STARBUCKS CORP
Form 10-Q
July 30, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2013
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	91-1325671
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2401 Utah Avenue South, Seattle, Washington 98134
(Address of principal executive offices)
(206) 447-1575
(Registrant's Telephone Number, including Area Code)
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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of July 24, 2013
Common Stock, par value $0.001 per share	751.4 million

Table of Contents

STARBUCKS CORPORATION
FORM 10-Q
For the Quarterly Period Ended June 30, 2013
Table of Contents

		Page
PART I. FINANCIAL INFORMATION		
Item 1	Financial Statements (Unaudited):	3
	Condensed Consolidated Statements of Earnings	3
	Condensed Consolidated Statements of Comprehensive Income	4
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3	Quantitative and Qualitative Disclosures About Market Risk	30
Item 4	Controls and Procedures	30
PART II. OTHER INFORMATION		
Item 1	Legal Proceedings	30
Item 1A	Risk Factors	30
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 6	Exhibits	32
Signatures		33
Index to Exhibits		

Table of Contents

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)
(unaudited)

	Quarter Ended		Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Net revenues:				
Company-operated stores	$2,986.3	$2,615.6	$8,783.7	$7,868.6
Licensed stores	342.0	308.2	1,014.2	905.1
CPG, foodservice and other	413.4	379.8	1,299.3	1,161.7
Total net revenues	3,741.7	3,303.6	11,097.2	9,935.4
Cost of sales including occupancy costs	1,597.6	1,446.1	4,748.6	4,354.1
Store operating expenses	1,084.1	976.0	3,212.2	2,928.3
Other operating expenses	105.3	105.9	349.9	317.9
Depreciation and amortization expenses	153.3	136.7	455.3	408.6
General and administrative expenses	249.6	199.0	711.7	597.4
Total operating expenses	3,189.9	2,863.7	9,477.7	8,606.3
Income from equity investees	63.4	51.7	170.4	148.8
Operating income	615.2	491.6	1,789.9	1,477.9
Interest income and other, net	3.5	9.7	51.4	68.2
Interest expense	(6.3)	(8.9)	(19.0)	(26.2)
Earnings before income taxes	612.4	492.4	1,822.3	1,519.9
Income taxes	194.6	159.1	581.4	494.2
Net earnings including noncontrolling interest	417.8	333.3	1,240.9	1,025.7
Net earnings attributable to noncontrolling interest	—	0.2	0.6	0.6
Net earnings attributable to Starbucks	$417.8	$333.1	$1,240.3	$1,025.1
Earnings per share - basic	$0.56	$0.44	$1.66	$1.36
Earnings per share - diluted	$0.55	$0.43	$1.63	$1.33
Weighted average shares outstanding:				
Basic	749.7	758.9	748.3	753.8
Diluted	761.9	776.8	761.5	772.9
Cash dividends declared per share	$0.21	$0.17	$0.63	$0.51

See Notes to Condensed Consolidated Financial Statements

Table of Contents

STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, unaudited)

	Quarter Ended		Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Net earnings including noncontrolling interest	$417.8	$333.3	$1,240.9	$1,025.7
Other comprehensive income/(loss), net of tax:				
Unrealized holding losses on available-for-sale securities	(0.3)	—	(0.3)	—
Tax benefit	0.1	—	0.1	—
Unrealized holding gains/(losses) on cash flow hedging instruments	55.6	(22.5)	34.9	(39.0)
Tax (expense)/benefit	(20.0)	2.6	(19.7)	3.2
Unrealized holding gains/(losses) on net investment hedging instruments	7.9	(5.4)	34.3	4.9
Tax (expense)/benefit	(2.9)	2.0	(12.7)	(1.8)
Reclassification adjustment for net losses realized in net earnings for cash flow hedges	11.1	4.1	27.3	10.0
Tax benefit	(0.5)	(1.0)	(1.9)	(3.1)
Net unrealized holding gains/(losses)	51.0	(20.2)	62.0	(25.8)
Translation adjustment	(25.0)	(23.0)	(74.7)	(22.5)
Tax (expense)/benefit	5.8	(1.0)	4.5	(0.5)
Other comprehensive income/(loss)	31.8	(44.2)	(8.2)	(48.8)
Comprehensive income/(loss) including noncontrolling interest	449.6	289.1	1,232.7	976.9
Comprehensive income attributable to noncontrolling interest	—	0.2	0.6	0.6
Comprehensive income attributable to Starbucks	$449.6	$288.9	$1,232.1	$976.3

See Notes to Condensed Consolidated Financial Statements

Table of Contents

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

	Jun 30, 2013	Sep 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$1,430.8	$1,188.6
Short-term investments	613.5	848.4
Accounts receivable, net	506.8	485.9
Inventories	1,173.8	1,241.5
Prepaid expenses and other current assets	302.0	196.5
Deferred income taxes, net	212.8	238.7
Total current assets	4,239.7	4,199.6
Long-term investments	45.5	116.0
Equity and cost investments	443.4	459.9
Property, plant and equipment, net	2,987.1	2,658.9
Other assets	485.8	385.7
Goodwill	860.9	399.1
TOTAL ASSETS	$9,062.4	$8,219.2
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$415.2	$398.1
Accrued liabilities	1,149.7	1,133.8
Insurance reserves	177.5	167.7
Deferred revenue	682.0	510.2
Total current liabilities	2,424.4	2,209.8
Long-term debt	549.7	549.6
Other long-term liabilities	340.7	345.3
Total liabilities	3,314.8	3,104.7
Shareholders’ equity:		
Common stock ($0.001 par value) — authorized, 1,200.0 shares; issued and outstanding, 751.1 shares and 749.3 shares (includes 3.4 common stock units), respectively	0.8	0.7
Additional paid-in capital	167.7	39.4
Retained earnings	5,558.5	5,046.2
Accumulated other comprehensive income	14.5	22.7
Total shareholders’ equity	5,741.5	5,109.0
Noncontrolling interest	6.1	5.5
Total equity	5,747.6	5,114.5
TOTAL LIABILITIES AND EQUITY	$9,062.4	$8,219.2

