Concord Medical Services Holdings Ltd
Form 6-K
January 06, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934
For the month of January 2011

Commission File Number: 001-34563

CONCORD MEDICAL SERVICES HOLDINGS LIMITED
18/F, Tower A, Global Trade Center
36 North Third Ring Road East, Dongcheng District
Beijing 100013
People s Republic of China
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONCORD MEDICAL SERVICES HOLDINGS LIMITED

By:	/s/ Jianyu Yang
Name:	Jianyu Yang
Title:	Director, Chief Executive Officer and President

Date: January 6, 2011

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Net earnings attributable to Starbucks
$
2,884.7

$
2,817.7

12.9
%

13.2
%
Effective tax rate including noncontrolling interests

33.2
%

32.9
%
Interest income and other, net increased $167 million, primarily driven by gains from the sale of our Singapore retail operations ($84 million) and our investment in Square, Inc. warrants ($41 million). Also contributing favorably was

higher income recognized on unredeemed stored value card balances ($44 million).

Interest expense increased $11 million primarily related to additional interest incurred on long-term debt issued in February 2016, May 2016 and March 2017, partially offset by lower interest expense from the repayment of our December 2016 notes.

The effective tax rate for fiscal 2017 was 33.2% compared to 32.9% for fiscal 2016. The increase in the effective tax rate was primarily due to unfavorability from non-deductible goodwill impairment charges recorded in the third quarter of fiscal 2017 (approximately 70 basis points), and the lapping of the release of certain tax reserves in the third quarter of fiscal 2016, primarily related to statute closures (approximately 30 basis points). The increase was partially offset by the largely non-taxable gain on the sale of our Singapore retail operations in the fourth quarter of fiscal 2017 (approximately 70 basis points).

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Segment Information

Results of operations by segment (in millions):

Americas

Fiscal Year Ended	Oct 1, 2017 (52 Weeks Ended)	Oct 2, 2016 (53 Weeks Ended)	Oct 1, 2017		Oct 2, 2016	
			As a % of Americas Total Net Revenues			
Net revenues:						
Company-operated stores	$13,996.4	$13,247.4	89.4	%	89.5	%
Licensed stores	1,617.3	1,518.5	10.3		10.3	
Foodservice and other	39.0	29.5	0.2		0.2	
Total net revenues	15,652.7	14,795.4	100.0		100.0	
Cost of sales including occupancy costs	5,720.3	5,271.9	36.5		35.6	
Store operating expenses	5,320.2	4,909.3	34.0		33.2	
Other operating expenses	128.5	96.0	0.8		0.6	
Depreciation and amortization expenses	615.0	590.1	3.9		4.0	
General and administrative expenses	201.4	186.1	1.3		1.3	
Restructuring and impairments	4.1	—	—	%	—	%
Total operating expenses	11,989.5	11,053.4	76.6		74.7	
Operating income	$3,663.2	$3,742.0	23.4	%	25.3	%
Store operating expenses as a % of related revenues			38.0	%	37.1	%
Other operating expenses as a % of non-company-operated store revenues			7.8	%	6.2	%

Revenues

Americas total net revenues for fiscal 2017 increased $857 million, or 6%, over fiscal 2016, primarily due to increased revenues from company-operated stores (contributing $749 million) and licensed stores (contributing $99 million).

The increase in company-operated store revenues was driven by incremental revenues from 383 net new Starbucks® company-operated store openings over the past 12 months ($585 million) and a 3% increase in comparable store sales ($426 million), attributable to a 4% increase in average ticket, partially offset by the absence of the 53rd week ($258 million)

The increase in licensed store revenues was primarily driven by increased product sales to and royalty revenues from our licensees ($127 million), primarily resulting from the opening of 569 net new Starbucks® licensed stores over the past 12 months and improved comparable store sales, partially offset by the absence of the 53rd week ($31 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 90 basis points, primarily due to a product mix shift (approximately 70 basis points) largely towards premium food.

Store operating expenses as a percentage of total net revenues increased 80 basis points. As a percentage of company-operated store revenues, store operating expenses increased 90 basis points, primarily driven by increased partner and digital investments (approximately 180 basis points), partially offset by sales leverage on salaries and benefits (approximately 80 basis points).

Other operating expenses as a percentage of total net revenues increased 20 basis points. Excluding the impact of company-operated store revenues, other operating expenses increased 160 basis points, primarily due to lapping a settlement received in the fourth quarter of fiscal 2016 related to the closure of Target Canada stores in fiscal 2015 (approximately 120 basis points).

General and administrative expenses as a percentage of total net revenues were flat, primarily driven by higher salaries and benefits (approximately 10 basis points), offset by sales leverage.

Restructuring and impairment charges of $4 million related to asset impairments of certain company-operated stores in Canada.

The combination of these changes resulted in an overall decrease in operating margin of 190 basis points in fiscal 2017 when compared to fiscal 2016.

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China/Asia Pacific

Fiscal Year Ended	Oct 1, 2017 (52 Weeks Ended)	Oct 2, 2016 (53 Weeks Ended)	Oct 1, 2017	Oct 2, 2016
			As a % of China/Asia Pacific Total Net Revenues	
Net revenues:				
Company-operated stores	$2,906.0	$2,640.4	89.7 %	89.8 %
Licensed stores	327.4	292.3	10.1	9.9
Foodservice and other	6.8	6.1	0.2	0.2
Total net revenues	3,240.2	2,938.8	100.0	100.0
Cost of sales including occupancy costs	1,393.9	1,296.7	43.0	44.1
Store operating expenses	845.5	779.4	26.1	26.5
Other operating expenses	74.6	70.3	2.3	2.4
Depreciation and amortization expenses	202.2	180.6	6.2	6.1
General and administrative expenses	156.0	130.3	4.8	4.4
Total operating expenses	2,672.2	2,457.3	82.5	83.6
Income from equity investees	197.0	150.1	6.1	5.1
Operating income	$765.0	$631.6	23.6 %	21.5 %
Store operating expenses as a % of related revenues			29.1 %	29.5 %
Other operating expenses as a % of non-company-operated store revenues			22.3 %	23.6 %

Revenues

China/Asia Pacific total net revenues for fiscal 2017 increased $301 million, or 10%, over fiscal 2016, primarily from higher company-operated store revenues ($266 million), driven by incremental revenues from 392 net new company-operated store openings over the past 12 months ($293 million). Also contributing was a 3% increase in comparable store sales ($67 million), partially offset by the absence of the 53rd week ($52 million) and unfavorable foreign currency translation ($40 million).

Licensed store revenues increased $35 million, primarily driven by increased product sales to and royalty revenues from licensees ($39 million), primarily resulting from the opening of 644 net new licensed stores over the past 12 months, partially offset the absence of the 53rd week ($4 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 110 basis points, primarily driven by favorability from the transition to China's new value added tax structure (approximately 120 basis points).

Store operating expenses as a percentage of total net revenues decreased 40 basis points. As a percentage of company-operated store revenues, store operating expenses decreased 40 basis points, primarily due to sales leverage on salaries and benefits (approximately 30 basis points) and lower performance-based compensation in Japan (approximately 10 basis points).

Other operating expenses as a percentage of total net revenues decreased 10 basis points. Excluding the impact of company-operated store revenues, other operating expenses decreased 130 basis points, primarily due to lower performance-based compensation (approximately 80 basis points) and lapping of investments in regional leadership and training conferences in the prior year (approximately 50 basis points).

General and administrative expenses as a percentage of total revenues increased 40 basis points, primarily due to continued focus and investment in product quality and innovation (approximately 40 basis points).

Income from equity investees increased $47 million, driven by higher income from our joint venture operations, primarily in East China and South Korea. Favorability in both regions was attributable to comparable store sales growth and the addition of net new licensed stores over the past 12 months. East China also benefited from the new value added tax structure.

The combination of these changes resulted in an overall increase in operating margin of 210 basis points in fiscal 2017 when compared to fiscal 2016.

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EMEA

Fiscal Year Ended	Oct 1, 2017 (52 Weeks Ended)	Oct 2, 2016 (53 Weeks Ended)	Oct 1, 2017	Oct 2, 2016
			As a % of EMEA Total Net Revenues	
Net revenues:				
Company-operated stores	$ 551.0	$ 732.0	54.4 %	65.1 %
Licensed stores	407.7	339.5	40.2	30.2
Foodservice	55.0	53.4	5.4	4.7
Total net revenues	1,013.7	1,124.9	100.0	100.0
Cost of sales including occupancy costs	533.5	565.0	52.6	50.2
Store operating expenses	214.1	260.6	21.1	23.2
Other operating expenses	59.1	57.0	5.8	5.1
Depreciation and amortization expenses	31.3	40.8	3.1	3.6
General and administrative expenses	41.7	51.4	4.1	4.6
Restructuring and impairments	17.9	—	1.8	—
Total operating expenses	897.6	974.8	88.5	86.7
Income from equity investees	—	1.5	—	0.1
Operating income	$ 116.1	$ 151.6	11.5 %	13.5 %
Store operating expenses as a % of related revenues			38.9 %	35.6 %
Other operating expenses as a % of non-company-operated store revenues			12.8 %	14.5 %

Revenues

EMEA total net revenues for fiscal 2017 decreased $111 million, or 10%, over fiscal 2016. The decrease was primarily due to a decline in company-operated store revenues ($181 million), driven by the shift to more licensed stores in the region ($121 million), which includes the absence of revenues related to the sale of our Germany retail operations in the third quarter of fiscal 2016. Also contributing to the decline was unfavorable foreign currency translation ($43 million) and the absence of the 53rd week ($11 million).

Licensed store revenues increased $68 million, driven by higher product sales to and royalty revenues from our licensees ($95 million), resulting from the opening of 339 net new licensed stores and the transfer of 14 company-operated stores to licensed stores over the past 12 months. These increases were partially offset by unfavorable foreign currency translation ($24 million) and the absence of the 53rd week ($6 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues increased 240 basis points, primarily due to unfavorable foreign currency transactions (approximately 140 basis points) and the shift in the composition of our store portfolio to more licensed stores, which have a lower gross margin (approximately 100 basis points).

Store operating expenses as a percentage of total net revenues decreased 210 basis points. As a percentage of company-operated store revenues, store operating expenses increased 330 basis points, primarily due to sales deleverage in certain company-operated stores (approximately 320 basis points) and the impact of a tax settlement (approximately 100 basis points), partially offset by the shift in the portfolio towards more licensed stores (approximately 140 basis points).

Other operating expenses as a percentage of total net revenues increased 70 basis points. Excluding the impact of company-operated store revenues, other operating expenses decreased 170 basis points, primarily due to sales leverage driven by the shift to more licensed stores (approximately 170 basis points).

Depreciation and amortization expenses as a percentage of total net revenues decreased 50 basis points, primarily due to the shift in portfolio towards more licensed stores (approximately 50 basis points).

Restructuring and impairment charges in fiscal 2017 relate to a partial goodwill impairment recorded in our Switzerland company-operated retail reporting unit, which we fully acquired in the fourth quarter of fiscal 2011. The overall economic backdrop in Europe, coupled with the strengthening of the Swiss franc when compared to the relatively inexpensive euro in surrounding countries, caused ongoing unfavorable changes in consumer behavior and depressed tourism. Our latest mitigation efforts for our Switzerland retail business are not expected to fully recover the reporting unit's carrying value given the sustained nature of these and other external factors. As a result, we recorded a goodwill impairment charge of $18 million in the third quarter of fiscal 2017.

The combination of these changes resulted in an overall decrease in operating margin of 200 basis points in fiscal 2017 when compared to fiscal 2016.

Channel Development

Fiscal Year Ended	Oct 1, 2017 (52 Weeks Ended)	Oct 2, 2016 (53 Weeks Ended)	Oct 1, 2017	Oct 2, 2016
			As a % of Channel Development Total Net Revenues	
Net revenues:				
CPG	$1,543.7	$1,488.2	76.9 %	77.0 %
Foodservice	464.9	444.3	23.1	23.0
Total net revenues	2,008.6	1,932.5	100.0	100.0
Cost of sales	1,074.3	1,042.6	53.5	54.0
Other operating expenses	222.2	228.5	11.1	11.8
Depreciation and amortization expenses	2.2	2.8	0.1	0.1
General and administrative expenses	10.9	17.9	0.5	0.9
Total operating expenses	1,309.6	1,291.8	65.2	66.8
Income from equity investees	194.4	166.6	9.7	8.6
Operating income	$893.4	$807.3	44.5 %	41.8 %

Discussion of our Channel Development segment results reflects the impact of an unfavorable revenue deduction adjustment recorded in the second quarter of fiscal 2017. While this adjustment was immaterial, the discussion below quantifies the impact to provide a better understanding of our results for fiscal 2017.

Revenues

Channel Development total net revenues for fiscal 2017 increased $76 million, or 4%, over fiscal 2016. CPG revenue growth was driven by increased sales through our international channels, primarily associated with our European and North American regions ($35 million), U.S. packaged coffee ($32 million) and premium single-serve products ($23 million). Higher foodservice sales were primarily the result of a change to a direct distribution model and recognizing the benefit of full revenue from premium single-serve product sales. Increased sales were partially offset by the absence of the 53rd week ($40 million) and an unfavorable revenue deduction adjustment pertaining to prior periods ($13 million).

Operating Expenses

Cost of sales as a percentage of total net revenues decreased 50 basis points, primarily driven by lower coffee costs (approximately 90 basis points) and leverage on cost of sales (approximately 60 basis points), partially offset by a shift toward lower margin products (approximately 100 basis points) and the revenue deduction adjustment pertaining to prior periods (approximately 30 basis points).

Other operating expenses as a percentage of total net revenues decreased 70 basis points, primarily driven by lower performance-based compensation (approximately 40 basis points).

General and administrative expenses as a percentage of total net revenues decreased 40 basis points, primarily driven by lower performance-based compensation (approximately 20 basis points) and salaries and benefits (approximately 10 basis points).

Income from equity investees increased $28 million for fiscal 2017, due to higher income from our North American Coffee Partnership joint venture, driven by increased sales of Frappuccino® and Starbucks Doubleshot® beverages as well as new product launches over the past 12 months.

The combination of these changes contributed to an overall increase in operating margin of 270 basis points in fiscal 2017 when compared to fiscal 2016.

