

A roasty-sweet aroma dances in the air. The inviting cup warms your hand. With your very first sip, the day feels brighter. Your morning treat soon becomes a favorite ritual. You like the feeling you get here – it's not rushed, it's like finding a sanctuary, a private retreat between work and home, a safe haven created just for you. You get to know each barista, chat with your neighbors over coffee, and you discover that they share your affection for this singular place, this unique blending of coffee and community. Suddenly you realize – *your* coffeehouse has become *our* coffeehouse. A place to gather and connect. A place to discover. A place to share.

We offer this collective experience of warmth and belonging to millions of people around the world every day. And it all starts over a cup of coffee. But that's only the beginning.





FIRST & WALKER STORE, SEATTLE



LET'S TAKE A LOOK AT WHERE WE ARE.

“Good morning – what kind of drink can I get started for you?” Our story began in 1971 with a single store in Seattle’s Pike Place Market. Today, we are privileged to welcome nearly 35 million customers through our doors on a weekly basis, in more than 10,000 locations around the world. That’s 35 million moments of connection with our customers. And 35 million brighter days every week. **So where does the story go from here?**

Let's see the world.

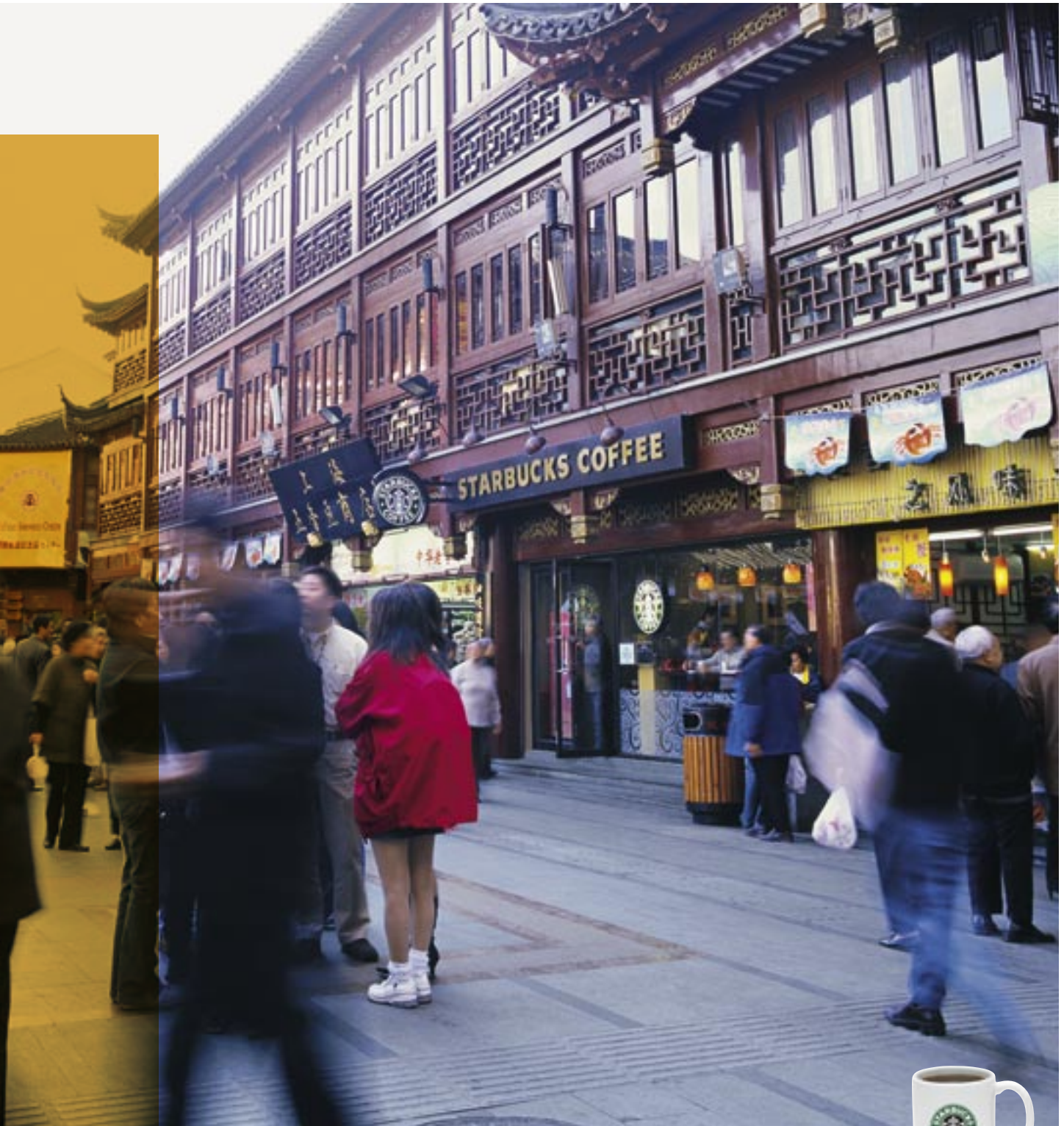
This year, we were delighted to meet our new customers and neighbors in the Bahamas, the Republic of Ireland and Jordan. Soon, we plan to open our doors in Brazil, India and Russia. The languages spoken may be different in each location, but the spirit and the *Starbucks Experience* remain constant.

