

Starbucks Concludes Packaged Coffee Dispute with Kraft

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Company to host conference call to discuss outcome

SEATTLE--(BUSINESS WIRE)--Nov. 12, 2013-- Starbucks Coffee Company (NASDAQ:SBUX) today issued the statement below from Troy Alstead, chief financial officer and group president, Global Business Services, regarding the conclusion of the company's arbitration with Kraft over its packaged coffee business. The company will host a conference call to discuss the outcome of the arbitration at 6:00 am PT tomorrow morning (Wednesday, November 13, 2013), which will be webcast and can be accessed on the company's website at <http://investor.starbucks.com>.

"We are pleased the arbitration has ended; however, we strongly disagree with the arbitrator's conclusion and that Kraft is entitled to \$2.23 billion in damages plus \$527 million in prejudgment interest and attorneys' fees. We believe Kraft did not deliver on its responsibilities to our brand under the agreement, the performance of the business suffered as a result, and that we had a right to terminate the agreement without payment to Kraft. While we disagree Kraft is entitled to damages, the amount awarded reflects the value of our at-home coffee business and the continued global growth opportunity that lies ahead for Starbucks. We have adequate liquidity both in the form of cash on hand and available borrowing capacity to fund the payment, which will be booked as a charge to our fiscal 2013 operating expenses.

"I would add that taking our packaged coffee business back from Kraft was the right decision for Starbucks, our brand and our shareholders. The results over the past two and a half years clearly demonstrate that Starbucks at-home coffee portfolio is significantly healthier than it was before we assumed direct control from Kraft in 2011. We have the leading market share of premium packaged coffee, and our total at-home coffee portfolio has grown significantly under the direct model.

"Ending our agreement with Kraft also gave us the flexibility to aggressively expand our growth in the premium single serve segment with Starbucks® Coffee K-CUP® Packs and Verismo™. With single serve as the fastest growing category within at-home coffee, this represents a strategic opportunity for Starbucks that will continue to contribute meaningful growth for many years.

“Together, packaged coffee and Starbucks premium single serve offerings are the cornerstone of the Channel Development segment of Starbucks business, which cumulatively grew by \$3.2 billion in revenue since taking the business back from Kraft and 47 percent in profitability in the past two years. Channel Development, which is still early in its growth curve, is already the company’s second largest operating segment with substantial potential for long-term global growth. With continued focus, innovation and execution, we will build on Channel Development’s strong momentum and expand our global footprint beyond our 29 current markets and more than 100,000 points of distribution in the years to come.”

Updated financial statements will be provided in upcoming filings with the U.S. Securities and Exchange Commission. The details of the arbitrator’s decision are confidential and Starbucks respects the privacy of the arbitration process so the company will not be sharing additional details from the ruling or the proceedings.

Forward-Looking Statements

This release contains forward-looking statements relating to certain company initiatives, strategies and plans, including our packaged coffee business and the performance our Channel Development segment, its potential growth, size and footprint. These forward-looking statements are based on currently available operating, financial and competitive information and are subject to a number of significant risks and uncertainties. Actual future results may differ materially depending on a variety of factors including, but not limited to, coffee, dairy and other raw material prices and availability, costs associated with, and the successful execution of, the company’s initiatives, strategies and plans, the acceptance of the company’s products by our customers, fluctuations in U.S. and international economies and currencies, the impact of competition, the effect of legal proceedings, and other risks detailed in the company filings with the Securities and Exchange Commission, including the “Risk Factors” section of Starbucks Annual Report on Form 10-K for the fiscal year ended September 30, 2012. The company assumes no obligation to update any of these forward-looking statements.

About Starbucks Corporation

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting the highest-quality arabica coffee in the world. Today, with stores around the globe, the company is the premier roaster and retailer of specialty coffee in the world. Through our unwavering commitment to excellence and our guiding principles, we bring the unique Starbucks Experience to life for every customer through every cup. To share in the experience, please visit us in our stores or online at www.starbucks.com.

Source: Starbucks Coffee Company

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