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All Other Segments

Fiscal Year Ended	Oct 1, 2017 (52 Weeks Ended)	Oct 2, 2016 (53 Weeks Ended)	% Change
Net revenues:			
Company-operated stores	$197.3	$224.3	(12.0)%
Licensed stores	2.6	3.9	(33.3)
CPG, foodservice and other	271.7	296.1	(8.2)
Total net revenues	471.6	524.3	(10.1)
Cost of sales including occupancy costs	308.0	316.5	(2.7)
Store operating expenses	113.5	115.0	(1.3)
Other operating expenses	68.2	91.4	(25.4)
Depreciation and amortization expenses	10.1	13.3	(24.1)
General and administrative expenses	14.6	26.5	(44.9)
Restructuring and impairments	131.5	—	nm
Total operating expenses	645.9	562.7	14.8
Operating loss	$(174.3)	$(38.4)	353.9 %

All Other Segments primarily includes Teavana-branded stores, Seattle's Best Coffee, as well as certain developing businesses such as Siren Retail. The increase in the operating loss in the fourth quarter of fiscal 2017 compared to the fourth quarter of fiscal 2016 was primarily due to restructuring and impairment charges related to our strategy to close Teavana™ retail stores and focus on Teavana™ tea within Starbucks® stores. We recorded $69 million for the partial impairment of goodwill and $60 million in restructuring-related costs, including asset impairments, costs associated with the early closure of stores and their related obligations, and severance.

RESULTS OF OPERATIONS — FISCAL 2016 COMPARED TO FISCAL 2015

Consolidated results of operations (in millions):

Revenues

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	% Change
Net revenues:			
Company-operated stores	$16,844.1	$15,197.3	10.8 %
Licensed stores	2,154.2	1,861.9	15.7
CPG, foodservice and other	2,317.6	2,103.5	10.2
Total net revenues	$21,315.9	$19,162.7	11.2 %

Total net revenues increased $2.2 billion, or 11%, over fiscal 2015, primarily due to increased revenues from company-operated stores (contributing $1.6 billion). The growth in company-operated store revenues was primarily driven by 5% growth in comparable store sales ($793 million), incremental revenues from 693 net new Starbucks® company-operated store openings over the past 12 months ($724 million), the impact of the extra week in fiscal 2016 ($324 million) and incremental revenues from the impact of our ownership change in Starbucks Japan ($105 million). Partially offsetting these increases was the absence of revenue from the conversion of certain company-operated stores to licensed stores ($151 million) and the impact of unfavorable foreign currency translation ($99 million).

Licensed store revenue growth contributed $292 million to the increase in total net revenues, primarily resulting from higher product sales to and royalty revenues from our licensees ($285 million), largely due to the opening of 1,372 net new Starbucks® licensed stores, the transfer of 200 company-operated stores to licensed stores over the past 12 months and improved comparable store sales, as well as the impact of the extra week in fiscal 2016 ($41 million). Partially offsetting these

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increases was the impact of unfavorable foreign currency translation ($33 million) and a decrease in licensed store revenues resulting from the impact of our ownership change in Starbucks Japan ($6 million).
CPG, foodservice and other revenues increased $214 million, primarily due to higher sales of premium single-serve products ($106 million), the impact of the extra week in fiscal 2016 ($47 million), and increased foodservice sales ($34 million) and U.S. packaged coffee ($32 million).
Operating Expenses

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	Oct 2, 2016	Sep 27, 2015
			As a % of Total Net Revenues	
Cost of sales including occupancy costs	$8,511.1	$7,787.5	39.9%	40.6 %
Store operating expenses	6,064.3	5,411.1	28.4	28.2
Other operating expenses	545.4	522.4	2.6	2.7
Depreciation and amortization expenses	980.8	893.9	4.6	4.7
General and administrative expenses	1,360.6	1,196.7	6.4	6.2
Total operating expenses	17,462.2	15,811.6	81.9	82.5
Income from equity investees	318.2	249.9	1.5	1.3
Operating income	$4,171.9	$3,601.0	19.6%	18.8 %
Store operating expenses as a % of related revenues			36.0%	35.6 %
Other operating expenses as a % of non-company-operated store revenues			12.2%	13.2 %

Cost of sales including occupancy costs as a percentage of total net revenues decreased 70 basis points, primarily driven by leverage on cost of sales and occupancy costs (approximately 70 basis points) and lower commodity costs (approximately 50 basis points).
Store operating expenses as a percentage of total net revenues increased 20 basis points. Store operating expenses as a percentage of company-operated store revenues increased 40 basis points, primarily driven by increased investments in partners (employees) and digital platforms (approximately 80 basis points), partially offset by sales leverage (approximately 30 basis points).
Other operating expenses as a percentage of total net revenues decreased 10 basis points. Excluding the impact of company-operated store revenues, other operating expenses decreased 100 basis points, primarily due to a settlement in the fourth quarter of fiscal 2016 related to the closure of Target Canada stores in the prior year (approximately 50 basis points), the lapping of impairment of certain assets in the Americas segment in the prior year (approximately 20 basis points) and improved collection results (approximately 20 basis points).
General and administrative expenses as a percentage of total net revenues increased 20 basis points, primarily driven by higher salaries and benefits (approximately 30 basis points).
Income from equity investees as a percentage of total net revenues increased 20 basis points due to higher income from our joint venture operations, primarily from our North American Coffee Partnership and our joint ventures in China and South Korea.
The combination of these changes resulted in an overall increase in operating margin of 80 basis points over fiscal 2015.

Other Income and Expenses

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	Oct 2, 2016	Sep 27, 2015
			As a % of Total Net Revenues	
Operating income	$4,171.9	$3,601.0	19.6 %	18.8 %
Gain resulting from acquisition of joint venture	—	390.6	—	2.0
Loss on extinguishment of debt	—	(61.1)	—	(0.3)
Interest income and other, net	108.0	43.0	0.5	0.2
Interest expense	(81.3)	(70.5)	(0.4)	(0.4)
Earnings before income taxes	4,198.6	3,903.0	19.7	20.4
Income tax expense	1,379.7	1,143.7	6.5	6.0
Net earnings including noncontrolling interests	2,818.9	2,759.3	13.2	14.4
Net earnings attributable to noncontrolling interests	1.2	1.9	—	—
Net earnings attributable to Starbucks	$2,817.7	$2,757.4	13.2 %	14.4 %
Effective tax rate including noncontrolling interests			32.9 %	29.3 %

During the first quarter of fiscal 2015, we recorded a gain of $391 million as a result of remeasuring our preexisting 39.5% ownership interest in Starbucks Japan to fair value upon acquisition.

During the fourth quarter of fiscal 2015, we recorded a loss of $61 million related to the redemption of our $550 million of 6.250% Senior Notes (the “2017 notes”), which were originally scheduled to mature in August 2017. The loss primarily relates to the optional redemption premium outlined in the 2017 notes indenture, as well as the derecognition of the capitalized issuance costs and unamortized discount.

Interest income and other, net increased $65 million, primarily due to higher income recognized on unredeemed stored value card balances ($21 million), net favorable foreign exchange fluctuations ($11 million) and gains on our trading securities portfolio ($8 million).

Interest expense increased $11 million primarily due to interest on the long-term debt we issued in February and May 2016.

Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as discrete items that may occur in any given year, but are not consistent from year to year. The effective tax rate for fiscal 2016 was 32.9% compared to 29.3% for fiscal 2015. The increase in the rate for fiscal 2016 was primarily due to the 3.7% impact of the gain in the prior year associated with the remeasurement of our preexisting 39.5% ownership interest in Starbucks Japan upon acquisition, which was almost entirely non-taxable.

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Segment Information

Results of operations by segment (in millions):

Americas

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	Oct 2, 2016		Sep 27, 2015	
			As a % of Americas Total Net Revenues			
Net revenues:						
Company-operated stores	$13,247.4	$11,925.6	89.5	%	89.7	%
Licensed stores	1,518.5	1,334.4	10.3		10.0	
Foodservice and other	29.5	33.4	0.2		0.3	
Total net revenues	14,795.4	13,293.4	100.0		100.0	
Cost of sales including occupancy costs	5,271.9	4,845.0	35.6		36.4	
Store operating expenses	4,909.3	4,387.9	33.2		33.0	
Other operating expenses	96.0	122.8	0.6		0.9	
Depreciation and amortization expenses	590.1	522.3	4.0		3.9	
General and administrative expenses	186.1	192.1	1.3		1.4	
Total operating expenses	11,053.4	10,070.1	74.7		75.8	
Operating income	$3,742.0	$3,223.3	25.3	%	24.2	%
Store operating expenses as a % of related revenues			37.1	%	36.8	%
Other operating expenses as a % of non-company-operated store revenues			6.2	%	9.0	%

Revenues

Americas total net revenues for fiscal 2016 increased $1.5 billion, or 11%, primarily due to increased revenues from company-operated stores (contributing $1.3 billion) and licensed stores (contributing $184 million).

The increase in company-operated store revenues was driven by a 6% increase in comparable store sales ($730 million), incremental revenues from 348 net new Starbucks® company-operated store openings over the past 12 months ($481 million) and the impact of the extra week in fiscal 2016 ($258 million). Partially offsetting these increases was unfavorable foreign currency translation ($91 million), primarily driven by the strengthening of the U.S. dollar against the Canadian dollar.

The increase in licensed store revenues was primarily due to higher product sales to and royalty revenues from our licensees ($150 million), resulting from the opening of 456 net new licensed stores over the past 12 months and improved comparable store sales, as well as the impact of the extra week in fiscal 2016 ($31 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 80 basis points, primarily driven by leverage on cost of sales and occupancy costs (approximately 50 basis points) and lower commodity costs (approximately 40 basis points).

Store operating expenses as a percentage of total net revenues increased 20 basis points. As a percentage of company-operated store revenues, store operating expenses increased 30 basis points, primarily driven by increased investments in store partners and digital platforms (approximately 100 basis points), partially offset by sales leverage on salaries and benefits (approximately 80 basis points).

Other operating expenses as a percentage of total net revenues decreased 30 basis points. Excluding the impact of company-operated store revenues, other operating expenses decreased 280 basis points, primarily due to a settlement in the fourth quarter of fiscal 2016 related to the closure of Target Canada stores in the prior year (approximately 140 basis points), the lapping of impairment of certain assets in the region (approximately 60 basis points) and improved collection results (approximately 40 basis points).

The combination of these changes resulted in an overall increase in operating margin of 110 basis points over fiscal 2015.

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China/Asia Pacific

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	Oct 2, 2016	Sep 27, 2015
			As a % of China/Asia Pacific Total Net Revenues	
Net revenues:				
Company-operated stores	$2,640.4	$2,127.3	89.8 %	88.8 %
Licensed stores	292.3	264.4	9.9	11.0
Foodservice and other	6.1	4.2	0.2	0.2
Total net revenues	2,938.8	2,395.9	100.0	100.0
Cost of sales including occupancy costs	1,296.7	1,071.5	44.1	44.7
Store operating expenses	779.4	609.8	26.5	25.5
Other operating expenses	70.3	62.2	2.4	2.6
Depreciation and amortization expenses	180.6	150.7	6.1	6.3
General and administrative expenses	130.3	120.8	4.4	5.0
Total operating expenses	2,457.3	2,015.0	83.6	84.1
Income from equity investees	150.1	119.6	5.1	5.0
Operating income	$631.6	$500.5	21.5 %	20.9 %
Store operating expenses as a % of related revenues			29.5 %	28.7 %
Other operating expenses as a % of non-company-operated store revenues			23.6 %	23.2 %

Revenues

China/Asia Pacific total net revenues for fiscal 2016 increased $543 million, or 23%, largely due to increased revenues from company-operated stores (contributing $513 million). The increase in company-operated store revenues was primarily due to the opening of 359 net new company-operated stores over the past 12 months ($246 million) and incremental revenues from the impact of our ownership in Starbucks Japan ($105 million). Also contributing was a 3% increase in comparable store sales ($61 million), the impact of the extra week in fiscal 2016 ($52 million) and favorable foreign currency translation ($49 million).

Licensed store revenues increased $28 million, primarily due to increased product sales to and royalty revenues from licensees ($47 million), resulting from the opening of 622 net new licensed store openings over the past 12 months, partially offset by unfavorable foreign currency translation ($15 million) and a decrease in licensed store revenues resulting from the impact of our ownership change in Starbucks Japan ($6 million).

Operating Expenses

Cost of sales including occupancy costs as a percentage of total net revenues decreased 60 basis points, primarily due to the impact of our ownership change in Starbucks Japan (approximately 30 basis points) and favorability from changes to certain business tax structures in China (30 basis points).

Store operating expenses as a percentage of total net revenues increased 100 basis points. As a percentage of company-operated store revenues, store operating expenses increased 80 basis points, primarily driven by higher partner and digital investments and payroll-related expenditures (approximately 90 basis points) and the impact of our ownership change in Starbucks Japan (approximately 40 basis points), partially offset by sales leverage on salaries and benefits (approximately 60 basis points).

Other operating expenses as a percentage of total net revenues decreased 20 basis points. Excluding the impact of company-operated store revenues, other operating expenses increased 40 basis points, primarily due to higher payroll-related expenditures (approximately 140 basis points), investments in digital platforms (approximately 80 basis points) and the impact of our ownership change in Starbucks Japan (approximately 60 basis points), partially offset by sales leverage (approximately 220 basis points).

General and administrative expenses as a percentage of total revenues decreased 60 basis points, primarily due to sales leverage on salaries and benefits (approximately 40 basis points).

Income from equity investees as a percentage of total net revenues increased 10 basis points, primarily due to higher income from our joint venture operations, primarily in China and South Korea (approximately 70 basis points and 60 basis points,

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respectively), partially offset by the shift in composition of our store portfolio to more company-operated stores (approximately 50 basis points) and the impact of our ownership change in Starbucks Japan (approximately 50 basis points).
The combination of these changes resulted in an overall increase in operating margin of 60 basis points over fiscal 2015.
EMEA

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	Oct 2, 2016	Sep 27, 2015
			As a % of EMEA Total Net Revenues	
Net revenues:				
Company-operated stores	$ 732.0	$ 911.2	65.1 %	74.9 %
Licensed stores	339.5	257.2	30.2	21.1
Foodservice	53.4	48.3	4.7	4.0
Total net revenues	1,124.9	1,216.7	100.0	100.0
Cost of sales including occupancy costs	565.0	582.5	50.2	47.9
Store operating expenses	260.6	308.7	23.2	25.4
Other operating expenses	57.0	51.8	5.1	4.3
Depreciation and amortization expenses	40.8	52.0	3.6	4.3
General and administrative expenses	51.4	56.6	4.6	4.7
Total operating expenses	974.8	1,051.6	86.7	86.4
Income from equity investees	1.5	3.1	0.1	0.3
Operating income	$ 151.6	$ 168.2	13.5 %	13.8 %
Store operating expenses as a % of related revenues			35.6 %	33.9 %
Other operating expenses as a % of non-company-operated store revenues			14.5 %	17.0 %

Revenues
EMEA total net revenues for fiscal 2016 decreased $92 million, or 8%. The decrease was primarily due to a decline in company-operated store revenues ($179 million), which was largely due to the shift to more licensed stores in the region ($132 million) and includes the absence of revenues related to the sale of our Germany retail operations, and unfavorable foreign currency translation ($69 million). These decreases were partially offset by the impact of the extra week in fiscal 2016 ($18 million).
Licensed store revenues increased $82 million, or 32%, primarily due to higher product sales to and royalty revenues from our licensees ($89 million), resulting from the opening of 294 net new licensed stores and the transfer of 200 company-operated stores to licensed stores over the past 12 months. Also contributing was the impact of the extra week in fiscal 2016 ($6 million). These increases were partially offset by unfavorable foreign currency translation ($12 million).
Operating Expenses
Cost of sales including occupancy costs as a percentage of total net revenues increased 230 basis points, primarily due to the shift in composition of our store portfolio in the region to more licensed stores (approximately 140 basis points), sales deleverage at certain company-owned stores (approximately 80 basis points) and foreign currency transactions (approximately 50 basis points).
Store operating expenses as a percentage of total net revenues decreased 220 basis points. As a percentage of company-operated store revenues, store operating expenses increased 170 basis points, primarily due to costs

associated with the sale of our Germany retail operations and a decrease in company-operated store sales as a result of the shift to more licensed stores in the region (approximately 70 basis points). Sales deleverage at certain company-owned stores, largely related to salaries and benefits, also contributed unfavorably (approximately 70 basis points).