See Notes to Condensed Consolidated Financial Statements

Table of Contents

STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012
OPERATING ACTIVITIES:		
Net earnings including noncontrolling interest	$1,240.9	$1,025.7
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	479.3	427.7
Deferred income taxes, net	3.9	33.6
Income earned from equity method investees, net of distributions	(42.6)	(37.7)
Gain resulting from sale of equity in joint venture	(35.2)	—
Stock-based compensation	105.6	114.8
Other	18.3	10.0
Cash provided/(used) by changes in operating assets and liabilities:		
Accounts receivable	(20.3)	(44.8)
Inventories	88.8	(285.1)
Accounts payable	20.8	(139.1)
Accrued liabilities and insurance reserves	38.1	(13.8)
Deferred revenue	168.1	71.8
Prepaid expenses, other current assets and other assets	(27.9)	(36.2)
Net cash provided by operating activities	2,037.8	1,126.9
INVESTING ACTIVITIES:		
Purchase of investments	(495.8)	(1,578.6)
Sales, maturities and calls of investments	803.2	1,452.9
Acquisitions, net of cash acquired	(576.9)	(29.7)
Additions to property, plant and equipment	(782.2)	(516.5)
Proceeds from sale of equity in joint venture	50.3	—
Other	3.0	(12.3)
Net cash used by investing activities	(998.4)	(684.2)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	199.5	211.3
Excess tax benefit from exercise of stock options	229.2	156.5
Principal payments on long-term debt	(35.2)	—
Cash dividends paid	(470.9)	(384.0)
Repurchase of common stock	(588.1)	(15.7)
Minimum tax withholdings on share-based awards	(120.6)	(56.1)
Other	2.3	(0.5)
Net cash used by financing activities	(783.8)	(88.5)
Effect of exchange rate changes on cash and cash equivalents	(13.4)	(1.0)
Net increase in cash and cash equivalents	242.2	353.2
CASH AND CASH EQUIVALENTS:		
Beginning of period	1,188.6	1,148.1
End of period	$1,430.8	$1,501.3
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of capitalized interest	$17.2	$17.2
Income taxes	$417.3	$311.4

See Notes to Condensed Consolidated Financial Statements

Table of Contents

STARBUCKS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
Note 1: Summary of Significant Accounting Policies
Financial Statement Preparation
The unaudited condensed consolidated financial statements as of June 30, 2013, and for the quarter and three quarters ended June 30, 2013 and July 1, 2012, have been prepared by Starbucks Corporation under the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the financial information for the quarter and three quarters ended June 30, 2013 and July 1, 2012 reflects all adjustments and accruals, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. In this Quarterly Report on Form 10-Q ("10-Q") Starbucks Corporation is referred to as "Starbucks," the "Company," "we," "us" or "our."
The financial information as of September 30, 2012 is derived from our audited consolidated financial statements and notes for the fiscal year ended September 30, 2012 ("fiscal 2012") included in Item 8 in the Fiscal 2012 Annual Report on Form 10-K (the "10-K"). The information included in this 10-Q should be read in conjunction with the footnotes and management's discussion and analysis of the financial statements in the 10-K. Effective at the beginning of the fiscal year ending September 29, 2013 ("fiscal 2013"), we decentralized certain leadership functions. General and administrative expenses and depreciation and amortization expenses associated with these functions, which were previously reported as unallocated corporate expenses within "Other," are now reported within the respective reportable operating segments to align with the regions which they support. On January 29, 2013, we filed a Current Report on Form 8-K to recast operating results for all periods covered in the 10-K to reflect this change. See further discussion and the impact of these changes in Note 11 of this 10-Q.
Beginning in the second quarter of fiscal 2013, we removed unallocated corporate expenses from Other in our segment reporting. Other is now referred to as All Other Segments and includes Teavana, Seattle's Best Coffee, Evolution Fresh and Tazo retail, as well as our Digital Ventures business. Unallocated corporate expenses are now a reconciling item between our segment results and our consolidated results, which are unchanged. Our historical segment financial information has been revised to be consistent with the current period presentation.
The results of operations for the quarter and three quarters ended June 30, 2013 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal 2013.
Recent Accounting Pronouncements
In March 2013, the FASB issued guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. This guidance requires a parent to release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The guidance will become effective for us at the beginning of our first quarter of fiscal 2015. The adoption of this new guidance will not have a material impact on our financial statements.
In February 2013, the FASB issued guidance that adds additional disclosure requirements for items reclassified out of accumulated other comprehensive income. This guidance requires the disclosure of significant amounts reclassified from each component of accumulated other comprehensive income and the income statement line items affected by the reclassification. The guidance will become effective for us at the beginning of our first quarter of fiscal 2014. The adoption of this guidance will result in the disclosure of reclassifications from accumulated other comprehensive income by component in the consolidated statements of comprehensive income.
In January 2013, the FASB issued guidance clarifying the scope of disclosure requirements for offsetting assets and liabilities. The amended guidance limits the scope of balance sheet offsetting disclosures to derivatives, repurchase agreements, and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement. The guidance will become effective for us at the beginning of our first quarter of fiscal 2014. The adoption of this new guidance will not have a material impact on our financial statements.