Even as we broaden our reach to new communities and countries, we continue to nurture our commitments to existing markets, and to make even stronger connections with the people in the communities we have served for many years.

And so we opened new stores in the United Kingdom, France, Spain and elsewhere. We introduced Starbucks Discoveries™ coffee drinks in Japan and Taiwan – our first ready-to-drink beverages available outside North America. We increased equity ownership in our businesses in Chile, China and Germany – all as a way to forge a deeper bond with our partners (employees) and customers in those locations. And we continued to support sustainable agriculture in the communities that grow coffee – for example, in Mexico, we are working with Conservation International and local farmers to preserve the El Triunfo Biosphere Reserve.

All of these efforts help us create a strong connection between people – the human connection that represents the best of Starbucks, and the best of each of us.





A BEAUTIFUL MORNING IN SHANGHAI.

And Starbucks partners are here to help our customers greet the day in this thriving city. With the number of both our Company-operated and licensed locations increasing in China, the *Starbucks Experience* is becoming an intrinsic part of daily life for one billion tea lovers.





CONSIDER THE *POSSIBILITIES*.

Imagine the consummate musician Herbie Hancock working in the studio with 13 noteworthy artists, including Paul Simon, Sting, Annie Lennox, Carlos Santana and Christina Aguilera. You can hear the results on the Hear Music™ GRAMMY®-nominated album *Possibilities*.



Let's listen to some great music.

Sometimes it's a newfound dusky-voiced chanteuse with a heartbreaking tale of love gone wrong. Sometimes it's a bebop jazz standard you haven't heard in years. But whatever the genre, music is a central part of our coffeehouse tradition. Through Hear Music – the Sound of Starbucks, we help people discover (and rediscover) their favorite songs and artists.

Last year we extended the experience in new directions, launching Hear Music™ Channel 75 on XM Satellite Radio, introducing a Hear Music coffeehouse in Santa Monica, California, and unveiling plans to open two more Hear Music coffeehouses and expand our digital music strategy.

Perhaps most exciting, we released some amazing albums, working with legendary artists like Herbie Hancock, Bob Dylan and Alanis Morissette, as well as up-and-coming groups like Antigone Rising. One very special release, co-produced by Hear Music, was honored with eight GRAMMY® awards, including Song of the Year and Album of the Year: *Genius Loves Company*, Ray Charles' final masterpiece.

We believe that we have an amazing opportunity to discover, create and present unique entertainment experiences to listeners around the world. And the best is yet to come.

Let's remember where we started.