Other operating expenses as a percentage of total net revenues increased 80 basis points. Excluding the impact of company-operated store revenues, other operating expenses decreased 250 basis points, primarily due to sales leverage driven by the shift to more licensed stores in the region (approximately 250 basis points).

Depreciation and amortization expenses as a percentage of total net revenues decreased 70 basis points, primarily due to the shift in the composition of our store portfolio in the region to more licensed stores (approximately 40 basis points).

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Income from equity investees as a percentage of total net revenues decreased 20 basis points as a result of the sale of our ownership interest in our Spanish joint venture, Starbucks Coffee España, S.L., in the first quarter of fiscal 2016 (approximately 20 basis points).

The combination of these changes resulted in an overall decrease in operating margin of 30 basis points over fiscal 2015.

Channel Development

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	Oct 2, 2016	Sep 27, 2015
			As a % of Channel Development Total Net Revenues	
Net revenues:				
CPG	$1,488.2	$1,329.0	77.0 %	76.8 %
Foodservice	444.3	401.9	23.0	23.2
Total net revenues	1,932.5	1,730.9	100.0	100.0
Cost of sales	1,042.6	974.8	54.0	56.3
Other operating expenses	228.5	210.5	11.8	12.2
Depreciation and amortization expenses	2.8	2.7	0.1	0.2
General and administrative expenses	17.9	16.2	0.9	0.9
Total operating expenses	1,291.8	1,204.2	66.8	69.6
Income from equity investees	166.6	127.2	8.6	7.3
Operating income	$807.3	$653.9	41.8 %	37.8 %

Revenues

Channel Development total net revenues for fiscal 2016 increased $202 million, or 12%, over the prior year, primarily driven by higher sales of premium single-serve products ($101 million). The impact of the extra week in fiscal 2016 ($40 million), increased foodservice sales ($33 million) and U.S. packaged coffee sales ($28 million) also contributed.

Operating Expenses

Cost of sales as a percentage of total net revenues decreased 230 basis points, primarily due to lower coffee costs (approximately 140 basis points) and leverage on cost of sales (approximately 100 basis points).

Other operating expenses as a percentage of total net revenues decreased 40 basis points, primarily driven by sales leverage on marketing expenses and salaries and benefits (approximately 30 basis points).

Income from equity investees as a percentage of total revenues increased 130 basis points, driven by higher income from our North American Coffee Partnership joint venture, primarily due to increased sales volume of Starbucks Doubleshot® and bottled Frappuccino® beverages and new product launches, partially offset by increased marketing costs (approximately 150 basis points).

The combination of these changes contributed to an overall increase in operating margin of 400 basis points over fiscal 2015.

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All Other Segments

Fiscal Year Ended	Oct 2, 2016 (53 Weeks Ended)	Sep 27, 2015 (52 Weeks Ended)	% Change
Net revenues:			
Company-operated stores	$224.3	$233.2	(3.8)%
Licensed stores	3.9	5.9	(33.9)%
CPG, foodservice and other	296.1	286.7	3.3
Total net revenues	524.3	525.8	(0.3)
Cost of sales including occupancy costs	316.5	316.5	—
Store operating expenses	115.0	104.7	9.8
Other operating expenses	91.4	76.5	19.5
Depreciation and amortization expenses	13.3	16.3	(18.4)
General and administrative expenses	26.5	36.6	(27.6)
Total operating expenses	562.7	550.6	2.2
Operating loss	$(38.4)	$(24.8)	54.8 %

All Other Segments primarily includes Teavana, Seattle’s Best Coffee, Evolution Fresh, as well as certain developing businesses such as Siren Retail.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash and Investment Overview

Our cash and investments were $3.2 billion and $3.4 billion as of October 1, 2017 and October 2, 2016, respectively. We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, make acquisitions, and return cash to shareholders through common stock cash dividend payments and share repurchases. Our investment portfolio primarily includes highly liquid available-for-sale securities, including corporate debt securities, government treasury securities (domestic and foreign), mortgage and asset-backed securities, agency obligations, and state and local government obligations. As of October 1, 2017, approximately $2.1 billion of cash and investments were held in foreign subsidiaries.

Borrowing capacity

During the first quarter of fiscal 2018, we replaced our $1.5 billion 2016 credit facility with a new $2.0 billion unsecured 5-year revolving credit facility (the “2018 credit facility”) and a $1.0 billion unsecured 364-Day credit facility (the “364-day credit facility”), which are available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases.

The 2018 credit facility, of which $150 million may be used for issuances of letters of credit, is currently set to mature on October 25, 2022. We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional $500 million. Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin is based on the better of (i) the Company's long-term credit ratings assigned by Moody's and Standard & Poor's rating agencies and (ii) the Company's fixed charge coverage ratio, pursuant to a pricing grid set forth in the five-year credit agreement. The current applicable margin is 0.565% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans.

The 364-day credit facility, of which no amount may be used for issuances of letters of credit, is currently set to mature on October 24, 2018. We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional $500 million. Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin is 0.585% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans.

Both credit facilities contain provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of October 1, 2017, we were in compliance

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with all applicable 2016 credit facility covenants. No amounts were outstanding under our 2016 credit facility as of October 1, 2017.

During the first quarter of fiscal 2018, we increased our commercial paper program from $1 billion to $3 billion, allowing us to issue unsecured commercial paper notes up to this maximum aggregate amount outstanding at any time. Individual maturities may vary but cannot exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under our credit facilities discussed above. The proceeds from borrowings under our commercial paper program may be used for working capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of October 1, 2017, we had no borrowings under our former commercial paper program.

In March 2017, we issued Japanese yen-denominated long-term debt in an underwritten registered public offering. The 7-year 0.372% Senior Notes (the “2024 notes”) due March 2024 were issued with a face value of ¥85 billion, or $758.3 million, as of July 2, 2017. We will use the net proceeds from the offering to enhance our sustainability programs around coffee supply chain management through eligible sustainability projects. Interest on the 2024 notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017.

Additionally, in the first quarter of fiscal 2017, our $400 million of 0.875% Senior Notes (the “2016 notes”) were repaid. See Note 9, Debt, to the consolidated financial statements included in Item 8 of Part II of this 10-K for details of the components of our long-term debt.

The indentures under which all of our Senior Notes were issued require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of October 1, 2017, we were in compliance with all applicable covenants.

Use of Cash

We expect to use our available cash and investments, including, but not limited to, additional potential future borrowings under the credit facilities, commercial paper program and the issuance of debt, to invest in our core businesses, including capital expenditures, new product innovations, related marketing support and partner and digital investments, return cash to shareholders through common stock cash dividend payments and share repurchases, as well as other new business opportunities related to our core and developing businesses such as Siren Retail. Further, we may use our available cash resources to make proportionate capital contributions to our investees. We may also seek strategic acquisitions to leverage existing capabilities and further build our business in support of our growth agenda. Acquisitions may include increasing our ownership interests in our investees. Any decisions to increase such ownership interests will be driven by valuation and fit with our ownership strategy. As discussed in Note 15, Commitments and Contingencies, to the consolidated financial statements included in Item 8 of Part II of this 10-K, we committed to purchase the remaining 50% ownership interest in our East China joint venture for approximately $1.3 billion. This transaction is expected to close by early calendar year 2018, primarily through the use of cash and investments held in foreign subsidiaries.

We believe that future cash flows generated from operations, existing cash and investments both domestically and internationally combined with our ability to leverage our balance sheet through the issuance of debt will be sufficient to finance capital requirements for our core businesses as well as shareholder distributions for the foreseeable future. Significant new joint ventures, acquisitions and/or other new business opportunities may require additional outside funding. We have borrowed funds and continue to believe we have the ability to do so at reasonable interest rates; however, additional borrowings would result in increased interest expense in the future.

We consider the majority of undistributed earnings of our foreign subsidiaries and equity investees as of October 1, 2017 to be indefinitely reinvested, and, accordingly, no U.S. income and foreign withholding taxes have been provided on such earnings. We have not, nor do we anticipate the need to, repatriate funds to the U.S. to satisfy domestic liquidity needs; however, in the event that we need to repatriate all or a portion of our foreign cash to the U.S., we would be subject to additional U.S. income taxes, which could be material. We do not believe it is practicable to calculate the potential tax impact of repatriation, as there is a significant amount of uncertainty around the calculation, including the availability and amount of foreign tax credits at the time of repatriation, tax rates in effect and other indirect tax consequences associated with repatriation.

During each of the first three quarters of fiscal 2016, we declared and paid a cash dividend to shareholders of $0.20 per share. In the fourth quarter of fiscal 2016 and each of the first three quarters of fiscal 2017 we declared and paid a cash dividend of $0.25 per share. Cash returned to shareholders through dividends in fiscal 2017 and 2016 totaled $1,450.4 million and $1,178.0 million, respectively. In the fourth quarter of fiscal 2017, we declared a cash dividend of $0.30 per share to be paid on December 1, 2017 with an expected payout of approximately $429.5 million.
During fiscal years 2017 and 2016, we repurchased 37.5 million and 34.9 million shares of common stock, respectively, or $2.1 billion and $2.0 billion, respectively, under our ongoing share repurchase program. At October 1, 2017, the number of remaining shares authorized for repurchase under our ongoing share repurchase program totaled 80.3 million.

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Other than normal operating expenses, cash requirements for fiscal 2018 are expected to consist primarily of capital expenditures for investments in our new and existing stores, our developing Siren Retail business and our supply chain and corporate facilities. Total capital expenditures for fiscal 2018 are expected to be approximately $2 billion.

Cash Flows

Cash provided by operating activities was $4.2 billion for fiscal 2017, compared to $4.6 billion for fiscal 2016. The change was primarily due to the timing of our cash payments for income taxes.

Cash used by investing activities totaled $0.9 billion for fiscal 2017, compared to $2.2 billion for fiscal 2016. The change was primarily due to the liquidation of a significant portion of our offshore investment portfolio in anticipation of the acquisition of the remaining 50% ownership share of our East China joint venture.

Cash used by financing activities for fiscal 2017 totaled $3.0 billion, compared to $1.8 billion for fiscal 2016. The change was primarily due to lower proceeds from the issuance of long-term debt, the repayment of the 2016 notes and an increase in cash returned to shareholders through dividend payments and share repurchases.

Contractual Obligations

The following table summarizes our contractual obligations and borrowings as of October 1, 2017, and the timing and effect that such commitments are expected to have on our liquidity and capital requirements in future periods (in millions):

	Payments Due by Period				
Contractual Obligations [1]	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Operating lease obligations[2]	$8,613.5	$ 1,213.1	$2,210.2	$1,875.0	$ 3,315.2
Financing lease obligations	59.1	4.1	8.2	7.9	38.9
Debt obligations					
Principal payments	3,955.3	—	350.0	1,250.0	2,355.3
Interest payments	868.9	83.6	185.6	172.9	426.8
Purchase obligations[3]	1,310.1	848.1	380.1	73.6	8.3
Other obligations[4]	134.7	20.3	28.1	18.8	67.5
Total	$14,941.6	$ 2,169.2	$3,162.2	$3,398.2	$ 6,212.0

(1) Income tax liabilities for uncertain tax positions for which we are not able to make a reasonably reliable estimate of the amount and period of related future payments were excluded. As of October 1, 2017, we excluded $207.3 million of gross unrecognized tax benefits for uncertain tax positions, which includes accrued interest and penalties.

(2) Amounts include direct lease obligations, excluding any taxes, insurance and other related expenses.

(3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on Starbucks and that specify all significant terms. Green coffee purchase commitments comprise 91% of total purchase obligations.

(4) Other obligations include other long-term liabilities primarily consisting of asset retirement obligations and hedging instruments.

Starbucks currently expects to fund these commitments primarily with operating cash flows generated in the normal course of business.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements relate to operating lease and purchase commitments detailed in the footnotes to the consolidated financial statements included in Item 8 of Part II of this 10-K.

COMMODITY PRICES, AVAILABILITY AND GENERAL RISK CONDITIONS

Commodity price risk represents Starbucks primary market risk, generated by our purchases of green coffee and dairy products, among other items. We purchase, roast and sell high-quality arabica coffee and related products and risk arises from the price volatility of green coffee. In addition to coffee, we also purchase significant amounts of dairy products to support the needs of our company-operated stores. The price and availability of these commodities directly impacts our results of operations, and we expect commodity prices, particularly coffee, to impact future results of operations. For additional details see Product Supply in Item 1, as well as Risk Factors in Item 1A of this 10-K.

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FINANCIAL RISK MANAGEMENT

Market risk is defined as the risk of losses due to changes in commodity prices, foreign currency exchange rates, equity security prices and interest rates. We manage our exposure to various market-based risks according to a market price risk management policy. Under this policy, market-based risks are quantified and evaluated for potential mitigation strategies, such as entering into hedging transactions. The market price risk management policy governs how hedging instruments may be used to mitigate risk. Risk limits are set annually and prohibit speculative trading activity. We also monitor and limit the amount of associated counterparty credit risk, which we consider to be low. Excluding interest rate swaps, hedging instruments generally do not have maturities in excess of three years. Refer to Note 1, Summary of Significant Accounting Policies, and Note 3, Derivative Financial Instruments, to the consolidated financial statements included in Item 8 of Part II of this 10-K for further discussion of our hedging instruments.

The sensitivity analyses disclosed below provide only a limited, point-in-time view of the market risk of the financial instruments discussed. The actual impact of the respective underlying rates and price changes on the financial instruments may differ significantly from those shown in the sensitivity analyses.

Commodity Price Risk

We purchase commodity inputs, primarily coffee, dairy products, diesel, cocoa, sugar and other commodities, that are used in our operations and are subject to price fluctuations that impact our financial results. We use a combination of pricing features embedded within supply contracts, such as fixed-price and price-to-be-fixed contracts for coffee purchases, and financial derivatives to manage our commodity price risk exposure.