In July 2012, the FASB issued guidance that revises the requirements around how entities test indefinite-lived intangible assets, other than goodwill, for impairment. The guidance allows companies to perform a qualitative assessment before calculating the fair value of the indefinite-lived intangible asset. If entities determine, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not greater than the carrying amount, a quantitative calculation would not be needed. The guidance became effective for us at the beginning of our first quarter of fiscal 2013. The adoption of this guidance did not have a material impact on our financial statements.

Table of Contents

In June 2011, the FASB issued guidance that revises the manner in which entities present comprehensive income in their financial statements. The guidance requires entities to report the components of comprehensive income in either a single, continuous statement or two separate but consecutive statements. The guidance became effective for us at the beginning of our first quarter of fiscal 2013. In adopting this guidance, we added the consolidated statements of comprehensive income following our consolidated statements of earnings.

Note 2: Acquisition

On May 2, 2013, we acquired 100% ownership of a coffee farm in Costa Rica for $8.1 million in cash. The fair value of the net assets acquired on the acquisition date primarily comprises property, plant and equipment.

On December 31, 2012, we acquired 100% of the outstanding shares of Teavana Holdings, Inc. (“Teavana”), a specialty retailer of premium loose-leaf teas, authentic artisanal teawares and other tea-related merchandise, to elevate our tea offerings as well as expand our domestic and global tea footprint. We acquired Teavana for $615.8 million in cash. Of the total cash paid, $13.5 million was excluded from the purchase price allocation below as it represents contingent consideration receivable. At closing, we also repaid $35.2 million of long term debt outstanding on Teavana's balance sheet, which was recognized separately from the business combination. The following table summarizes the allocation of the purchase price to the fair values of the assets acquired and liabilities assumed on the closing date (in millions):

	Fair Value at Dec 31, 2012
Cash and cash equivalents	$47.0
Inventories	21.3
Property, plant and equipment	59.7
Intangible assets	120.8
Goodwill	466.2
Other current and noncurrent assets	19.8
Current liabilities	(36.0)
Long-term deferred tax liability	(54.3)
Long-term debt	(35.2)
Other long-term liabilities	(7.0)
Total purchase price	$602.3

During the third quarter of fiscal 2013, we recorded certain immaterial purchase accounting adjustments, which are reflected in the purchase price allocation table above.

The assets acquired and liabilities assumed are reported within All Other Segments. Other current and noncurrent assets acquired primarily include prepaid expenses, trade receivables, and deferred tax assets. In addition, we assumed various current liabilities primarily consisting of accounts payable, accrued payroll related liabilities and other accrued operating expenses. The intangible assets acquired as part of the transaction include the Teavana trade name, tea blends and non-compete agreements. The Teavana trade name was valued at $105.5 million and determined to have an indefinite life, based on our expectation that the brand will be used indefinitely and has no contractual limitations. The intangible asset related to the tea blends was valued at $13.0 million and will be amortized on a straight-line basis over a period of 10 years, and the intangible asset related to the non-compete agreements was valued at $2.3 million and will be amortized on a straight-line basis over a period of 3 years. The $466.2 million of goodwill represents the intangible assets that do not qualify for separate recognition, primarily including Teavana's established global store presence in high traffic mall locations and other high-sales-volume retail venues, Teavana's global customer base, and Teavana's "Heaven of tea" retail experience in which store employees engage and educate customers about the ritual and enjoyment of tea. The goodwill was allocated to All Other Segments and is not deductible for income tax purposes.

Table of Contents

Note 3: Derivative Financial Instruments

Interest Rates

During the third quarter of fiscal 2013, we entered into forward-starting interest rate swap agreements with an aggregate notional amount of $750.0 million. These swaps hedge the variability in cash flows due to changes in the benchmark interest rate related to an anticipated fixed-rate debt issuance in 2013. We intend to cash settle these agreements upon issuance of the fixed-rate debt, effectively locking in the benchmark interest rate in effect at the time the swap agreements were initiated. The gain or loss on these agreements is deferred in other comprehensive income and will be amortized using the constant effective yield method as a component of interest expense, as the underlying interest expense on the related debt is recognized in the consolidated statements of earnings.

Net derivative gains from these cash flow hedges of $31.1 million, net of taxes, were included in accumulated other comprehensive income as of June 30, 2013. We had no outstanding forward-starting interest rate swaps as of September 30, 2012. Of the net derivative gains accumulated as of June 30, 2013, $2.0 million is expected to be reclassified into earnings within 12 months and will also continue to experience fair value changes before affecting earnings.

Foreign Currency

We enter into forward and swap contracts to hedge portions of cash flows of anticipated revenue streams and inventory purchases in currencies other than the entity's functional currency. Net derivative gains from these cash flow hedges of $3.3 million and net derivative losses of $2.9 million, net of taxes, were included in accumulated other comprehensive income as of June 30, 2013 and September 30, 2012, respectively. Of the net derivative gains accumulated as of June 30, 2013, $2.5 million is expected to be reclassified into earnings within 12 months and will also continue to experience fair value changes before affecting earnings. Outstanding contracts will expire within 23 months.

We also enter into net investment derivative instruments to hedge our equity method investment in Starbucks Coffee Japan, Ltd., to minimize foreign currency exposure. Net derivative losses from net investment hedges of $12.0 million and $33.6 million, net of taxes, were included in accumulated other comprehensive income as of June 30, 2013 and September 30, 2012, respectively. Outstanding contracts will expire within 32 months.

In addition to the hedging instruments above, to mitigate the translation risk of certain balance sheet items, we enter into foreign currency swap contracts that are not designated as hedging instruments. These contracts are recorded at fair value, with the changes in fair value recognized in net interest income and other on the consolidated statements of earnings. Gains and losses from these instruments are largely offset by the financial impact of translating foreign currency denominated payables and receivables, which is also recognized in net interest income and other.