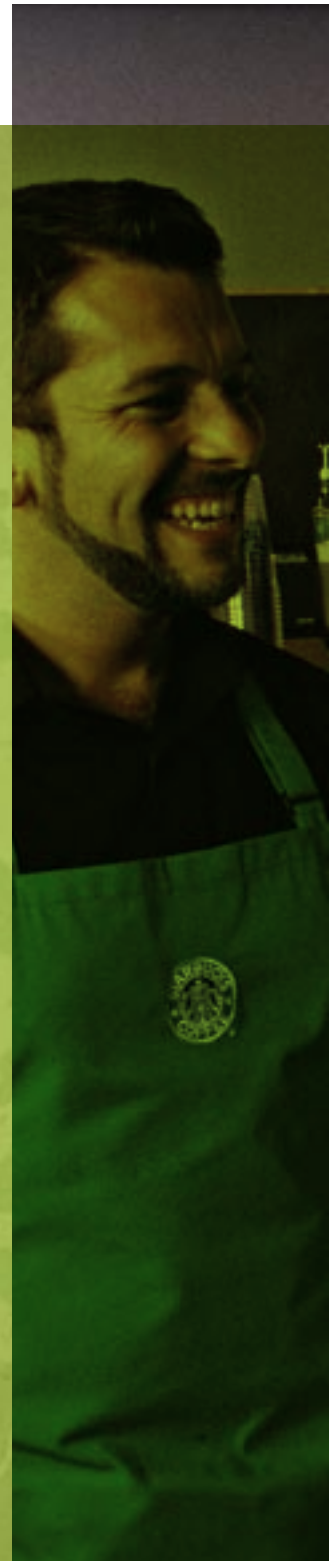
Even as we grow, we know that we need to stay true to the core of our business: the finest coffees in the world, grown, prepared and served by the finest people.

This year, we continued our commitment to help improve the lives of coffee farmers through C.A.F.E. (Coffee and Farmer Equity) Practices, our socially responsible coffee-buying guidelines. In addition, we pay premium prices for coffee, build relationships with coffee farmers and other suppliers, provide farmers with access to credit and collaborate on improved farming techniques. Doing all this helps farmers and their families, and offers us the opportunity to source a long-term supply of high-quality coffee to share with our customers.

And we never forget the people who deliver that coffee across the counter to our customers. We strive each day to live up to our Guiding Principles, one of which is to “create a great work environment and treat everyone with respect and dignity.” So we provide comprehensive healthcare benefits for eligible partners, competitive wages and much more. This philosophy seems to work – last year, we were named one of *Fortune* magazine’s “100 Best Companies to Work For.” It’s the seventh time we have been honored with this recognition.

And there is a way for partners to share their love of coffee with the world: our Coffee Master education program. Earning the coveted Coffee Master’s black apron requires a deep knowledge about how coffee is cultivated, processed, roasted and served. There are now more than 15,000 Coffee Masters at Starbucks, and they are eager to share their passion for coffee with you.

That human connection between partners and customers inspires us each day and provides the catalyst for all that we do.





GEOGRAPHY IS A FLAVOR:™

This year, we redesigned our coffee packaging to make it easier for customers to learn more about their favorite blends and single-origin coffees. By providing information about the birthplace of each coffee and its distinguishing flavor profile, we encourage our customers to taste and experiment.





It happens millions of times each week – a customer receives a drink from a Starbucks barista – but each interaction is unique. It's just a moment in time – just one hand reaching over the counter to present a cup to another outstretched hand. But it's a connection. It's something that we value and appreciate, and we make sure that everything we do honors the importance of that connection.

When many people think of Starbucks, they think of the iconic white paper cup with our logo on it. But a cup is just a vessel; it's meant to contain something precious. In our case, we lovingly fill our cup with the world's finest handcrafted beverages. It's a way to represent so much more about who we are: we provide a community gathering spot, music, innovation and an artistic atmosphere. We are a group of people committed to creating a socially responsible company that tries to make the world a little better each day. Starbucks, the place, is just a vessel. But it's a vessel that allows all of those attributes to thrive. It's a place where people connect, discover and share.

As we look back on an amazing year, we want to say thank you. Our success is possible only with the support of our partners, customers and shareholders. We look forward to filling up the coming year with more good things.

To Our Shareholders,

The human connection – it's the foundation of everything we do at Starbucks. One customer, one barista, one community, one great cup of coffee at a time. That seemingly simple relationship, which today develops in more than 10,500 Starbucks stores around the world, inspires millions of people to embrace us as their neighborhood gathering place. That same connection is at the heart of our passion to innovate and grow in new markets, with new tastes, new sounds and new experiences.