The following table summarizes the potential impact as of October 1, 2017 to Starbucks future net earnings and other comprehensive income ("OCI") from changes in commodity prices. The information provided below relates only to the hedging instruments and does not represent the corresponding changes in the underlying hedged items (in millions):

	Increase/(Decrease) to Net Earnings		Increase/(Decrease) to OCI	
	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
Commodity hedges	$ 6	$ (6)	$ —	$ —

Foreign Currency Exchange Risk

The majority of our revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, because a portion of our operations consists of activities outside of the U.S., we have transactions in other currencies, primarily the Japanese yen, Canadian dollar, Chinese renminbi, British pound, South Korean won and euro. To reduce cash flow volatility from foreign currency fluctuations, we enter into derivative instruments to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases, intercompany borrowing and lending activities and certain other transactions in currencies other than the functional currency of the entity that enters into the arrangements, as well as the translation risk of certain balance sheet items. See Note 3, Derivative Financial Instruments, to the consolidated financial statements included in Item 8 of Part II of this 10-K for further discussion.

The following table summarizes the potential impact as of October 1, 2017 to Starbucks future net earnings and other comprehensive income from changes in the fair value of these derivative financial instruments due to a change in the value of the U.S. dollar as compared to foreign exchange rates. The information provided below relates only to the hedging instruments and does not represent the corresponding changes in the underlying hedged items (in millions):

	Increase/(Decrease) to Net Earnings		Increase/(Decrease) to OCI	
	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
Foreign currency hedges	$ 23	$ (23)	$ 119	$ (119)

Equity Security Price Risk

We have minimal exposure to price fluctuations on equity mutual funds and equity exchange-traded funds within our trading securities portfolio. Trading securities are recorded at fair value and approximates a portion of our liability under our Management Deferred Compensation Plan (“MDCP”). Gains and losses from the portfolio and the change in our MDCP liability are recorded in our consolidated statements of earnings.

We performed a sensitivity analysis based on a 10% change in the underlying equity prices of our investments as of October 1, 2017 and determined that such a change would not have a significant impact on the fair value of these instruments.

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Interest Rate Risk

Long-term Debt

We utilize short-term and long-term financing and may use interest rate hedges to manage our overall interest expense related to our existing fixed-rate debt, as well as to hedge the variability in cash flows due to changes in benchmark interest rates related to anticipated debt issuances. See Note 3, Derivative Financial Instruments and Note 9, Debt, to the consolidated financial statements included in Item 8 of Part II of this 10-K for further discussion of our interest rate hedge agreements and details of the components of our long-term debt, respectively, as of October 1, 2017.

The following table summarizes the impact of a change in interest rates as of October 1, 2017 on the fair value of Starbucks debt (in millions):

			Change in Fair Value	
	Stated Interest Rate	Fair Value	100 Basis Point Increase in Underlying Rate	100 Basis Point Decrease in Underlying Rate
2018 notes	2.000 %	$ 352	$ (4)	$ 4
2021 notes	2.100 %	$ 751	$ (24)	$ 24
2022 notes	2.700 %	$ 508	$ (22)	$ 22
2023 notes[(1)]	3.850 %	$ 806	$ —	$ —
2024 notes	0.372 %	$ 760	$ (47)	$ 47
2026 notes	2.450 %	$ 481	$ (37)	$ 37
2045 notes	4.300 %	$ 381	$ (63)	$ 63

(1) Amount disclosed is net of ($42 million) change in the fair value of our designated interest rate swap. Refer to Note 3, Derivative Financial Instruments, for additional information on our interest rate swap designated as a fair value hedge.

Available-for-Sale Securities

Our available-for-sale securities comprise a diversified portfolio consisting mainly of investment-grade debt securities. The primary objective of these investments is to preserve capital and liquidity. Available-for-sale securities are recorded on the consolidated balance sheets at fair value with unrealized gains and losses reported as a component of accumulated other comprehensive income. We do not hedge the interest rate exposure on our available-for-sale securities. We performed a sensitivity analysis based on a 100 basis point change in the underlying interest rate of our available-for-sale securities as of October 1, 2017 and determined that such a change would not have a significant impact on the fair value of these instruments.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that management believes are both most important to the portrayal of our financial condition and results and require the most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions.

Our significant accounting policies are discussed in Note 1, Summary of Significant Accounting Policies, to the consolidated financial statements included in Item 8 of Part II of this 10-K. We believe that of our significant accounting policies, the following policies involve a higher degree of judgment and/or complexity.

We consider financial reporting and disclosure practices and accounting policies quarterly to ensure that they provide accurate and transparent information relative to the current economic and business environment. During the past four fiscal years, we have not made any material changes to the accounting methodologies used to assess the areas discussed below, unless noted otherwise.

Property, Plant and Equipment and Other Finite-Lived Assets

We evaluate property, plant and equipment and other finite-lived assets for impairment when facts and circumstances indicate that the carrying values of such assets may not be recoverable. When evaluating for impairment, we first compare the carrying value of the asset to the asset's estimated future undiscounted cash flows. If the estimated undiscounted future cash flows are less than the carrying value of the asset, we determine if we have an impairment loss by comparing the carrying value of the asset to the asset's estimated fair value and recognize an impairment charge when the asset's carrying value exceeds its estimated fair value. The adjusted carrying amount of the asset becomes its new cost basis and is depreciated over the asset's remaining useful life.

Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For company-operated store assets, the impairment test is performed at the individual store asset group level. The fair value of a store's assets is estimated using a discounted cash flow model. For other long-lived assets, fair value is determined using an approach that is appropriate based on the relevant facts and circumstances, which may include discounted cash flows, comparable transactions, or comparable company analyses.

Our impairment calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values. Key assumptions used in estimating future cash flows and asset fair values include projected revenue growth and operating expenses, as well as forecasting asset useful lives and selecting an appropriate discount rate. For company-operated stores, estimates of revenue growth and operating expenses are based on internal projections and consider the store's historical performance, the local market economics and the business environment impacting the store's performance. The discount rate is selected based on what we believe a buyer would assume when determining a purchase price for the store. These estimates are subjective and our ability to realize future cash flows and asset fair values is affected by factors such as ongoing maintenance and improvement of the assets, changes in economic conditions, and changes in operating performance. During fiscal 2017, there were no significant changes in any of our estimates or assumptions, aside from those related to the long-term strategy assumptions of our Teavana-branded retail stores, which had a significant impact on the outcome of our impairment calculations. However, as we periodically reassess estimated future cash flows and asset fair values, changes in our estimates and assumptions may cause us to realize material impairment charges in the future.

Goodwill and Indefinite-Lived Intangible Assets

We evaluate goodwill and indefinite-lived intangible assets for impairment annually during our third fiscal quarter, or more frequently if an event occurs or circumstances change that would indicate that impairment may exist. When evaluating these assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit using discounted cash flows or a combination of discounted cash flow and market approaches.

When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for an individual reporting unit in a given year is influenced by a number of factors, inclusive of the size of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments and the date of acquisition. If we perform a quantitative assessment of an individual reporting unit's goodwill, our impairment calculations contain uncertainties because they require management to make assumptions and to apply judgment when estimating future cash flows and asset fair values, including projected revenue growth and operating expenses related to existing businesses, product innovation and new store concepts, as well as utilizing valuation multiples of similar publicly traded companies and selecting an appropriate discount rate. Estimates of revenue growth and operating expenses are based on internal projections considering the reporting unit's past performance and forecasted growth, strategic initiatives, local market economics and the local business environment impacting the reporting unit's performance. The discount rate is selected based on the estimated cost of capital for a market participant to operate the reporting unit in the region. These estimates, as well as the selection of comparable companies and valuation multiples used in the market approaches are highly subjective, and our ability to realize the future cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies, including retail initiatives and international expansion.

When assessing indefinite-lived intangible assets for impairment, where we perform a qualitative assessment, we evaluate if changes in events or circumstances have occurred that indicate that impairment may exist. If we do not perform a qualitative impairment assessment or if changes in events and circumstances indicate that a quantitative assessment should be performed, management is required to calculate the fair value of the intangible asset group. The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the intangible asset group's forecasted growth, and royalty rates, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related business. These estimates are highly subjective, and our ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies, including retail initiatives and international expansion.

The partial goodwill impairments of the Teavana and Switzerland reporting units are discussed in Note 8, Other Intangible Assets and Goodwill, to the consolidated financial statements included in Item 8 of Part II of this 10-K.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the respective tax bases of our assets and liabilities. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which we expect the temporary differences to reverse. We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that some portion of the tax benefit will not be realized. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future; however, we do not expect changes from recently enacted tax laws to be material to the consolidated financial statements.

In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of operations. In projecting future taxable income, we consider historical results and incorporate assumptions about the amount of future state, federal and foreign pretax operating income adjusted for items that do not have tax consequences. Our assumptions regarding future taxable income are consistent with the plans and estimates we use to manage our underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income/(loss).

In addition, our income tax returns are periodically audited by domestic and foreign tax authorities. These audits include review of our tax filing positions, including the timing and amount of deductions taken and the allocation of income between tax jurisdictions. We evaluate our exposures associated with our various tax filing positions and recognize a tax benefit only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of our position. For uncertain tax positions that do not meet this threshold, we record a related liability. We adjust our unrecognized tax benefit liability and income tax expense in the period in which the uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new information becomes available. As discussed in Note 13, Income Taxes, to the consolidated financial statements included in Item 8 of Part II of this 10-K, there is a reasonable possibility that our unrecognized tax benefit liability will be adjusted within 12 months due to the expiration of a statute of limitations and/or resolution of examinations with taxing authorities.

We have generated income in certain foreign jurisdictions that has not been subject to U.S. income taxes. We intend to reinvest these earnings for the foreseeable future. While we do not expect to repatriate cash to the U.S. to satisfy domestic liquidity needs, if these amounts were distributed to the U.S., in the form of dividends or otherwise, we would be subject to additional U.S. income taxes, which could be material. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

Our income tax expense, deferred tax assets and liabilities and liabilities for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. Deferred tax asset valuation allowances and our liabilities for unrecognized tax benefits require significant management judgment regarding applicable statutes and their related interpretation, the status of various income tax audits and our particular facts and circumstances. Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or gains that could be material. To the extent we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1, Summary of Significant Accounting Policies, to the consolidated financial statements included in Item 8 of Part II of this 10-K for a detailed description of recent accounting pronouncements.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated by reference to the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Commodity Prices, Availability and General Risk Conditions” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Risk Management” in Item 7 of this Report.

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Item 8. Financial Statements and Supplementary Data
STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Net revenues:			
Company-operated stores	$17,650.7	$16,844.1	$15,197.3
Licensed stores	2,355.0	2,154.2	1,861.9
CPG, foodservice and other	2,381.1	2,317.6	2,103.5
Total net revenues	22,386.8	21,315.9	19,162.7
Cost of sales including occupancy costs	9,038.2	8,511.1	7,787.5
Store operating expenses	6,493.3	6,064.3	5,411.1
Other operating expenses	553.8	545.4	522.4
Depreciation and amortization expenses	1,011.4	980.8	893.9
General and administrative expenses	1,393.3	1,360.6	1,196.7
Restructuring and impairments	153.5	—	—
Total operating expenses	18,643.5	17,462.2	15,811.6
Income from equity investees	391.4	318.2	249.9
Operating income	4,134.7	4,171.9	3,601.0
Gain resulting from acquisition of joint venture	—	—	390.6
Loss on extinguishment of debt	—	—	(61.1)
Interest income and other, net	275.3	108.0	43.0
Interest expense	(92.5)	(81.3)	(70.5)
Earnings before income taxes	4,317.5	4,198.6	3,903.0
Income tax expense	1,432.6	1,379.7	1,143.7
Net earnings including noncontrolling interests	2,884.9	2,818.9	2,759.3
Net earnings attributable to noncontrolling interests	0.2	1.2	1.9
Net earnings attributable to Starbucks	$2,884.7	$2,817.7	$2,757.4
Earnings per share — basic	$1.99	$1.91	$1.84
Earnings per share — diluted	$1.97	$1.90	$1.82
Weighted average shares outstanding:			
Basic	1,449.5	1,471.6	1,495.9
Diluted	1,461.5	1,486.7	1,513.4

See Notes to Consolidated Financial Statements.

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STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Net earnings including noncontrolling interests	$2,884.9	$2,818.9	$2,759.3
Other comprehensive income/(loss), net of tax:			
Unrealized holding gains/(losses) on available-for-sale securities	(9.5)	3.5	1.4
Tax (expense)/benefit	2.9	(1.3)	(0.5)
Unrealized gains/(losses) on cash flow hedging instruments	53.2	(109.6)	47.6
Tax (expense)/benefit	(12.6)	27.5	(16.8)
Unrealized gains/(losses) on net investment hedging instruments	20.1	—	4.3
Tax (expense)/benefit	(7.4)	—	(1.6)
Translation adjustment and other	(38.3)	85.5	(222.7)
Tax (expense)/benefit	(2.4)	19.0	6.0
Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment	(67.2)	78.2	(65.9)
Tax expense/(benefit)	14.0	(11.8)	23.5
Other comprehensive income/(loss)	(47.2)	91.0	(224.7)
Comprehensive income including noncontrolling interests	2,837.7	2,909.9	2,534.6
Comprehensive income/(loss) attributable to noncontrolling interests	0.2	1.2	(29.2)
Comprehensive income attributable to Starbucks	$2,837.5	$2,908.7	$2,563.8

See Notes to Consolidated Financial Statements.

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

	Oct 1, 2017	Oct 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$2,462.3	$2,128.8
Short-term investments	228.6	134.4
Accounts receivable, net	870.4	768.8
Inventories	1,364.0	1,378.5
Prepaid expenses and other current assets	358.1	347.4
Total current assets	5,283.4	4,757.9
Long-term investments	542.3	1,141.7
Equity and cost investments	481.6	354.5
Property, plant and equipment, net	4,919.5	4,533.8
Deferred income taxes, net	795.4	885.4
Other long-term assets	362.8	403.3
Other intangible assets	441.4	516.3
Goodwill	1,539.2	1,719.6
TOTAL ASSETS	$14,365.6	$14,312.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$782.5	$730.6
Accrued liabilities	1,934.5	1,999.1
Insurance reserves	215.2	246.0
Stored value card liability	1,288.5	1,171.2
Current portion of long-term debt	—	399.9
Total current liabilities	4,220.7	4,546.8
Long-term debt	3,932.6	3,185.3
Other long-term liabilities	755.3	689.7
Total liabilities	8,908.6	8,421.8
Shareholders’ equity:		
Common stock ($0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,431.6 and 1,460.5 shares, respectively	1.4	1.5
Additional paid-in capital	41.1	41.1
Retained earnings	5,563.2	5,949.8
Accumulated other comprehensive loss	(155.6)	(108.4)
Total shareholders’ equity	5,450.1	5,884.0
Noncontrolling interests	6.9	6.7
Total equity	5,457.0	5,890.7
TOTAL LIABILITIES AND EQUITY	$14,365.6	$14,312.5

See Notes to Consolidated Financial Statements.