Coffee

Depending on market conditions, we enter into futures contracts to hedge a portion of anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in Note 5. Net derivative losses of $30.0 million and $32.9 million, net of taxes, were included in accumulated other comprehensive income as of June 30, 2013 and September 30, 2012, respectively, related to coffee hedges. Of the net derivative losses accumulated as of June 30, 2013, $29.0 million is expected to be reclassified into earnings within 12 months and will also continue to experience fair value changes before affecting earnings. Outstanding contracts will expire within 9 months.

Dairy

To mitigate the price uncertainty of a portion of our future purchases of dairy products, we enter into futures contracts that are not designated as hedging instruments. These contracts are recorded at fair value, with the changes in fair value recognized in net interest income and other. Gains and losses from these instruments are largely offset by price fluctuations on our dairy purchases, which are included in cost of sales.

Diesel Fuel

To mitigate the price uncertainty of a portion of our future purchases of diesel fuel, we enter into swap contracts that are not designated as hedging instruments. These contracts are recorded at fair value, with the changes in fair value recognized in net interest income and other. Gains and losses from these instruments are largely offset by the financial impact of diesel fuel fluctuations on our shipping costs, which are included in operating expenses.

Table of Contents

The following table presents the pretax effect of derivative contracts designated as hedging instruments on earnings and other comprehensive income ("OCI") for the quarter and three quarters ended (in millions):

	Interest Rates		Foreign Currency		Coffee	
Quarter Ended	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Cash Flow Hedges:						
Gain/(Loss) recognized in earnings	$—	$—	$2.4	$(2.8)	$(13.3)	$(1.3)
Gain/(Loss) recognized in OCI	$49.3	$—	$5.6	$(1.9)	$0.7	$(20.6)
Net Investment Hedges:						
Gain/(Loss) recognized in earnings			$—	$—		
Gain/(Loss) recognized in OCI			$7.9	$(5.4)		

	Interest Rates		Foreign Currency		Coffee	
Three Quarters Ended	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Cash Flow Hedges:						
Gain/(Loss) recognized in earnings	$—	$—	$3.0	$(8.6)	$(29.6)	$(1.3)
Gain/(Loss) recognized in OCI	$49.3	$—	$12.0	$1.0	$(26.4)	$(40.0)
Net Investment Hedges:						
Gain/(Loss) recognized in earnings			$—	$—		
Gain/(Loss) recognized in OCI			$34.3	$4.9		

The amounts shown in the above table as recognized in earnings for interest rates, foreign currency and coffee hedges represent the realized gains/(losses) reclassified from OCI to net earnings during the year. The amounts shown as recognized in OCI are prior to these reclassifications.

The following table presents the pretax effect of derivative contracts not designated as hedging instruments on earnings for the quarter and three quarters ended (in millions):

	Foreign Currency		Coffee		Dairy		Diesel Fuel	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Gain/(Loss) recognized in earnings for the quarter ended	$0.4	$4.2	$—	$—	$(2.0)	$1.2	$0.1	$(0.9)
Gain/(Loss) recognized in earnings for the three quarters ended	$2.6	$—	$(2.1)	$—	$(4.6)	$2.0	$0.2	$0.7

Notional amounts of outstanding derivative contracts (in millions):

	Jun 30, 2013	Sep 30, 2012
Interest rates	$750	$—
Foreign currency	393	383
Coffee	3	125
Dairy	34	72
Diesel fuel	5	24

Table of Contents

Note 4: Fair Value Measurements

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

		Fair Value Measurements at Reporting Date Using		
	Balance at June 30, 2013	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	$1,430.8	$ 1,430.8	$ —	$ —
Short-term investments:				
Available-for-sale securities				
Agency obligations	10.0	—	10.0	—
Commercial paper	123.9	—	123.9	—
Corporate debt securities	71.9	—	71.9	—
Government treasury securities	311.9	311.9	—	—
Certificates of deposit	34.1	—	34.1	—
Total available-for-sale securities	551.8	311.9	239.9	—
Trading securities	61.7	61.7	—	—
Total short-term investments	613.5	373.6	239.9	—
Short-term derivatives	68.6	—	68.6	—
Long-term investments:				
Available-for-sale securities				
Agency obligations	4.0	—	4.0	—
Corporate debt securities	27.7	—	27.7	—
Auction rate securities	13.8	—	—	13.8
Total long-term investments	45.5	—	31.7	13.8
Long-term derivatives	12.9	—	12.9	—
Total	$2,171.3	$ 1,804.4	$ 353.1	$ 13.8
Liabilities:				
Short-term derivatives	$3.0	$ —	$ 3.0	$ —

Table of Contents

	Balance at September 30, 2012	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	$1,188.6	$ 1,188.6	$ —	$ —
Short-term investments:				
Available-for-sale securities				
Agency obligations	80.0	—	80.0	—
Commercial paper	103.9	—	103.9	—
Corporate debt securities	84.3	—	84.3	—
Government treasury securities	459.7	459.7	—	—
Certificates of deposit	62.9	—	62.9	—
Total available-for-sale securities	790.8	459.7	331.1	—
Trading securities	57.6	57.6	—	—
Total short-term investments	848.4	517.3	331.1	—
Short-term derivatives	9.5	—	9.5	—
Long-term investments:				
Available-for-sale securities				
Agency obligations	14.0	—	14.0	—
Corporate debt securities	61.3	—	61.3	—
Auction rate securities	18.6	—	—	18.6
Certificates of deposit	22.1	—	22.1	—
Total long-term investments	116.0	—	97.4	18.6
Total	$2,162.5	$ 1,705.9	$ 438.0	$ 18.6
Liabilities:				
Short-term derivatives	$18.9	$ —	$ 18.9	$ —
Long-term derivatives	3.0	—	3.0	—
Total	$21.9	$ —	$ 21.9	$ —

Short-term and long-term derivative assets are included in prepaid expenses and other current assets and other assets, respectively. Short-term and long-term derivative liabilities are included in other accrued liabilities and other long-term liabilities, respectively.