Every day, more than 100,000 Starbucks partners (employees) strive to exceed the expectations of every one of our customers – to achieve that delicate balance between touching people's daily lives while building a thriving and multifaceted business. Regardless of our individual differences, people around the world share a common desire to be treated with respect and dignity, and to feel a sense of community, belonging and inclusion. We believe that Starbucks helps fulfill these needs by providing a welcoming environment and a place of comfort, while serving the world's finest coffees. This has resulted in Starbucks establishing a unique *third place* between home and office: first in North America and now around the world.

In fiscal 2005, we made new connections around the world as we continued our dynamic growth. We opened 1,672 net new stores on a global basis this year, ahead of our target of 1,500 new stores; Starbucks can now be found in 37 countries. With 20 percent revenue growth resulting in record revenues of \$6.4 billion and earnings per share growth of 30 percent resulting in \$0.61 per share, we again demonstrated our outstanding ability to achieve our financial targets while growing our core business and building the foundation for future success, both strategies that we believe are key to increasing long-term shareholder value. Our pace has been exceptionally strong and steady, and this year we celebrated 14 consecutive years of comparable store sales growth of 5 percent or greater – a truly landmark achievement.

We feel very fortunate that the *Starbucks Experience* resonates around the world, as we have increased customer depth and awareness in existing markets. We have also been warmly accepted in new countries, including Jordan, the Bahamas and the Republic of Ireland. We are especially excited by our progress in China, and we believe this will ultimately represent one of our largest markets outside the United States. We now have more than 200 locations in mainland China and Hong Kong, with more than 150 additional locations in Taiwan. These include our first Company-operated stores in Qingdao, Dalian and Chengdu, and we are very optimistic about our continued expansion into the broader Chinese market. While we plan to focus our attention on the abundant opportunities in China, we will continue to explore new countries for future growth of our international business, including Brazil, India and Russia. We should also note that our existing market portfolio represents substantial growth potential.

Even as we expand, we know the time-honored traditions of the neighborhood merchant still hold true – we must constantly create new tastes and temptations to surprise and delight our customers. In fiscal 2005, we presented a variety of exciting innovations around the world. As part of our Global Consumer Products business, we leveraged our success from North America in Japan and Taiwan, and introduced a fresh Starbucks-branded premium ready-to-drink chilled-cup coffee called Starbucks Discoveries™ in convenience stores. Starbucks Discoveries™ received an enthusiastic reception from multitudes of customers from the moment it hit the shelves.

As a global company, we know that cultures influence one another, and the *Starbucks Experience* has been translated in many ways in different countries throughout the world. As a great example of cross-market learning, this summer we introduced a new handcrafted beverage in North America – our Green Tea Frappuccino® blended beverage, made with Tazo® green tea, which was originally created in conjunction with our Taiwanese partner.

We also constantly seek new ways to share unique elements of the coffeehouse experience with the communities we serve. In 2005, Starbucks Entertainment introduced new artists and offerings, continuing the historical connection

between music and coffeehouses. Leveraging our momentum from the astounding eight GRAMMY® awards for Ray Charles' *Genius Loves Company*, Hear Music – the Sound of Starbucks, went on to co-release Herbie Hancock's terrific new album, *Possibilities*, which has been nominated for two GRAMMY® awards. Another highlight includes *Live at the Gaslight 1962*, a highly anticipated album from legendary artist Bob Dylan that is available exclusively at Starbucks. We also created a fresh approach to the familiar: this year, Starbucks helped launch an emerging band with Antigone Rising's *From the Ground Up*, our first in the Hear Music™ Debut CD series. The sum of these and many other efforts in Entertainment have helped transform the way people discover and experience music.

We know that the success of our business is not measured strictly in financial terms. We believe we have built trust with our partners, customers, suppliers and communities, and with that trust comes a responsibility to continue our growth in a sustainable way for coffee farmers, our neighborhoods and the environment. The process can be challenging, but the rewards are tremendous. For instance, Starbucks worked for four years with our suppliers to develop the first paper drinking cup to include post-consumer recycled content. Our suppliers received approval from the U.S. Food and Drug Administration in November 2004, after extensive quality and safety testing, we will roll out the new cup to our U.S. stores in fiscal 2006. The switch to 10 percent post-consumer recycled fiber in our cups will reduce our use of new tree fiber by more than five million pounds in calendar 2006 alone. This single project exemplifies our commitment to be both responsible business owners as well as responsible citizens of the world.