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STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
OPERATING ACTIVITIES:			
Net earnings including noncontrolling interests	$2,884.9	$2,818.9	$2,759.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,067.1	1,030.1	933.8
Deferred income taxes, net	95.1	265.7	21.2
Income earned from equity method investees	(310.2)	(250.2)	(190.2)
Distributions received from equity method investees	186.6	223.3	148.2
Gain resulting from acquisition/sale of equity in joint ventures and certain retail operations	(93.5)	(6.1)	(394.3)
Loss on extinguishment of debt	—	—	61.1
Stock-based compensation	176.0	218.1	209.8
Excess tax benefit on share-based awards	(77.5)	(122.8)	(132.4)
Goodwill Impairments	87.2	—	—
Other	68.9	45.1	53.8
Cash provided by changes in operating assets and liabilities:			
Accounts receivable	(96.8)	(55.6)	(82.8)
Inventories	14.0	(67.5)	(207.9)
Accounts payable	46.4	46.9	137.7
Stored value card liability	130.8	180.4	170.3
Other operating assets and liabilities	(4.7)	248.8	261.5
Net cash provided by operating activities	4,174.3	4,575.1	3,749.1
INVESTING ACTIVITIES:			
Purchases of investments	(674.4)	(1,585.7)	(567.4)
Sales of investments	1,054.5	680.7	600.6
Maturities and calls of investments	149.6	27.9	18.8
Acquisitions, net of cash acquired	—	—	(284.3)
Additions to property, plant and equipment	(1,519.4)	(1,440.3)	(1,303.7)
Net proceeds from sale of equity in joint ventures and certain retail operations	85.4	69.6	8.9
Other	54.3	24.9	6.8
Net cash used by investing activities	(850.0)	(2,222.9)	(1,520.3)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	750.2	1,254.5	848.5
Repayments of long-term debt	(400.0)	—	(610.1)
Cash used for purchase of non-controlling interest	—	—	(360.8)
Proceeds from issuance of common stock	150.8	160.7	191.8
Excess tax benefit on share-based awards	77.5	122.8	132.4
Cash dividends paid	(1,450.4)	(1,178.0)	(928.6)
Repurchase of common stock	(2,042.5)	(1,995.6)	(1,436.1)
Minimum tax withholdings on share-based awards	(82.8)	(106.0)	(75.5)
Other	(4.4)	(8.4)	(18.1)
Net cash used by financing activities	(3,001.6)	(1,750.0)	(2,256.5)
Effect of exchange rate changes on cash and cash equivalents	10.8	(3.5)	(150.6)
Net increase/(decrease) in cash and cash equivalents	333.5	598.7	(178.3)
CASH AND CASH EQUIVALENTS:			

Beginning of period	2,128.8	1,530.1	1,708.4
End of period	$2,462.3	$2,128.8	$1,530.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest, net of capitalized interest	$96.6	$74.7	$69.5
Income taxes, net of refunds	$1,389.1	$878.7	$1,072.2

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STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY
(in millions, except per share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Shareholders' Equity	Noncontrolling Interests	Total
	Shares	Amount						
Balance, September 28, 2014	749.5	$ 0.7	$ 39.4	$5,206.6	$ 25.3	$ 5,272.0	$ 1.7	$5,273.7
Net earnings/(loss)	—	—	—	2,757.4	—	2,757.4	1.9	2,759.3
Other comprehensive income/(loss)	—	—	—	—	(193.6)	(193.6)	(31.1)	(224.7)
Stock-based compensation expense	—	—	211.7	—	—	211.7	—	211.7
Exercise of stock options/vesting of RSUs, including tax benefit of $131.3	14.6	—	224.4	—	—	224.4	—	224.4
Sale of common stock, including tax benefit of $0.2	0.6	—	23.5	—	—	23.5	—	23.5
Repurchase of common stock	(29.0)	—	(459.6)	(972.2)	—	(1,431.8)	—	(1,431.8)
Cash dividends declared, $0.680 per share	—	—	—	(1,016.2)	—	(1,016.2)	—	(1,016.2)
Two-for-one stock split	749.4	0.8	—	(0.8)	—	—	—	—
Noncontrolling interest resulting from acquisition	—	—	—	—	—	—	411.1	411.1
Purchase of noncontrolling interest	—	—	1.7	—	(31.1)	(29.4)	(381.7)	(411.1)
Balance, September 27, 2015	1,485.1	$ 1.5	$ 41.1	$5,974.8	$ (199.4)	$ 5,818.0	$ 1.8	$5,819.8
Net earnings/(loss)	—	—	—	2,817.7	—	2,817.7	1.2	2,818.9
Other comprehensive income/(loss)	—	—	—	—	91.0	91.0	—	91.0
Stock-based compensation expense	—	—	219.6	—	—	219.6	—	219.6
Exercise of stock options/vesting of RSUs, including tax benefit of $124.3	9.8	—	153.0	—	—	153.0	—	153.0
Sale of common stock, including tax benefit of $0.2	0.5	—	26.5	—	—	26.5	—	26.5
Repurchase of common stock	(34.9)	—	(399.1)	(1,596.5)	—	(1,995.6)	—	(1,995.6)
Cash dividends declared, $0.850 per share	—	—	—	(1,246.2)	—	(1,246.2)	—	(1,246.2)
Noncontrolling interest resulting from acquisition	—	—	—	—	—	—	3.7	3.7
Balance, October 2, 2016	1,460.5	$ 1.5	$ 41.1	$5,949.8	$ (108.4)	$ 5,884.0	$ 6.7	$5,890.7
Net earnings/(loss)	—	—	—	2,884.7	—	2,884.7	0.2	2,884.9
Other comprehensive income/(loss)	—	—	—	—	(47.2)	(47.2)	—	(47.2)
Stock-based compensation expense	—	—	177.9	—	—	177.9	—	177.9
	8.1	—	117.0	—	—	117.0	—	117.0

Exercise of stock options/vesting of RSUs, including tax benefit of $77.4								
Sale of common stock, including tax benefit of $0.2	0.5	—	28.7	—	—	28.7	—	28.7
Repurchase of common stock	(37.5)	(0.1)	(323.6)	(1,755.4)	—	(2,079.1)	—	(2,079.1)
Cash dividends declared, $1.05 per share	—	—	—	(1,515.9)	—	(1,515.9)	—	(1,515.9)
Balance, October 1, 2017	1,431.6	$ 1.4	$ 41.1	$5,563.2	$ (155.6)	$ 5,450.1	$ 6.9	$5,457.0

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STARBUCKS CORPORATION
INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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STARBUCKS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Fiscal Years ended October 1, 2017, October 2, 2016 and September 27, 2015
Note 1: Summary of Significant Accounting Policies
Description of Business
We purchase and roast high-quality coffees that we sell, along with handcrafted coffee and tea beverages and a variety of fresh and prepared food items, through our company-operated stores. We also sell a variety of coffee and tea products and license our trademarks through other channels such as licensed stores, grocery and national foodservice accounts.
In this 10-K, Starbucks Corporation (together with its subsidiaries) is referred to as "Starbucks," the "Company," "we," "us" or "our."
We have four reportable operating segments: 1) Americas, which is inclusive of the U.S., Canada, and Latin America; 2) China/Asia Pacific ("CAP"); 3) Europe, Middle East, and Africa ("EMEA") and 4) Channel Development. We also have several non-reportable operating segments, including Teavana, Seattle's Best Coffee and Evolution Fresh, as well as certain developing businesses such as Siren Retail, which includes the Starbucks Reserve™ Roastery & Tasting Rooms, Starbucks Reserve brand and products and Princi operations, which are combined and referred to as All Other Segments. 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 presented as a reconciling item between total segment operating results and consolidated financial results.
Additional details on the nature of our business and our reportable operating segments are included in Note 16, Segment Reporting.
Principles of Consolidation
Our consolidated financial statements reflect the financial position and operating results of Starbucks, including wholly-owned subsidiaries and investees that we control. Investments in entities that we do not control, but have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Investments in entities in which we do not have the ability to exercise significant influence are accounted for under the cost method. Intercompany transactions and balances have been eliminated.
Fiscal Year End
Our fiscal year ends on the Sunday closest to September 30. Fiscal year 2017 and 2015 included 52 weeks. Fiscal year 2016 included 53 weeks, with the 53rd week falling in the fourth fiscal quarter.
Estimates and Assumptions
Preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Examples include, but are not limited to, estimates for inventory reserves, asset and goodwill impairments, assumptions underlying self-insurance reserves, income from unredeemed stored value cards, stock-based compensation forfeiture rates, future asset retirement obligations and the potential outcome of future tax consequences of events that have been recognized in the financial statements. Actual results and outcomes may differ from these estimates and assumptions.
Cash and Cash Equivalents
We consider all highly liquid instruments with maturities of three months or less at the time of purchase, as well as credit card receivables for sales to customers in our company-operated stores that generally settle within two to five business days, to be cash equivalents. We maintain cash and cash equivalent balances with financial institutions that exceed federally-insured limits. We have not experienced any losses related to these balances, and we believe credit risk to be minimal.
Our cash management system provides for the funding of all major bank disbursement accounts on a daily basis as checks are presented for payment. Under this system, outstanding checks are in excess of the cash balances at certain banks, which creates book overdrafts. Book overdrafts are presented as a current liability in accrued liabilities on our consolidated balance sheets.

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Investments

Available-for-sale Securities

Our short-term and long-term investments consist primarily of investment-grade debt securities, all of which are classified as available-for-sale. Available-for-sale securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a component of accumulated other comprehensive income. Available-for-sale securities with remaining maturities of less than one year and those identified by management at the time of purchase to be used to fund operations within one year are classified as short-term. All other available-for-sale securities are classified as long-term. We evaluate our available-for-sale securities for other than temporary impairment on a quarterly basis. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. We review several factors to determine whether a loss is other than temporary, such as the length and extent of the fair value decline, the financial condition and near-term prospects of the issuer and whether we have the intent to sell or will more likely than not be required to sell before the securities' anticipated recovery, which may be at maturity. Realized gains and losses are accounted for using the specific identification method. Purchases and sales are recorded on a trade date basis.

Trading Securities

We also have a trading securities portfolio, which is comprised of marketable equity mutual funds and equity exchange-traded funds. Trading securities are recorded at fair value and approximates a portion of our liability under our Management Deferred Compensation Plan (“MDCP”). Gains or losses from the portfolio and the change in our MDCP liability are recorded in our consolidated statements of earnings.

Equity and Cost Method Investments

Equity investments are accounted for using the equity method of accounting if the investment gives us the ability to exercise significant influence, but not control, over an investee. Equity method investments are included within long-term investments on our consolidated balance sheets. Our share of the earnings or losses as reported by equity method investees are classified as income from equity investees on our consolidated statements of earnings.

Equity investments for which we do not have the ability to exercise significant influence are accounted for using the cost method of accounting and are recorded in long-term investments on our consolidated balance sheets. Under the cost method, investments are carried at cost and are adjusted only for other-than-temporary declines in fair value, certain distributions and additional investments.

We evaluate our equity and cost method investments for impairment annually and when facts and circumstances indicate that the carrying value of such investments may not be recoverable. We review several factors to determine whether the loss is other than temporary, such as the length and extent of the fair value decline, the financial condition and near-term prospects of the investee, and whether we have the intent to sell or will more likely than not be required to sell before the investment’s anticipated recovery. If a decline in fair value is determined to be other than temporary, an impairment charge is recorded in net earnings.

Fair Value

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. For assets and liabilities recorded or disclosed at fair value on a recurring basis, we determine fair value based on the following:

Level 1: The carrying value of cash and cash equivalents approximates fair value because of the short-term nature of these instruments. For trading and U.S. government treasury securities and commodity futures contracts, we use quoted prices in active markets for identical assets to determine fair value.

Level 2: When quoted prices in active markets for identical assets are not available, we determine the fair value of our available-for-sale securities and our over-the-counter forward contracts, collars and swaps based upon factors such as the quoted market price of similar assets or a discounted cash flow model using readily observable market data, which may include interest rate curves and forward and spot prices for currencies and commodities, depending on the nature of the investment. The fair value of our long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities.

Level 3: We determine the fair value of our auction rate securities using an internally-developed valuation model, using inputs that include interest rate curves, credit and liquidity spreads and effective maturity.

Assets and liabilities recognized or disclosed at fair value 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. We determine the fair value of these items using Level 3 inputs, as described in the related sections below.

Derivative Instruments

We manage our exposure to various risks within our consolidated financial statements according to a market price risk management policy. Under this policy, we may engage in transactions involving various derivative instruments to hedge interest rates, commodity prices and foreign currency denominated revenue streams, inventory purchases, assets and liabilities and investments in certain foreign operations. In order to manage our exposure to these risks, we use various types of derivative instruments including forward contracts, commodity futures contracts, collars and swaps. Forward contracts and commodity futures contracts are agreements to buy or sell a quantity of a currency or commodity at a predetermined future date and at a predetermined rate or price. A collar is a strategy that uses a combination of a purchased call option and a sold put option with equal premiums to hedge a portion of anticipated cash flows, or to limit the range of possible gains or losses on an underlying asset or liability to a specific range. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. We do not enter into derivative instruments for speculative purposes.

We record all derivatives on our consolidated balance sheets at fair value. Excluding interest rate swaps and foreign currency debt, we generally do not enter into derivative instruments with maturities longer than three years or offset derivative assets and liabilities in our consolidated balance sheets. However, we are allowed to net settle transactions with respective counterparties for certain derivative contracts, inclusive of interest rate swaps and foreign currency forwards, with a single, net amount payable by one party to the other. We also enter into collateral security arrangements that provide for collateral to be received or posted when the net fair value of certain financial instruments fluctuates from contractually established thresholds. As of October 1, 2017 and October 2, 2016, we received and posted $5.8 million and $19.5 million, respectively, of cash collateral related to the derivative instruments under collateral security arrangements. As of October 1, 2017 and October 2, 2016, the potential effects of netting arrangements with our derivative contracts, excluding the effects of collateral, would be a reduction to both derivative assets and liabilities of $7.4 million and $9.4 million, respectively, resulting in net derivative assets of $30.4 million and net derivative liabilities of $31.1 million as of October 1, 2017, and net derivative assets of $24.7 million and net derivative liabilities of $80.2 million as of October 2, 2016.

By using these derivative instruments, we expose ourselves to potential credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We minimize this credit risk by entering into transactions with carefully selected, credit-worthy counterparties and distribute contracts among several financial institutions to reduce the concentration of credit risk.

Cash Flow Hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the derivative's gain or loss is reported as a component of other comprehensive income (“OCI”) and recorded in accumulated other comprehensive income (“AOCI”) on our consolidated balance sheets. The gain or loss is subsequently reclassified into net earnings when the hedged exposure affects net earnings.