Gross unrealized holding gains and losses were not material as of June 30, 2013 and September 30, 2012.

Changes in Level 3 Instruments Measured at Fair Value on a Recurring Basis

Financial instruments measured using Level 3 inputs are comprised entirely of our auction rate securities (“ARS”).

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value in the financial statements 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. During the quarter and three quarters ended June 30, 2013 and July 1, 2012, there were no material fair market value adjustments.

Fair Value of Other Financial Instruments

The estimated fair value of the $550 million of 6.25% Senior Notes based on the quoted market price (Level 2) was approximately $638 million and $674 million as of June 30, 2013 and September 30, 2012, respectively.

Table of Contents

Note 5: Inventories

(in millions)	Jun 30, 2013	Sep 30, 2012	Jul 1, 2012
Coffee:			
Unroasted	$605.1	$711.3	$749.1
Roasted	229.9	222.2	225.8
Other merchandise held for sale	204.2	181.6	133.4
Packaging and other supplies	134.6	126.4	140.9
Total	$1,173.8	$1,241.5	$1,249.2

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 June 30, 2013, we had committed to purchasing green coffee totaling $363 million under fixed-price contracts and an estimated $414 million under price-to-be-fixed contracts. As of June 30, 2013, approximately $3 million 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 these types of contracts, either Starbucks or the seller has the option to “fix” the base “C” coffee commodity price prior to the delivery date. 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: Supplemental Balance Sheet Information (in millions)

Property, Plant and Equipment, net	Jun 30, 2013	Sep 30, 2012
Land	$47.0	$46.2
Buildings	258.6	225.2
Leasehold improvements	4,252.5	3,957.6
Store equipment	1,292.4	1,251.0
Roasting equipment	390.3	322.8
Furniture, fixtures and other	888.4	836.2
Work in progress	330.9	264.1
Property, plant and equipment, gross	7,460.1	6,903.1
Less accumulated depreciation	(4,473.0)	(4,244.2)
Property, plant and equipment, net	$2,987.1	$2,658.9

Other Assets	Jun 30, 2013	Sep 30, 2012
Long-term deferred tax asset	$30.9	$97.3
Other intangible assets	268.8	143.7
Other	186.1	144.7
Total other assets	$485.8	$385.7

Table of Contents

Accrued Liabilities	Jun 30, 2013	Sep 30, 2012
Accrued compensation and related costs	$402.5	$381.6
Accrued occupancy costs	118.2	126.9
Accrued taxes	82.4	138.3
Accrued dividend payable	157.7	157.4
Other	388.9	329.6
Total accrued liabilities	$1,149.7	$1,133.8

Other Long-Term Liabilities	Jun 30, 2013	Sep 30, 2012
Deferred rent	$207.5	$201.9
Unrecognized tax benefits	81.0	78.4
Asset retirement obligations	28.4	42.6
Other	23.8	22.4
Total other long-term liabilities	$340.7	$345.3

Cost Method Investments

In March 2013, we sold our 18% interest in Cafe Sirena S. de R.L. de CV (a Mexican limited liability company), to our controlling joint venture partner, SC de Mexico, S.A. de CV, owned by Alsea, S.A.B. de C.V. This transaction resulted in a gain of $35.2 million, which was included in net interest income and other in the consolidated statements of earnings in the second quarter of fiscal 2013. Cash proceeds from the sale of $50.3 million were received in April 2013.

Note 7: Equity

Changes in total equity (in millions):

	Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012
Beginning balance of total equity	$5,114.5	$4,387.3
Net earnings including noncontrolling interest	1,240.9	1,025.7
Other comprehensive loss	(8.2)	(48.8)
Stock-based compensation expense	107.0	116.3
Exercise of stock options/vesting of RSUs	293.6	295.6
Sale of common stock	15.1	14.3
Repurchase of common stock	(544.1)	(15.7)
Cash dividends declared	(471.2)	(386.7)
Ending balance of total equity	$5,747.6	$5,388.0

Components of accumulated other comprehensive income, net of tax (in millions):

	Jun 30, 2013	Sep 30, 2012
Net unrealized losses on available-for-sale securities	$(0.3)	$(0.1)
Net unrealized losses on hedging instruments	(9.9)	(72.1)
Translation adjustment	24.7	94.9
Accumulated other comprehensive income	$14.5	$22.7

In addition to 1.2 billion shares of authorized common stock with $0.001 par value per share, the Company has authorized 7.5 million shares of preferred stock, none of which was outstanding as of June 30, 2013.

Table of Contents

Share repurchase activity (in millions, except for average price data):

	Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012
Number of shares acquired	10.8	0.4
Average price per share of acquired shares	$50.52	$36.49
Total cost of acquired shares	$544.1	$15.7

As of June 30, 2013, 26.4 million shares remained available for repurchase under current authorizations.

During the third quarter of fiscal 2013, Starbucks Board of Directors declared a quarterly cash dividend to shareholders of $0.21 per share to be paid on August 23, 2013 to shareholders of record as of the close of business on August 8, 2013.

Note 8: Employee Stock Plans

As of June 30, 2013, there were 17.7 million shares of common stock available for issuance pursuant to future equity-based compensation awards and 7.8 million shares available for issuance under our employee stock purchase plans.