We bring that same sentiment to our relationships in the broader world community. We have worked for several years to develop and implement comprehensive standards for fair, ethical and sustainable coffee purchasing – specifically our C.A.F.E. (Coffee and Farmer Equity) Practices, which continued to evolve and expand in fiscal 2005. We have also reached out to new communities in need and broadened our commitment to global social issues. In April 2005, we acquired Ethos Water and adopted its mission to provide access to clean water in developing countries. For a detailed examination of our activities in social responsibility, please refer to our fiscal 2005 Corporate Social Responsibility Annual Report, which will be available online at www.starbucks.com/csr in early February.

We know that we cannot afford to rest on our past accomplishments, and we are extremely excited about our prospects for the future. In fiscal 2006, we plan to open approximately 1,800 net new stores globally – more stores than we had during the first 25 years of Starbucks history. We expect annual total net revenue growth of approximately 20 percent and annual earnings per share growth of approximately 20 percent to 25 percent for the next three to five years, demonstrating our belief in the opportunities that await us worldwide and our confidence in executing our strategy.

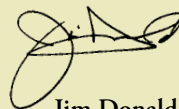
This is the first letter to shareholders that we have co-authored, and we hope that we have expressed our shared passion for our business and for maintaining the human connection in a way that resonates with you. We are proud of our accomplishments, made possible by the dedication and commitment of Starbucks partners, customers, suppliers and the coffee farmers with whom we have built lasting relationships. We know that the people whose lives we touch are the cornerstone of our Company's success and our future, and we owe them our deepest gratitude.

A single cup of coffee. A connection. A sense of place. It is where we began our journey and, after 34 years, it remains the heart and soul of our Company.

Warm regards,



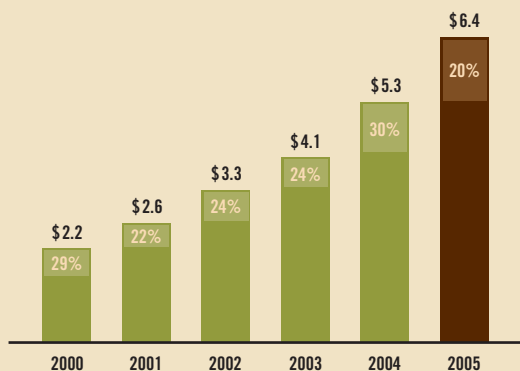
Howard Schultz
chairman



Jim Donald
president and chief executive officer

Financial Highlights

**Net Revenues (in billions)
& Net Revenue Growth from Prior Year (percentage)**

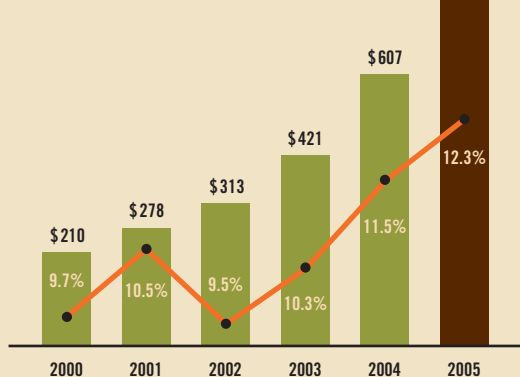


**Comparable Store Sales
(Company-operated stores open 13 months or longer)**

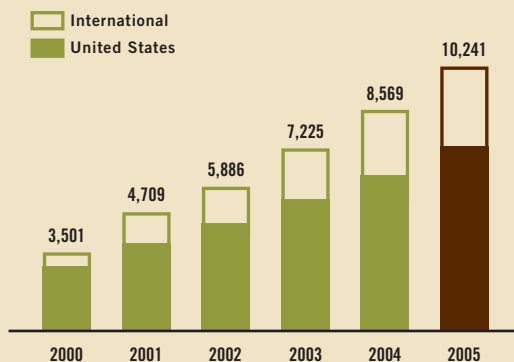
Fiscal 2005 marked 14 consecutive years of comparable store sales growth of 5% or greater.