To the extent that the change in the fair value of the contract corresponds to the change in the value of the anticipated transaction using forward rates on a monthly basis, the hedge is considered effective and is recognized as described above. The remaining change in fair value of the contract represents the ineffective portion, which is immediately recorded in interest income and other, net on our consolidated statements of earnings.

Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge by matching the terms of the contract to the underlying transaction. Cash flows from hedging transactions are classified in the same categories as the cash flows from the respective hedged items. Once established, cash flow hedges generally remain designated as such until the hedged item impacts net earnings, or the anticipated transaction is no longer likely to occur. For de-designated cash flow hedges or for transactions that are no longer likely to occur, the related accumulated derivative gains or losses are recognized in interest income and other, net or interest expense on our consolidated statements of earnings based on the nature of the underlying transaction.

Net Investment Hedges

For derivative instruments that are designated and qualify as a net investment hedge, the effective portion of the derivative's gain or loss is reported as a component of OCI and recorded in AOCI. The gain or loss will be subsequently reclassified into net earnings when the hedged net investment is either sold or substantially liquidated.

To the extent that the change in the fair value of the forward contract corresponds to the change in value of the anticipated transactions using spot rates on a monthly basis, the hedge is considered effective and is recognized as described above. The remaining change in fair value of the forward contract represents the ineffective portion, which is immediately recognized in interest income and other, net on our consolidated statements of earnings.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the changes in fair value of the derivative instruments and the offsetting changes in fair values of the underlying hedged item are recorded in interest income and other, net or interest expense on our consolidated statements of earnings.

Derivatives Not Designated As Hedging Instruments

We also enter into certain foreign currency forward contracts, commodity futures contracts, collars and swaps that are not designated as hedging instruments for accounting purposes. The change in the fair value of these contracts is immediately recognized in interest income and other, net on our consolidated statements of earnings.

Normal Purchase Normal Sale

We enter into fixed-price and price-to-be-fixed green coffee purchase commitments, which are described further at Note 5, Inventories. For both fixed-price and price-to-be-fixed purchase commitments, we expect to take delivery of and to utilize the coffee in a reasonable period of time and in the conduct of normal business. Accordingly, these purchase commitments qualify as normal purchases and are not recorded at fair value on our balance sheets.

Refer to Note 3, Derivative Financial Instruments, and Note 5, Inventories, for further discussion of our derivative instruments and green coffee purchase commitments.

Receivables, net of Allowance for Doubtful Accounts

Our receivables are mainly comprised of receivables for product and equipment sales to and royalties from our licensees, as well as receivables from our consumer packaged goods ("CPG") and foodservice business customers. Our allowance for doubtful accounts is calculated based on historical experience, customer credit risk and application of the specific identification method. As of October 1, 2017 and October 2, 2016, our allowance for doubtful accounts was $9.8 million and $9.4 million, respectively.

Inventories

Inventories are stated at the lower of cost (primarily moving average cost) or market. We record inventory reserves for obsolete and slow-moving inventory and for estimated shrinkage between physical inventory counts. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. As of October 1, 2017 and October 2, 2016, inventory reserves were $38.4 million and $39.6 million, respectively.

Property, Plant and Equipment

Property, plant and equipment, which includes assets under capital leases, are carried at cost less accumulated depreciation. Cost includes all direct costs necessary to acquire and prepare assets for use, including internal labor and overhead in some cases. Depreciation is computed using the straight-line method over estimated useful lives of the assets, generally ranging from 2 to 15 years for equipment and 30 to 40 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life, generally 10 years. For leases with renewal periods at our option, we generally use the original lease term, excluding renewal option periods, to determine estimated useful lives. If failure to exercise a renewal option imposes an economic penalty to us, we may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of the appropriate estimated useful lives.

The portion of depreciation expense related to production and distribution facilities is included in cost of sales including occupancy costs on our consolidated statements of earnings. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. When assets are disposed of, whether through retirement or sale, the net gain or loss is recognized in net earnings. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value less estimated costs to sell.

We evaluate property, plant and equipment for impairment when facts and circumstances indicate that the carrying values of such assets may not be recoverable. When evaluating for impairment, we first compare the carrying value of the asset to the asset's estimated future undiscounted cash flows. If the estimated undiscounted future cash flows are less than the carrying value of the asset, we determine if we have an impairment loss by comparing the carrying value of the asset to the asset's estimated fair value and recognize an impairment charge when the asset's carrying value exceeds its estimated fair value. The fair value of the asset is estimated using a discounted cash flow model based on forecasted future revenues and operating costs, using internal projections. Property, plant and equipment assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For company-operated store assets, the impairment test is performed at the individual store asset group level.

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We recognized net disposition charges of $46.9 million, $25.1 million, and $12.5 million in fiscal 2017, 2016, and 2015, respectively. Additionally, we recognized net impairment charges of $56.1 million, $24.1 million, and $25.8 million in fiscal 2017, 2016, and 2015, respectively, of which $39.9 million in fiscal 2017 were restructuring related and recorded in restructuring and impairment expenses. Unless it is restructuring related, the nature of the underlying asset that is impaired or disposed of will determine the operating expense line on which the related impact is recorded on our consolidated statements of earnings. For assets within our retail operations, net impairment and disposition charges are recorded in store operating expenses. For all other assets, these charges are recorded in cost of sales including occupancy costs, other operating expenses or general and administrative expenses.

Goodwill

We evaluate goodwill for impairment annually during our third fiscal quarter, or more frequently if an event occurs or circumstances change, such as material deterioration in performance or a significant number of store closures, that would indicate that impairment may exist. When evaluating goodwill for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit. Fair value is the price a willing buyer would pay for the reporting unit and is typically calculated using a discounted cash flow model. For certain reporting units, where deemed appropriate, we may also utilize a market approach for estimating fair value. If the carrying amount of the reporting unit exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value.

As part of our ongoing operations, we may close certain stores within a reporting unit containing goodwill due to underperformance of the store or inability to renew our lease, among other reasons. We may abandon certain assets associated with a closed store, including leasehold improvements and other non-transferable assets. When a portion of a reporting unit that constitutes a business is to be disposed of, goodwill associated with the business is included in the carrying amount of the business in determining any loss on disposal. Our evaluation of whether the portion of a reporting unit being disposed of constitutes a business occurs on the date of abandonment. Although an operating store meets the accounting definition of a business prior to abandonment, it does not constitute a business on the closure date because the remaining assets on that date do not constitute an integrated set of assets that are capable of being managed for the purpose of providing a return to investors. As a result, when closing individual stores, we do not include goodwill in the calculation of any loss on disposal of the related assets.

As noted above, if store closures are indicative of potential impairment of goodwill at the reporting unit level, we perform an evaluation of our reporting unit goodwill when such closures occur. Due to the strategic decision to close Teavana branded retail stores and our subsequent review of this reporting unit's fair value, we recorded goodwill impairment charges of $69.3 million during the third quarter of fiscal 2017.

Additionally, we recorded a partial goodwill impairment of $17.9 million related to our Switzerland retail reporting unit during the third quarter of fiscal 2017, primarily due to ongoing macro economic factors. There were no material goodwill impairment charges recorded during fiscal 2016 and 2015. Refer to Note 8, Other Intangible Assets and Goodwill, for further discussions.

Other Intangible Assets

Other intangible assets include finite-lived intangible assets, which mainly consist of acquired and reacquired rights, trade secrets, licensing agreements, contract-based patents and copyrights. These assets are amortized over their estimated useful lives and are tested for impairment using a similar methodology to our property, plant and equipment, as described above.

Indefinite-lived intangibles, which consist primarily of trade names and trademarks, are tested for impairment annually during the third fiscal quarter, or more frequently if an event occurs or circumstances change that would indicate that impairment may exist. When evaluating other intangible assets for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that an intangible asset group is impaired. If we do not perform the qualitative assessment, or if we determine that it is not more likely than not that the fair value of the intangible asset group exceeds its carrying amount, we calculate the estimated fair value of the intangible asset group. Fair value is the price a willing buyer would pay for the intangible asset group and is typically calculated using an income approach, such as a relief-from-royalty model. If the carrying amount of the intangible asset group exceeds the estimated fair value, an impairment charge is recorded to reduce the carrying value to the estimated fair value. In addition, we continuously monitor and may revise our intangible asset useful lives if and when facts and circumstances change.

There were no significant other intangible asset impairment charges recorded during fiscal 2017, 2016, and 2015.

Insurance Reserves

We use a combination of insurance and self-insurance mechanisms, including a wholly-owned captive insurance entity and participation in a reinsurance treaty, to provide for the potential liabilities for certain risks, including workers' compensation, healthcare benefits, general liability, property insurance and director and officers' liability insurance. Liabilities associated with the risks that are retained by us are not discounted and are estimated, in part, by considering historical claims experience, demographics, exposure and severity factors and other actuarial assumptions.

Revenue Recognition

Consolidated revenues are presented net of intercompany eliminations for wholly-owned subsidiaries and investees controlled by us and for product sales to and royalty and other fees from licensees accounted for under the equity method. Additionally, consolidated revenues are recognized net of any discounts, returns, allowances and sales incentives, including coupon redemptions and rebates.

Company-operated Store Revenues

Company-operated store revenues are recognized when payment is tendered at the point of sale. Company-operated store revenues are reported net of sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Licensed Store Revenues

Licensed store revenues consist of product and equipment sales to licensees, as well as royalties and other fees paid by licensees. Sales of coffee, tea, food and related products are generally recognized upon shipment to licensees, depending on contract terms. Shipping charges billed to licensees are also recognized as revenue, and the related shipping costs are included in cost of sales including occupancy costs on our consolidated statements of earnings.
Initial nonrefundable development fees for licensed stores are recognized upon substantial performance of services for new market business development activities, such as initial business, real estate and store development planning, as well as providing operational materials and functional training courses for opening new licensed retail markets. Additional store licensing fees are recognized when new licensed stores are opened. Royalty revenues based upon a percentage of reported sales, and other continuing fees, such as marketing and service fees, are recognized on a monthly basis when earned.

CPG, Foodservice and Other Revenues

CPG, foodservice and other revenues primarily include sales of packaged coffee and tea as well as a variety of ready-to-drink beverages and single-serve coffee and tea products to grocery, warehouse clubs and specialty retail stores, sales to our national foodservice accounts, and revenues from sales of products to and license fee revenues from manufacturers that produce and market Starbucks-, Seattle's Best Coffee- and Tazo-branded products through licensing agreements. Sales of coffee, tea, ready-to-drink beverages and related products to grocery and warehouse club stores are generally recognized when received by the customer or distributor, depending on contract terms. Revenues are recorded net of sales discounts given to customers for trade promotions and other incentives and for sales return allowances, which are determined based on historical patterns.

Revenues from sales of products to manufacturers that produce and market Starbucks-, Seattle's Best Coffee- and Tazo-branded products through licensing agreements are generally recognized when the product is received by the manufacturer or distributor. License fee revenues from manufacturers are based on a percentage of sales and are recognized on a monthly basis when earned. National foodservice account revenues are recognized when the product is received by the customer or distributor.

Sales to customers through CPG channels and national foodservice accounts, including sales to national distributors, are recognized net of certain fees paid to the customer. We characterize these fees as a reduction of revenue unless we are able to identify a sufficiently separable benefit from the customer's purchase of our products such that we could have entered into an exchange transaction with a party other than the customer in order to receive such benefit, and we can reasonably estimate the fair value of such benefit.

Stored Value Cards

Stored value cards, primarily Starbucks Cards, can be activated at our company-operated and most licensed store locations, online at StarbucksStore.com or via mobile devices held by our customers, and at certain other third party locations, such as grocery stores, although they cannot be reloaded at these third party locations. When an amount is loaded onto a stored value card at any of these locations, we recognize a corresponding liability for the full amount loaded onto the card, which is recorded within stored value card liability on our consolidated balance sheets.

Stored value cards can be redeemed at company-operated and most licensed stores, as well as online. When a stored value card is redeemed at a company-operated store or online, we recognize revenue by reducing the stored value card liability. When a stored value card is redeemed at a licensed store location, we reduce the corresponding stored value card liability and cash, which is reimbursed to the licensee.

There are no expiration dates on our stored value cards, and in most markets, we do not charge service fees that cause a decrement to customer balances. While we will continue to honor all stored value cards presented for payment, management may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances, if management also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, unredeemed card balances may then be recognized as breakage income, which is included in interest income and other, net on our consolidated statements of earnings. In fiscal 2017, 2016, and 2015, we recognized breakage income of $104.6 million, $60.5 million, and $39.3 million, respectively.

Loyalty Program

In the U.S. and Canada, effective April 2016, we modified our transaction-based loyalty program, My Starbucks Rewards® to a spend-based program, Starbucks Rewards™. For fiscal 2016, the existing transaction-based programs remain unchanged for other markets. During fiscal 2017, we launched Starbucks Rewards™ in Japan. Customers in the U.S., Canada, and certain other countries who register their Starbucks Card are automatically enrolled in the program. They earn loyalty points ("Stars") with each purchase at participating Starbucks® and Teavana™ stores, as well as on certain packaged coffee products purchased in select Starbucks® stores, online, and through CPG channels. After accumulating a certain number of Stars, the customer earns a reward that can be redeemed for free product that, regardless of where the related Stars were earned within that country, will be honored at company-operated stores and certain participating licensed store locations in that same country.

Regardless of whether it is a spend or transaction-based program, we defer revenue associated with the estimated selling price of Stars earned by our program members towards free product as each Star is earned, and a corresponding liability is established within stored value card liability on our consolidated balance sheets. The estimated selling price of each Star earned is based on the estimated value of the product for which the reward is expected to be redeemed, net of Stars we do not expect to be redeemed, based on historical redemption patterns. Stars generally expire if inactive for a period of six months.

When a customer redeems an earned reward, we recognize revenue for the redeemed product and reduce the related loyalty program liability.

Advertising

We expense most advertising costs as they are incurred, except for certain production costs that are expensed the first time the advertising takes place. Advertising expenses totaled $282.6 million, $248.6 million and $227.9 million in fiscal 2017, 2016, and 2015, respectively.

Store Preopening Expenses

Costs incurred in connection with the start-up and promotion of new store openings are expensed as incurred.

Leases

Operating Leases

We lease retail stores, roasting, distribution and warehouse facilities and office space for corporate administrative purposes under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, lease premiums, rent escalation clauses and/or contingent rent provisions. We recognize amortization of lease incentives, premiums and minimum rent expenses on a straight-line basis beginning on the date of initial possession, which is generally when we enter the space and begin to make improvements in preparation for intended use.

For tenant improvement allowances and rent holidays, we record a deferred rent liability within accrued liabilities, or other long-term liabilities, on our consolidated balance sheets and amortize the deferred rent over the terms of the leases as reductions to rent expense in cost of sales including occupancy costs on our consolidated statements of earnings.