Pursuant to the 1997 Deferred Stock Plan, in September 1997 our chairman, president and ceo elected to defer receipt of approximately 3.4 million shares of common stock (as adjusted for stock splits since 1997). In November 2006, he re-deferred receipt of the shares until December 21, 2012 (or earlier if his employment with Starbucks terminated before such date). On December 21, 2012, the deferral period ended and pursuant to the terms of the 1997 Deferred Stock Plan, we issued approximately 2.2 million shares of common stock to him and withheld approximately 1.2 million shares to satisfy tax withholdings.

Stock-based compensation expense recognized in the consolidated statements of earnings (in millions):

	Quarter Ended		Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Options	$8.3	$11.2	$28.1	$35.4
Restricted Stock Units (“RSUs”)	26.4	27.6	77.5	79.4
Total stock-based compensation	$34.7	$38.8	$105.6	$114.8

Value of awards granted and exercised during the period:

	Quarter Ended		Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Estimated fair value per option granted	$14.32	$14.58	$12.84	$12.79
Weighted average option grant price	$62.82	$54.93	$51.00	$44.07
Weighted average price per option exercised	$20.02	$17.23	$16.46	$15.90
Weighted average RSU grant price	$63.10	$55.38	$50.14	$43.93

Stock option and RSU transactions from September 30, 2012 through June 30, 2013 (in millions):

	Stock Options	RSUs
Options outstanding/Nonvested RSUs, September 30, 2012	33.1	7.3
Granted	3.5	3.1
Options exercised/RSUs vested	(11.2)	(3.4)
Forfeited/expired	(1.3)	(0.9)
Options outstanding/Nonvested RSUs, June 30, 2013	24.1	6.1
Total unrecognized stock-based compensation expense, net of estimated forfeitures, as of June 30, 2013	$39.9	$104.2

Table of Contents

Note 9: Earnings Per Share

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

	Quarter Ended		Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Net earnings attributable to Starbucks	$417.8	$333.1	$1,240.3	$1,025.1
Weighted average common shares and common stock units outstanding (for basic calculation)	749.7	758.9	748.3	753.8
Dilutive effect of outstanding common stock options and RSUs	12.2	17.9	13.2	19.1
Weighted average common and common equivalent shares outstanding (for diluted calculation)	761.9	776.8	761.5	772.9
EPS — basic	$0.56	$0.44	$1.66	$1.36
EPS — diluted	$0.55	$0.43	$1.63	$1.33

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. Out-of-the-money stock options totaled 0.1 million as of June 30, 2013. There were no out-of-the-money stock options as of July 1, 2012.

Note 10: Commitments and Contingencies

Legal Proceedings

In the first quarter of fiscal 2011, Starbucks notified Kraft Foods Global, Inc. (now known as Kraft Foods Group, Inc.) (“Kraft”) that we were discontinuing our distribution arrangement with Kraft on March 1, 2011 due to material breaches by Kraft of its obligations under the Supply and License Agreement between the Company and Kraft, dated March 29, 2004 (the “Agreement”), which defined the main distribution arrangement between the parties. Through our arrangement with Kraft, Starbucks sold a selection of Starbucks and Seattle's Best Coffee branded packaged coffees in grocery and warehouse club stores throughout the US, and to grocery stores in Canada, the UK and other European countries. Kraft managed the distribution, marketing, advertising and promotion of these products.

Kraft denies it has materially breached the Agreement. On November 29, 2010, Starbucks received a notice of arbitration from Kraft putting the commercial dispute between the parties into binding arbitration pursuant to the terms of the Agreement. In addition to denying it materially breached the Agreement, Kraft further alleges that if Starbucks wished to terminate the Agreement it must compensate Kraft as provided in the Agreement in an amount equal to the fair value of the Agreement, with an additional premium of up to 35% under certain circumstances.

On December 6, 2010, Kraft commenced a federal court action against Starbucks, entitled Kraft Foods Global, Inc. v. Starbucks Corporation, in the U.S. District Court for the Southern District of New York (the “District Court”) seeking injunctive relief to prevent Starbucks from terminating the distribution arrangement until the parties' dispute is resolved through the arbitration proceeding. On January 28, 2011, the District Court denied Kraft's request for injunctive relief. Kraft appealed the District Court's decision to the Second Circuit Court of Appeals. On February 25, 2011, the Second Circuit Court of Appeals affirmed the District Court's decision. As a result, Starbucks has been in full control of our packaged coffee business since March 1, 2011.

While Starbucks believes we have valid claims of material breach by Kraft under the Agreement that allowed us to terminate the Agreement and certain other relationships with Kraft without compensation to Kraft, there exists the possibility of material adverse outcomes to Starbucks in the arbitration or to resolve the matter. Although Kraft disclosed to the press and in federal court filings a $750 million offer Starbucks made to Kraft in August 2010 to avoid litigation and ensure a smooth transition of the business, the figure is not a proper basis upon which to estimate a possible outcome of the arbitration but was based upon facts and circumstances at the time. Kraft rejected the offer immediately and did not provide a counter-offer, effectively ending the discussions between the parties with regard to any payment. Moreover, the offer was made prior to our investigation of Kraft's breaches and without consideration of Kraft's continuing failure to comply with material terms of the agreements.

On April 2, 2012, Starbucks and Kraft exchanged expert reports regarding alleged damages on their affirmative claims. Starbucks claimed damages of up to $62.9 million from the loss of sales resulting from Kraft's failure to use commercially reasonable efforts to market Starbucks® coffee, plus attorney fees. Kraft's expert opined that the fair market value of the Agreement was $1.9 billion. After applying a 35% premium and 9% interest, Kraft claimed damages of up to $2.9

Table of Contents

billion, plus attorney fees. The arbitration hearing commenced on July 11, 2012 and was completed on August 3, 2012. Starbucks presented evidence of material breaches on Kraft's part and sought nominal damages from Kraft for those breaches. Kraft presented evidence denying it had breached the parties' Agreement and sought damages of $2.9 billion plus attorney fees. We expect a decision in the second half of fiscal 2013.