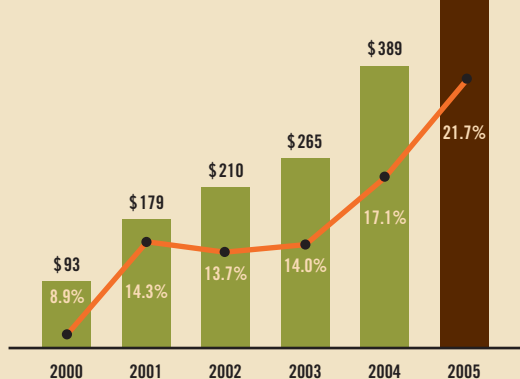
**Operating Income (in millions)
& Operating Margin (percentage)**



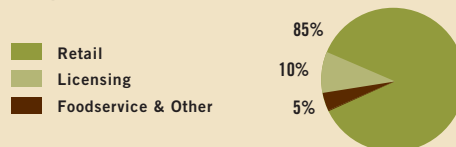
**Stores Open at Fiscal Year End
(Company-operated and licensed stores)**



**Net Earnings (in millions)
& Return on Equity (percentage)**



Components of 2005 Net Revenue



2005 Net Revenue Breakdown



Market Information

The Company's common stock is traded on the National Market tier of the Nasdaq Stock Market, Inc. ("Nasdaq"), under the symbol "SBUX." The following table shows the quarterly high and low closing sale prices per share of the Company's common stock as reported by Nasdaq for each quarter during the last two fiscal years, as adjusted for stock splits.

OCTOBER 2, 2005	HIGH	LOW
Fourth Quarter	\$ 26.35	\$ 23.08
Third Quarter	28.13	22.78
Second Quarter	30.80	24.79
First Quarter	31.94	23.53

OCTOBER 3, 2004	HIGH	LOW
Fourth Quarter	\$ 23.94	\$ 21.29
Third Quarter	22.09	18.62
Second Quarter	19.48	16.15
First Quarter	16.50	14.40

SHAREHOLDERS OF RECORD

As of December 1, 2005: approximately 13,900

SHARES OUTSTANDING

As of December 1, 2005: 764,042,383

The Company's filings with the Securities and Exchange Commission may be obtained without charge by accessing the Investor Relations section of the Company's website at www.starbucks.com/aboutus/investor.asp, at www.sec.gov, or by making a request to Investor Relations via the mail, phone number or website listed below.

INVESTOR RELATIONS

Investor Relations – M/S S-FP1
Starbucks Corporation
PO Box 34067
Seattle, WA 98124-1067 USA
206-447-1575, ext. 87118
www.starbucks.com/aboutus/investor.asp

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP

STOCK TRANSFER AGENT

Mellon Investor Services, LLC
888-835-2866

By mail:

Starbucks Coffee Company
c/o Mellon Investor Services, LLC
PO Box 3315
South Hackensack, NJ 07606 USA
www.melloninvestor.com

ANNUAL MEETING OF SHAREHOLDERS

February 8, 2006

10 a.m. Pacific time

Marion Oliver McCaw Hall, Seattle, WA

Live webcast at

www.starbucks.com/aboutus/investor.asp

Note: To help address capacity constraints, each Proxy Statement contains two admission tickets for the Annual Meeting. Each attendee must present a ticket. Doors open at 8 a.m.

Corporate Social Responsibility

Starbucks demonstrates its commitment to corporate social responsibility (CSR) by conducting its business in ways that produce social, environmental and economic benefits to the communities where Starbucks operates. The Company aligns its principles for social responsibility with its overall strategy and business operations. Providing open communication and transparency helps the Company be accountable to its stakeholders. To support this goal, Starbucks publishes a CSR Annual Report. Starbucks Fiscal 2005 CSR Annual Report will be available online at www.starbucks.com/csr beginning February 8, 2006. To request a printed copy of the report, available in late March 2006, please call 800-23-LATTE (800-235-2883) or email your request to info@starbucks.com.