For premiums paid upfront to enter a lease agreement, we record a prepaid rent asset in prepaid expenses and other non-current assets on our consolidated balance sheets and amortize the premium over the terms of the leases as additional rent expense in cost of sales including occupancy costs on our consolidated statements of earnings.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial possession, we record minimum rent expense on a straight-line basis over the terms of the leases in cost of sales including occupancy costs on our consolidated statements of earnings, with the adjustments to cash rent accrued as deferred rent in our consolidated balance sheets.

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Certain leases provide for contingent rent, which is determined as a percentage of gross sales in excess of specified levels. We record a contingent rent liability in accrued occupancy costs within accrued liabilities on our consolidated balance sheets and the corresponding rent expense when we determine that achieving the specified levels during the fiscal year is probable.

When ceasing operations of company-operated stores under operating leases, in cases where the lease contract specifies a termination fee due to the landlord, we record such expense at the time written notice is given to the landlord. In cases where terms, including termination fees, are yet to be negotiated with the landlord, we will record the expense upon signing of an agreement with the landlord. In cases where the landlord does not allow us to prematurely exit the lease, we recognize an expense equal to the present value of the remaining lease payments to the landlord less any projected sublease income at the cease-use date.

Lease Financing Arrangements

We are sometimes involved in the construction of leased buildings, primarily stores. When we qualify as the deemed owner of these buildings due to significant involvement during the construction period under build-to-suit lease accounting requirements and do not qualify for sales recognition under sales-leaseback accounting guidance, we record the cost of the related buildings in property, plant and equipment. The offsetting lease financing obligations are recorded in other long-term liabilities, with the current portion recorded in in accrued occupancy costs within accrued liabilities on our consolidated balance sheets. These assets and obligations are amortized in depreciation and amortization and interest expense, respectively, on our consolidated statements of earnings based on the terms of the related lease agreements.

Asset Retirement Obligations

We recognize a liability for the fair value of required asset retirement obligations (“ARO”) when such obligations are incurred. Our AROs are primarily associated with leasehold improvements, which, at the end of a lease, we are contractually obligated to remove in order to comply with the lease agreement. At the inception of a lease with such conditions, we record an ARO liability and a corresponding capital asset in an amount equal to the estimated fair value of the obligation. We estimate the liability using a number of assumptions, including store closing costs, cost inflation rates and discount rates, and accrete the liability to its projected future value over time. The capitalized asset is depreciated using the same depreciation convention as leasehold improvement assets. Upon satisfaction of the ARO conditions, any difference between the recorded ARO liability and the actual retirement costs incurred is recognized as a gain or loss in cost of sales including occupancy costs on our consolidated statements of earnings. As of October 1, 2017 and October 2, 2016, our net ARO assets included in property, plant and equipment were $12.4 million and $9.3 million, respectively, and our net ARO liabilities included in other long-term liabilities were $70.0 million and $67.9 million, respectively.

Stock-based Compensation

We maintain several equity incentive plans under which we may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units (“RSUs”) or stock appreciation rights to employees, non-employee directors and consultants. We also have an employee stock purchase plan (“ESPP”). RSUs issued by us are equivalent to nonvested shares under the applicable accounting guidance. We record stock-based compensation expense based on the fair value of stock awards at the grant date and recognize the expense over the related service period following a graded vesting expense schedule. Expense for performance-based RSUs is recognized when it is probable the performance goal will be achieved. Performance goals are determined by the Board of Directors and may include measures such as earnings per share, operating income and return on invested capital. The fair value of each stock option granted is estimated on the grant date using the Black-Scholes-Merton option valuation model. The assumptions used to calculate the fair value of options granted are evaluated and revised, as necessary, to reflect market conditions and our historical experience. The fair value of RSUs is based on the closing price of Starbucks common stock on the award date, less the present value of expected dividends not received during the vesting period. Compensation expense is recognized over the requisite service period for each separately vesting portion of the award, and only for those awards expected to vest, with forfeitures estimated at the date of grant based on our historical experience and future expectations.

Foreign Currency Translation

Our international operations generally use their local currency as their functional currency. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments are reported as a component of OCI and recorded in AOCI on our consolidated balance sheets.

Income Taxes

We compute income taxes using the asset and liability method, under which deferred income taxes are recognized based on the differences between the financial statement carrying amounts and the respective tax basis of our assets and liabilities. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which we expect the temporary differences to reverse. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date.

We routinely evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that some portion of the tax benefit will not be realized. In evaluating our ability to recover our deferred tax assets within the jurisdictions from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

In addition, our income tax returns are periodically audited by domestic and foreign tax authorities. These audits include review of our tax filing positions, including the timing and amount of deductions taken and the allocation of income between tax jurisdictions. We evaluate our exposures associated with our various tax filing positions and recognize a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the relevant taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of our position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. For uncertain tax positions that do not meet this threshold, we record a related liability. We adjust our unrecognized tax benefit liability and income tax expense in the period in which the uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new information becomes available.

Starbucks recognizes interest and penalties related to income tax matters in income tax expense on our consolidated statements of earnings. Accrued interest and penalties are included within the related tax liability on our consolidated balance sheets.

Stock Split

On April 9, 2015, we effected a two-for-one stock split of our $0.001 par value common stock for shareholders of record as of March 30, 2015. All share and per-share data in our consolidated financial statements and notes has been retroactively adjusted to reflect this stock split. We adjusted shareholders' equity to reflect the stock split by reclassifying an amount equal to the par value of the additional shares arising from the split from retained earnings to common stock during the second quarter of fiscal 2015, resulting in no net impact to shareholders' equity on our consolidated balance sheets.

Earnings per Share

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed based on the weighted average number of shares of common stock and the effect of dilutive potential common shares outstanding during the period, calculated using the treasury stock method. Dilutive potential common shares include outstanding stock options and RSUs. Performance-based RSUs are considered dilutive when the related performance criterion has been met.

Common Stock Share Repurchases

We may repurchase shares of Starbucks common stock under a program authorized by our Board of Directors, including pursuant to a contract, instruction or written plan meeting the requirements of Rule 10b5-1(c)(1) of the Securities Exchange Act of 1934. Under applicable Washington State law, shares repurchased are retired and not displayed separately as treasury stock on the financial statements. Instead, the par value of repurchased shares is deducted from common stock and the excess repurchase price over par value is deducted from additional paid-in capital and from retained earnings, once additional paid-in capital is depleted.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") amended its guidance on the financial reporting of hedging relationships. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness, expands permissible cash flow hedges on contractually specified components, and simplifies hedge documentation and effectiveness assessment. The guidance will be effective at the beginning of our first quarter of fiscal year 2020 and will require a modified retrospective approach on existing cash flow and net investment hedges. The presentation and disclosure requirements will be applied prospectively. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In January 2017, the FASB issued guidance that simplifies the measurement of goodwill impairment. Under this new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit's carrying value and fair value, but it is limited to the carrying value of goodwill. During the second quarter of fiscal 2017, we elected to early-adopt this guidance on a prospective basis.

In October 2016, the FASB issued guidance on the accounting for income tax effects of intercompany sales or transfers of assets other than inventory. The guidance requires entities to recognize the income tax impact of an intra-entity sale or transfer of an asset other than inventory when the sale or transfer occurs, rather than when the asset has been sold to an outside party. The guidance will require a modified retrospective application with a cumulative catch-up adjustment to opening retained earnings at the beginning of our first quarter of fiscal 2019 but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In June 2016, the FASB issued guidance on the measurement and recognition of credit losses on most financial assets. For trade receivables, loans, and held-to-maturity debt securities, the current probable loss recognition methodology is being replaced by an expected credit loss model. For available-for-sale debt securities, the recognition model on credit losses is generally unchanged, except the losses will be presented as an adjustable allowance. The guidance will be applied retrospectively with the cumulative effect recognized as of the date of adoption. The guidance will become effective at the beginning of our first quarter of fiscal 2021 but can be adopted as early as the beginning of our first quarter of fiscal 2020. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.

In March 2016, the FASB issued guidance related to stock-based compensation, which changes the accounting and classification of excess tax benefits and minimum tax withholdings on share-based awards. With this adoption, excess tax benefits and tax deficiencies related to stock-based compensation will be prospectively reflected as a reduction of, or increase in, income tax expense in our consolidated statement of earnings instead of additional paid-in capital on our consolidated balance sheet. Additionally, within our consolidated statement of cash flows, this guidance will require excess tax benefits to be presented as an operating activity, rather than a financing activity, in the same manner as other cash flows related to income taxes. As a result, we expect the adoption will have a significant impact on income tax expense and earnings per share, as reported in our consolidated statement of earnings and consolidated statement of cash flows. We will adopt this guidance in the first quarter of fiscal 2018. If the new guidance had been adopted for fiscal years 2017, 2016 and 2015, approximately $78 million, $125 million and $132 million, respectively, of excess net tax benefits recorded to additional paid-in capital would have been recorded as a reduction to income tax expense. Excess tax benefits or deficiencies are based on our stock price at the time stock options are exercised or when restricted stock units vest, therefore prior year amounts are not indicative of the future impact of this guidance.

In March 2016, the FASB issued guidance for financial liabilities resulting from selling prepaid stored value products that are redeemable at third-party merchants. Under the new guidance, expected breakage amounts associated with these products must be recognized proportionately in earnings as redemption occurs. Our current accounting policy of applying the remote method to all of our stored value cards, including cards redeemable at the third-party licensed locations, will no longer be allowed. We will adopt and implement the provisions of this guidance and the new revenue recognition standard issued by the FASB, as discussed below, in the first quarter of fiscal 2019.

In February 2016, the FASB issued guidance on the recognition and measurement of leases. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet for most leases. The guidance retains the current accounting for lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. Enhanced disclosures will also be required to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will require modified retrospective application at the beginning of our first quarter of fiscal 2020, with optional practical expedients, but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements. We expect this adoption will result in a material increase in the assets and liabilities on our consolidated balance sheets but will likely have an insignificant impact on our consolidated statements of earnings. In preparation for adoption of the guidance, we are in the process of implementing controls and key system changes to enable the preparation of financial information.

In April 2015, the FASB issued guidance on the financial statement presentation of debt issuance costs. This guidance requires these costs to be presented in the balance sheet as a reduction of the related debt liability rather than as an asset. We retrospectively adopted this guidance in the first quarter of fiscal 2017, which resulted in the reclassification of $17.0 million of debt issuance costs previously presented in prepaid expenses and other current assets and other long-term assets to long-term debt in our consolidated balance sheet as of October 2, 2016. Components of our long-term debt and aggregate debt issuance costs and unamortized premium are disclosed in Note 9, Debt.

In May 2014, the FASB issued guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. We are currently evaluating the overall impact this guidance will have on our consolidated financial statements, as well as the expected method of adoption. Based on our continued assessment, which may identify other accounting impacts, we have determined the adoption will change the timing of recognition and classification of our stored value card breakage income, which is currently recognized using the remote method and recorded in interest income and other, net. The new guidance will require application of the proportional method and classification within total net revenues on our consolidated statements of earnings. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. We will adopt this guidance in the first quarter of fiscal 2019.

Note 2: Acquisitions and Divestitures

Fiscal 2017

In the fourth quarter of fiscal 2017, we sold our company-operated retail store assets and operations in Singapore to Maxim's Caterers Limited, converting these operations to a fully licensed market, for a total of $119.9 million. This transaction resulted in a pre-tax gain of $83.9 million, which was included in interest income and other, net on our consolidated statements of earnings.

Fiscal 2016

During the third quarter of fiscal 2016, we sold our ownership interest in our Germany retail business to AmRest Holdings SE for a total of $47.3 million. This transaction converted these company-operated stores to a fully licensed market and resulted in an insignificant pre-tax gain, which was included in interest income and other, net on our condensed consolidated statements of earnings.

Fiscal 2015

During the fourth quarter of fiscal 2015, we sold our company-operated retail store assets and operations in Puerto Rico to Baristas Del Caribe, LLC, converting these operations to a fully licensed market, for a total of $8.9 million. This transaction resulted in an insignificant pre-tax gain, which was included in interest income and other, net on the consolidated statements of earnings.

On September 23, 2014, we entered into a tender offer bid agreement with Starbucks Coffee Japan, Ltd. (“Starbucks Japan”), at the time a 39.5% owned equity method investment, and our former joint venture partner, Sazaby League, Ltd. (“Sazaby”), to acquire the remaining 60.5% ownership interest in Starbucks Japan for approximately $876 million, through a two-step tender offer. Acquiring Starbucks Japan further leverages our existing infrastructure to continue disciplined retail store growth and expand our presence into other channels in the Japan market, such as CPG, licensing and foodservice.

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The following table summarizes the final allocation of the total consideration to the fair values of the assets acquired and liabilities assumed as of October 31, 2014, which are reported within our China/Asia Pacific segment (in millions):

Consideration:	
Cash paid for Sazaby's 39.5% equity interest	$508.7
Fair value of our preexisting 39.5% equity interest	577.0
Total consideration	$1,085.7
Fair value of assets acquired and liabilities assumed:	
Cash and cash equivalents	$224.4
Accounts receivable, net	37.4
Inventories	26.4
Prepaid expenses and other current assets	35.7
Property, plant and equipment	282.9
Other long-term assets	141.4
Other intangible assets	323.0
Goodwill	815.6
Total assets acquired	1,886.8
Accounts payable	(54.5)
Accrued liabilities	(115.9)
Stored value card liability	(36.5)
Deferred income taxes	(67.3)
Other long-term liabilities	(115.8)
Total liabilities assumed	(390.0)
Noncontrolling interest	(411.1)
Total consideration	$1,085.7

Other current and long-term assets acquired primarily include various deposits, specifically lease and key money deposits. Accrued liabilities and other long-term liabilities assumed primarily include financing obligations associated with build-to-suit leases as well as asset retirement obligations.

The intangible assets are finite-lived and include reacquired rights, licensing agreements with Starbucks Japan's current licensees and Starbucks Japan's customer loyalty program. The reacquired rights to exclusively operate licensed Starbucks® retail stores in Japan were assigned a fair value of $305.0 million; these rights will be amortized on a straight-line basis through March 2021. Amortization expense for these finite-lived intangible assets for fiscal year 2017 was $48.4 million, and, as of October 1, 2017, accumulated amortization was $139.1 million. Future amortization expense is estimated to be approximately $47.0 million each year for the next three years, $24.0 million in the fourth year and $5 million thereafter.

The $815.6 million of goodwill represents the intangible assets that do not qualify for separate recognition and primarily includes the acquired customer base, the acquired workforce including store partners in the region that have strong relationships with these customers, the existing geographic retail and online presence, and the expected geographic presence in new channels. The goodwill was allocated to the China/Asia Pacific segment and is not deductible for income tax purposes. Due to foreign currency translation, the balance of goodwill related to the acquisition decreased $32.2 million to $783.4 million as of October 1, 2017.