At this time, Starbucks believes an unfavorable outcome with respect to the arbitration is not probable, but as noted above is reasonably possible. As also noted above, Starbucks believes we have valid claims of material breach by Kraft under the Agreement that allowed us to terminate the Agreement without compensation to Kraft. In addition, Starbucks believes Kraft's damage estimates are highly inflated and based upon faulty analysis. As a result, we cannot reasonably estimate the possible loss. Accordingly, no loss contingency has been recorded for this matter.

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 11: 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. Effective at the beginning of fiscal 2013, we decentralized certain leadership functions in the areas of retail marketing and category management, global store development and partner resources, to support and align with the respective operating segment presidents. In conjunction with these moves, certain general and administrative and depreciation and amortization expenses associated with these functions, which were previously reported as unallocated corporate expenses within "Other," are now reported within the respective reportable operating segments to align with the regions which they support.

Concurrent with the change in reportable operating segments and realignment of certain operating expenses noted above, we revised our prior period financial information to reflect comparable financial information for the new segment structure and reporting changes. Historical financial information presented herein reflects these changes. There was no impact on consolidated net revenues, total operating expenses, operating income, or net earnings as a result of these changes.

Beginning in the second quarter of fiscal 2013, we removed unallocated corporate expenses from Other. Other is now referred to as All Other Segments and includes Teavana, Seattle's Best Coffee, Evolution Fresh and Tazo retail, as well as our Digital Ventures business. 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 now presented as a reconciling item between total segment operating results and consolidated financial results. While our consolidated results are not impacted, our historical segment financial information has been revised to be consistent with the current period presentation.

The table below presents financial information for our reportable operating segments and All Other Segments (in millions):

Quarter Ended	Americas	EMEA	China / Asia Pacific	Channel Development	All Other Segments	Segment Total
June 30, 2013						
Total net revenues	$2,776.5	$287.2	$233.7	$ 336.4	$107.9	$3,741.7
Depreciation and amortization expenses	105.2	13.7	8.6	0.2	3.6	131.3
Income from equity investees	—	—	40.3	23.1	—	63.4
Operating income/(loss)	619.3	9.3	84.7	96.3	(9.4)	800.2
July 1, 2012						
Total net revenues	$2,471.2	$282.0	$181.8	$ 316.4	$52.2	$3,303.6
	97.2	14.4	5.8	0.3	0.7	118.4

Depreciation and amortization expenses						
Income from equity investees	—	—	30.1	21.2	0.4	51.7
Operating income/(loss)	498.7	1.6	61.3	84.2	(9.1)	636.7

17

Table of Contents

Three Quarters Ended	Americas	EMEA	China / Asia Pacific	Channel Development	All Other Segments	Segment Total
June 30, 2013						
Total net revenues	$8,221.2	$866.6	$661.4	$ 1,059.8	$288.2	$11,097.2
Depreciation and amortization expenses	316.2	41.6	24.4	0.9	7.9	391.0
Income from equity investees	2.4	—	105.3	62.7	—	170.4
Operating income/(loss)	1,759.2	36.9	225.3	287.1	(18.0)	2,290.5
July 1, 2012						
Total net revenues	$7,424.4	$857.5	$523.3	$ 973.7	$156.5	$9,935.4
Depreciation and amortization expenses	291.5	42.9	16.4	1.0	1.7	353.5
Income from equity investees	2.1	0.3	90.7	55.4	0.3	148.8
Operating income/(loss)	1,497.0	13.3	187.0	241.4	(18.5)	1,920.2

The following table reconciles total segment operating income in the tables above to consolidated earnings before income taxes (in millions):

	Quarter Ended		Three Quarters Ended	
	Jun 30, 2013	Jul 1, 2012	Jun 30, 2013	Jul 1, 2012
Total segment operating income	$800.2	$636.7	$2,290.5	$1,920.2
Unallocated corporate operating expenses	(185.0)	(145.1)	(500.6)	(442.3)
Consolidated operating income	615.2	491.6	1,789.9	1,477.9
Interest income and other, net	3.5	9.7	51.4	68.2
Interest expense	(6.3)	(8.9)	(19.0)	(26.2)
Earnings before income taxes	$612.4	$492.4	$1,822.3	$1,519.9

Note 12: Subsequent Event

In July 2013, we entered into an agreement to sell our 82% interest in Starbucks Coffee Chile S.A. and our 18% interest in Starbucks Coffee Argentina S.R.L. to our joint venture partner Alsea, S.A.B. de C.V., for a total purchase price of $61.8 million, which we expect will result in a gain that will be recognized in the fourth quarter of fiscal 2013.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements herein, including statements regarding trends in or expectations relating to the expected effects of our initiatives and plans, as well as trends in or expectations regarding earnings per share, revenues, operating income, operating margins, comparable store sales, sales leverage, sales growth, profitability, expenses, dividends, share repurchases, other financial results, capital expenditures, scaling and expansion of international operations, shifts in our store portfolio to more licensed stores in EMEA and to more company-operated stores in CAP, profitable growth models and opportunities, strategic acquisitions, changes to organizational structures, commodity costs and our mitigation strategies, the transition from our distribution arrangement with Kraft to a direct distribution model, liquidity, cash flow from operations, use of cash, the anticipated issuance of debt and applicable interest rate, anticipated store openings, closings and renovations, the health and growth of our business overall and of specific businesses or markets, benefits of recent initiatives, increased traffic to our stores, operational efficiencies, product innovation and distribution, tax rates, and economic conditions in the US and international markets, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, coffee, dairy and other raw materials prices and availability, successful execution of our initiatives, successful execution of internal plans, fluctuations in US and international

Table of Contents

economies and currencies, the impact of competitors' initiatives, the effect of legal proceedings, and other risks detailed in our filings with the SEC, including in Part I Item IA "Risk Factors" in the 10-K.