Board of Directors and Senior Officers

BOARD OF DIRECTORS

Howard Schultz
Starbucks Corporation
chairman

James L. Donald
Starbucks Corporation
president and chief executive officer

Barbara Bass
Gerson Bakar Foundation
president

Howard Behar
Starbucks Corporation
director

William W. (Bill) Bradley
Allen & Company LLC
managing director

Melody Hobson
Ariel Capital Management, LLC
Ariel Mutual Funds
president

Olden Lee
PepsiCo, Inc.
retired executive

Gregory B. Maffei
Liberty Media Corporation
chief executive officer-elect

James G. Shennan, Jr.
Trinity Ventures
general partner emeritus

Javier G. Teruel
Colgate-Palmolive Company
vice chairman

Myron E. Ullman III
J.C. Penney Company, Inc.
chairman and chief executive officer

Craig E. Weatherup
Pepsi-Cola Company
retired chief executive officer

SENIOR OFFICERS

James C. Alling
president,
Starbucks Coffee U.S.

Martin Coles
president,
Starbucks Coffee International

Paula E. Boggs
executive vice president,
general counsel and secretary

Michael Casey
executive vice president,
chief financial officer
and chief administrative officer

Dorothy J. Kim
executive vice president,
Supply Chain Operations

David A. Pace
executive vice president,
Partner Resources

Troy Alstead
senior vice president,
Finance

Cliff Burrows
senior vice president;
managing director, United Kingdom

Brian Crynes
senior vice president
and chief information officer

Christine Day
senior vice president;
president, Asia Pacific Group

Michelle Gass
senior vice president,
Category Management

Margaret Giuntini
senior vice president,
Partner Resources, U.S. Business

Julio Gutiérrez
senior vice president;
president, Europe/Middle East/Africa

Willard (Dub) Hay
senior vice president,
Coffee and Global Procurement

Buck Hendrix
senior vice president;
president, Latin America

Wanda Herndon
senior vice president,
Global Communications

Gregg S. Johnson
senior vice president,
Global Business Systems Solutions

Chet Kuchinad
senior vice president,
Total Pay

David Landau
senior vice president,
deputy general counsel
and chief compliance officer

Katharine Lindemann
senior vice president,
Store Operations Services

Mark Lindstrom
senior vice president,
Western Division

Kenneth T. Lombard
senior vice president;
president, Starbucks Entertainment

Gerardo I. Lopez
senior vice president;
president, Global Consumer Products

Colin Moore
senior vice president;
president, Starbucks Coffee Canada

Dave Olsen
senior vice president,
Culture and Leadership Development

Anne Saunders
senior vice president,
Marketing

Launi Skinner
senior vice president,
Store Development

Richard Soderberg
senior vice president,
Global Manufacturing Operations

Michael Stafford
senior vice president,
Organization & Partner Development

Marc D. Stolzman
senior vice president,
Finance and Business Development,
Starbucks Coffee International

Sandra E. Taylor
senior vice president,
Corporate Social Responsibility

Paul Twohig
senior vice president,
Eastern Division

Jinlong Wang
senior vice president;
president, Greater China

Mark Wesley
senior vice president,
Real Estate/Store Development,
Starbucks Coffee International

Thomas Yang
senior vice president,
Global Consumer Products



IT TAKES A LOT OF PAPER TO PRINT AN ANNUAL REPORT LIKE THIS FOR OUR MANY SHAREHOLDERS.

To minimize the environmental impact, we used 100% post-consumer waste fiber. This paper was also manufactured using a process that turns wastewater sludge into steam, electricity and glass.

Because of all this, we were able to

- use 3,020 fewer trees
- consume 522,473 fewer gallons of water
- save 708,019,000 BTUs of energy
- generate 55,432 pounds less of solid waste
- create 3,552 pounds less of waterborne waste
- emit 107,502 fewer pounds of atmospheric emissions

This data is based on calculations developed by the Environmental Defense Fund and other members of the Paper Task Force. The calculation is from the Office of the Federal Environmental Executive and is used with permission.

We'll keep looking for ways to further reduce our environmental footprint. Thanks for your support.



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