commitment to corporate social responsibility on a global scale. If you would like to learn more about Starbucks efforts in our communities and around the world, please feel free to request a copy of the Corporate Social Responsibility Annual Report that is referenced on page 51.

To complement our contributions in origin countries, we developed Starbucks® Special Reserve, a program born from our desire to showcase the year's best coffees. We invited coffee farmers around the world to submit a sample from their harvests, and our panel of expert coffee tasters spent many hours carefully evaluating each coffee. Finally, we decided on two exceptional coffees, Starbucks Special Reserve Guatemala Antigua Entre Volcanes, a single-origin coffee, and Starbucks Special Reserve Blend, a blend of coffees from various farms located in the regions of Kenya Nyeri, Ethiopia Yergacheffe and Guatemala Antigua. As a reward to each of the winning farms, we provided funding for special projects that will improve social conditions in their communities. The Starbucks Special Reserve program received such an overwhelming response that we plan to make the competition an annual event.

This year's Annual Report illustrates the process through which we arrived at Starbucks Special Reserve and, more importantly, how this process was made possible through the personal connections between our partners and the coffee farmers. Starbucks Special Reserve is just one example of the innovation that we foster in order to enhance the *Starbucks Experience* for our customers around the world. We hope you enjoy these outstanding coffees as much as we do, and we thank you for your continuing support over the years.

Warm regards,



Howard Schultz
chairman and chief global strategist



Orin C. Smith
president and chief executive officer