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 the forward-looking statements, which speak only as of the date of this report. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

This information should be read in conjunction with the condensed consolidated financial statements and the notes included in Item 1 of Part I of this 10-Q and the audited consolidated financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the 10-K.

General

Our fiscal year ends on the Sunday closest to September 30. All references to store counts, including data for new store openings, are reported net of store closures, unless otherwise noted.

Overview

Starbucks third quarter results demonstrate the success of our growth platforms and the overall strength of our business. Total net revenues increased 13% to $3.7 billion, with every segment contributing. Global comparable store sales grew 8%, driven by a 7% increase in number of transactions. Consolidated operating income increased 25% to $615 million and operating margin expanded 150 basis points to 16.4%. Earnings per share was $0.55, representing growth of 28% over the prior year quarter.

The Americas segment continued its strong performance in the third quarter, growing revenues 12% to $2.8 billion, primarily driven by comparable store sales growth of 9%, comprised of a 7% increase in number of transactions and a 2% increase in average ticket. Strength in beverage innovation and promotions, operational improvements, and expanded food offerings all contributed to the increase in comparable store sales. Operating margin expanded 210 basis points to 22.3%, driven by sales leverage and lower coffee costs. Looking forward, we expect to continue to drive sales growth and profitability through new stores and expanded product offerings, including the continued roll out of La Boulange® bakery items in our retail stores.

In the EMEA segment, we are continuing to make steady progress toward long-term profitability in the region. Revenues grew 2% to $287 million compared to the prior year, driven by licensed store revenue growth nearly offset by a decline in company-operated store revenues. This reflects the shift in our ownership structure, as we have closed underperforming company-operated stores and are focused on growing our licensed store base in profitable locations. Ongoing cost management and our prior store portfolio optimization activities contributed to an increase in operating margin of 260 basis points over the prior year to 3.2%. We expect the investments we are making in this region will result in improved operating performance as we progress on our plan towards mid-teens operating margin over time.

Our CAP segment results reflect a combination of rapid new store growth and solid performance from our existing store base, including our joint venture operations in China and Japan. New store growth, along with a 9% increase in comparable store sales, drove a 29% increase in total net revenues to $234 million. Operating income grew 38% to $85 million and operating margin expanded 250 basis points to 36.2%, driven by sales leverage, improved performance from our joint venture operations and lower coffee costs. We expect this segment will become a more meaningful contributor to overall company profitability in the future, as we look forward to continued store openings and establishing China as our largest market outside of the US.

Channel Development segment revenues grew 6% for the quarter to $336 million, primarily due to increased sales of premium single serve products, driven by sales of Starbucks- and Tazo-branded K-Cup® portion packs, partially offset by decreased pricing on packaged coffee. Lower coffee costs was the primary contributor to the 200 basis point increase in operating margin for the third quarter of fiscal 2013. As we continue to expand customer occasions outside of our retail stores, including growing our presence in the premium single serve category, we expect this segment will become a more significant contributor to our future growth.

Table of Contents

Comparable Store Sales

Starbucks comparable store sales for the third quarter of fiscal 2013 are as follows:

	Quarter Ended Jun 30, 2013			Three Quarters Ended Jun 30, 2013		
	Sales Growth	Change in Transactions	Change in Ticket	Sales Growth	Change in Transactions	Change in Ticket
Consolidated	8 %	7 %	1 %	7 %	5 %	1 %
Americas	9 %	7 %	2 %	7 %	5 %	2 %
EMEA	2 %	5 %	(3)%	(1)%	2 %	(2)%
China / Asia Pacific	9 %	8 %	— %	9 %	7 %	2 %

Our comparable store sales represent the growth in revenue from Starbucks company-operated stores open 13 months or longer. Comparable store sales exclude the effect of fluctuations in foreign currency exchange rates.

Fiscal 2013 — Financial Outlook for the Year

For fiscal year 2013, we expect revenue growth driven by mid single-digit comparable store sales growth, new store openings and continued growth in the Channel Development business. Licensed stores will comprise between one-half and two-thirds of new store openings.

We expect continued robust consolidated operating margin and EPS improvement compared to fiscal 2012, reflecting the strength of our global business and the pipeline of profitable growth initiatives.

We expect increased capital expenditures in fiscal 2013 compared to fiscal 2012, reflecting new store growth, a continued focus on store renovations and additional investments in manufacturing capacity.

Fiscal 2014 — Financial Outlook for the Year

For fiscal year 2014, we expect revenue growth driven by mid-single-digit comparable store sales growth, new store openings, and continued growth in the Channel Development business. Approximately one-half of new store openings will be in China / Asia Pacific, with the remaining half coming primarily from the Americas.

We expect full-year consolidated operating margin improvement of 150 to 200 basis points and strong EPS growth.

Results of Operations (in millions)

Revenues

	Quarter Ended			Three Quarters Ended		
	Jun 30, 2013	Jul 1, 2012	% Change	Jun 30, 2013	Jul 1, 2012	% Change
Company-operated stores	$2,986.3	$2,615.6	14.2 %	$8,783.7	$7,868.6	11.6 %
Licensed stores	342.0	308.2				