As a result of this acquisition, we remeasured the carrying value of our preexisting 39.5% equity method investment to fair value, which resulted in a pre-tax gain of $390.6 million that was presented separately as gain resulting from acquisition of joint venture within other income and expenses on the consolidated statements of earnings.

We began consolidating Starbucks Japan's results of operations and cash flows into our consolidated financial statements beginning after October 31, 2014. For the year ended September 27, 2015, Starbucks Japan's net revenues and net earnings included in our consolidated statement of earnings were $1.1 billion and $108.5 million, respectively.

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The following table provides the supplemental pro forma revenue and net earnings of the combined entity had the acquisition date of Starbucks Japan been the first day of our first quarter of fiscal 2014 rather than during our first quarter of fiscal 2015 (in millions):

	Pro Forma (unaudited) Year Ended Sep 27, 2015
Revenue	$ 19,254.5
Net earnings attributable to Starbucks	2,380.9

The amounts in the supplemental pro forma earnings for the period presented above fully eliminate intercompany transactions, apply our accounting policies and reflect adjustments for additional occupancy costs, depreciation and amortization that would have been charged assuming the same fair value adjustments to leases, property, plant and equipment and acquired intangibles had been applied on September 30, 2013, including the acquisition-related gain. These pro forma results are unaudited and are not necessarily indicative of results of operations that would have occurred had the acquisition actually occurred in the prior year period or indicative of the results of operations for any future period.

Note 3: Derivative Financial Instruments

Interest Rates

We are subject to interest rate volatility with regard to existing and future issuances of debt. From time to time, we enter into swap agreements to manage our exposure to interest rate fluctuations.

To hedge the variability in cash flows due to changes in benchmark interest rates, we enter into interest rate swap agreements related to anticipated debt issuances. These agreements are cash settled at the time of the pricing of the related debt. The effective portion of the derivative's gain or loss is recorded in accumulated other comprehensive income ("AOCI") and is subsequently reclassified to interest expense over the life of the related debt. During fiscal 2016, we entered into forward-starting interest rate swap agreements with an aggregate notional amount of $375 million related to the $500 million and $250 million of 5-year 2.100% Senior Notes (the "2021 notes") due February 2021 and $500 million of 10-year 2.450% Senior Notes (the "2026 notes") due June 2026. Refer to Note 9, Debt, for details of the components of our long-term debt. We cash settled these swap agreements at the time of pricing the 2021 and 2026 notes.

To hedge the exposure to changes in the fair value of our fixed-rate debt, we enter into interest rate swap agreements, which are designated as fair value hedges. The changes in fair value of these derivative instruments and the offsetting changes in fair values of the underlying hedged debt are recorded in interest expense and have an insignificant impact on our consolidated statement of earnings. We entered into an interest rate swap agreement during the third quarter of fiscal 2017 related to our 3.850% Senior Notes due in October 2023 ("2023 notes"). Refer to Note 9, Debt, for additional information on our long-term debt.

Foreign Currency

To reduce cash flow volatility from foreign currency fluctuations, we enter into forward and swap contracts to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases and intercompany borrowing and lending activities. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to revenue, cost of sales including occupancy costs or interest income and other, net, respectively, when the hedged exposure affects net earnings.

To mitigate foreign currency transaction risk of intercompany borrowings, we enter into cross-currency swap contracts, which are designated as cash flow hedges. Gains and losses from these swaps offset the changes in value of interest and principal payments as a result of changes in foreign exchange rates. There are no credit-risk-related contingent features associated with these swaps, although we may hold or post collateral depending upon the gain or loss position of the swap agreements.

We also enter into forward contracts or use foreign currency-denominated debt to hedge the foreign currency exposure of our net investment in certain international operations. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to net earnings when the hedged net investment is either sold or substantially liquidated.

To mitigate the foreign exchange risk of certain balance sheet items, we enter into foreign currency forward and swap contracts that are not designated as hedging instruments. Gains and losses from these derivatives are largely offset by the financial impact of translating foreign currency denominated payables and receivables; both are recorded in interest income and other, net.

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Commodities

Depending on market conditions, we may enter into coffee futures contracts and collars to hedge a portion of anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in Note 5, Inventories. The effective portion of each derivative's gain or loss is recorded in AOCI and is subsequently reclassified to cost of sales including occupancy costs when the hedged exposure affects net earnings.

To mitigate the price uncertainty of a portion of our future purchases, primarily of dairy products, diesel fuel and other commodities, we enter into swap contracts, futures and collars that are not designated as hedging instruments. Gains and losses from these derivatives are recorded in interest income and other, net and help offset price fluctuations on our beverage, food, packaging and transportation costs, which are included in cost of sales including occupancy costs on our consolidated statements of earnings.

Gains and losses on derivative contracts designated as hedging instruments included in AOCI and expected to be reclassified into earnings within 12 months, net of tax (in millions):

	Net Gains/(Losses) Included in AOCI			Net Gains/(Losses) Expected to be Reclassified from AOCI into Earnings within 12 Months	Contract Remaining Maturity (Months)
	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015		
Cash Flow Hedges:					
Interest rates	$17.6	$20.5	$30.1	$ 3.0	0
Cross-currency swaps	(6.0)	(7.7)	(27.8)	—	86
Foreign currency - other	(9.1)	(0.4)	29.0	(5.8)	36
Coffee	(6.6)	(1.6)	(5.7)	(6.6)	4
Net Investment Hedges:					
Foreign currency	16.2	1.3	1.3	0.1	0
Foreign currency debt	(2.2)	—	—	—	79

Pretax gains and losses on derivative contracts designated as hedging instruments recognized in other comprehensive income (“OCI”) and reclassifications from AOCI to earnings (in millions):

	Year Ended Gains/(Losses) Recognized in OCI Before Reclassifications			Gains/(Losses) Reclassified from AOCI to Earnings		
	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Cash Flow Hedges:						
Interest rates	$—	$(10.3)	$(6.8)	$4.8	$5.0	$3.2
Cross-currency swaps	59.5	(75.7)	11.4	57.2	(101.1)	46.2
Foreign currency - other	1.8	(25.4)	52.0	11.4	19.1	26.1
Coffee	(8.[illegible])	11.7	(9.0)	(2.7)	(2.8)	(3.5)
Net Investment Hedges:						
Foreign currency	23.6	—	4.3	—	—	7.2
Foreign currency debt	(3.5)	—	—	—	—	—

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Pretax gains and losses on non-designated derivatives and designated fair value hedging instruments recognized in earnings (in millions):

	Gains/(Losses) Recognized in Earnings		
	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Non-Designated Derivatives:			
Foreign currency - other	$4.6	$(5.7)	$27.1
Dairy	—	(5.5)	(3.8)
Diesel fuel and other commodities	1.3	(0.2)	(9.0)
Designated Fair Value Hedging Instruments:			
Interest rate swap	(5.2)	—	—

Notional amounts of outstanding derivative contracts (in millions):

	Oct 1, 2017	Oct 2, 2016
Interest rate swap	$750	$ —
Cross-currency swaps	514	660
Foreign currency - other	901	688
Coffee	—	7
Dairy	14	76
Diesel fuel and other commodities	41	46

Fair value of outstanding derivative contracts (in millions):

	Derivative Assets		Derivative Liabilities	
	Oct 1, 2017	Oct 2, 2016	Oct 1, 2017	Oct 2, 2016
Designated Derivative Instruments:				
Cross-currency swaps	$ 12.4	$ —	$9.8	$57.0
Foreign currency - other	7.7	20.8	20.8	24.0
Coffee	—	1.8	—	—
Net investment hedges	0.3	—	—	—
Interest rate swap	—	—	3.8	—
Non-designated Derivative Instruments:				
Foreign currency	15.8	6.2	1.4	6.5
Dairy	—	1.5	2.4	1.6
Diesel fuel and other commodities	1.6	3.8	0.3	0.5

Additional disclosures related to cash flow hedge gains and losses included in AOCI, as well as subsequent reclassifications to earnings, are included in Note 11, Equity.

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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 Oct 1, 2017	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	$2,462.3	$ 2,462.3	$ —	$ —
Short-term investments:				
Available-for-sale securities				
Agency obligations	7.5	—	7.5	—
Commercial paper	2.0	—	2.0	—
Corporate debt securities	49.4	—	49.4	—
Foreign government obligations	7.1	—	7.1	—
U.S. government treasury securities	81.4	81.4	—	—
Mortgage and other asset-backed securities	2.0	—	2.0	—
Certificates of deposit	2.3	—	2.3	—
Total available-for-sale securities	151.7	81.4	70.3	—
Trading securities	76.9	76.9	—	—
Total short-term investments	228.6	158.3	70.3	—
Prepaid expenses and other current assets:				
Derivative assets	13.4	0.1	13.3	—
Long-term investments:				
Available-for-sale securities				
Agency obligations	21.8	—	21.8	—
Corporate debt securities	207.4	—	207.4	—
Auction rate securities	5.9	—	—	5.9
Foreign government obligations	17.1	—	17.1	—
U.S. government treasury securities	127.4	127.4	—	—
State and local government obligations	7.0	—	7.0	—
Mortgage and other asset-backed securities	155.7	—	155.7	—
Total long-term investments	542.3	127.4	409.0	5.9
Other long-term assets:				
Derivative assets	24.4	—	24.4	—
Total assets	$3,271.0	$ 2,748.1	$ 517.0	$ 5.9
Liabilities:				
Accrued liabilities:				
Derivative liabilities	$16.4	$ 2.5	$ 13.9	$ —
Other long-term liabilities:				
Derivative liabilities	22.1	—	22.1	—
Total liabilities	$38.5	$ 2.5	$ 36.0	$ —

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	Balance at Oct 2, 2016	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	$2,128.8	$ 2,128.8	$ —	$ —
Short-term investments:				
Available-for-sale securities				
Agency obligations	1.3	—	1.3	—
Commercial paper	2.6	—	2.6	—
Corporate debt securities	34.2	—	34.2	—
Foreign government obligations	5.5	—	5.5	—
U.S. government treasury securities	15.8	15.8	—	—
State and local government obligations	0.5	—	0.5	—
Certificates of deposit	5.8	—	5.8	—
Total available-for-sale securities	65.7	15.8	49.9	—
Trading securities	68.7	68.7	—	—
Total short-term investments	134.4	84.5	49.9	—
Prepaid expenses and other current assets:				
Derivative assets	27.7	3.1	24.6	—
Long-term investments:				
Available-for-sale securities				
Agency obligations	44.4	—	44.4	—
Corporate debt securities	459.3	—	459.3	—
Auction rate securities	5.7	—	—	5.7
Foreign government obligations	46.7	—	46.7	—
U.S. government treasury securities	358.2	358.2	—	—
State and local government obligations	57.5	—	57.5	—
Mortgage and other asset-backed securities	169.9	—	169.9	—
Total long-term investments	1,141.7	358.2	777.8	5.7
Other long-term assets:				
Derivative assets	6.4	—	6.4	—
Total assets	$3,439.0	$ 2,574.6	$ 858.7	$ 5.7
Liabilities:				
Accrued liabilities:				
Derivative liabilities	$18.0	$ 1.7	$ 16.3	$ —
Other long-term liabilities:				
Derivative liabilities	71.6	—	71.6	—
Total	$89.6	$ 1.7	$ 87.9	$ —

There were no material transfers between levels and there was no significant activity within Level 3 instruments during the periods presented. The fair values of any financial instruments presented above exclude the impact of netting assets and liabilities when a legally enforceable master netting agreement exists.

Available-for-sale Securities

Long-term investments generally mature within 5 years. Proceeds from sales of available-for-sale securities were $999.7 million, $680.7 million, and $600.6 million for fiscal years 2017, 2016 and 2015, respectively. Realized gains and losses on sales and maturities of available-for-sale securities were not material for fiscal years 2017, 2016, and 2015. Gross unrealized holding gains and losses on available-for-sale securities were not material as of October 1, 2017 and October 2, 2016.

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Trading Securities

Trading securities include equity mutual funds and exchange-traded funds. Our trading securities portfolio approximates a portion of our liability under our Management Deferred Compensation Plan ("MDCP"), a defined contribution plan. Our MDCP liability was $105.9 million and $101.5 million as of October 1, 2017 and October 2, 2016, respectively. The changes in net unrealized holding gains and losses in the trading securities portfolio included in earnings for fiscal years 2017 and 2016 were net gains of $10.5 million and $3.6 million and a net loss of $4.5 million in fiscal year 2015. Gross unrealized holding gains and losses on trading securities were not material as of October 1, 2017 and October 2, 2016.

Derivative Assets and Liabilities

Derivative assets and liabilities include foreign currency forward contracts, commodity futures contracts, collars and swaps, which are described further in Note 3, Derivative Financial Instruments.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value 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. Impairment of property, plant, and equipment is included at Note 1, Summary of Significant Accounting Policies.

Other than the impairments discussed in Note 8, Other Intangible Assets and Goodwill, and the aforementioned fair value adjustments, there were no other material fair value adjustments during fiscal 2017 and 2016.

Fair Value of Other Financial Instruments

The estimated fair value of our long-term debt based on the quoted market price (Level 2) is included at Note 9, Debt.

Note 5: Inventories (in millions)

	Oct 1, 2017	Oct 2, 2016
Coffee:		
Unroasted	$541.0	$561.6
Roasted	301.1	300.4
Other merchandise held for sale	301.1	308.6
Packaging and other supplies	220.8	207.9
Total	$1,364.0	$1,378.5

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 October 1, 2017, we had committed to purchasing green coffee totaling $860 million under fixed-price contracts and an estimated $336 million under price-to-be-fixed contracts. As of October 1, 2017, none 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 most contracts, either Starbucks or the seller has the option to "fix" the base "C" coffee commodity price prior to the delivery date. For other contracts, Starbucks and the seller may agree upon pricing parameters determined by the base "C" coffee commodity price. 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.

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Note 6: Equity and Cost Investments (in millions)

	Oct 1, 2017	Oct 2, 2016
Equity method investments	$432.8	$305.7
Cost method investments	48.8	48.8
Total	$481.6	$354.5

Equity Method Investments

As of October 1, 2017, we had a 50% ownership interest in each of the following international equity method investees: President Starbucks Coffee (East China); Starbucks Coffee Korea Co., Ltd.; President Starbucks Coffee Corporation (Taiwan) Company Limited; and Tata Starbucks Limited (India). These international entities operate licensed Starbucks® retail stores. We further describe the pending transactions to acquire East China and to divest Taiwan in Note 15, Commitments and Contingencies.

We also license the rights to produce and distribute Starbucks-branded products to our 50% owned joint venture, The North American Coffee Partnership with the Pepsi-Cola Company, which develops and distributes bottled Starbucks® beverages, including Frappuccino® coffee drinks, Starbucks Doubleshot® espresso drinks, Starbucks Refreshers® beverages, and Starbucks® Iced Espresso Classics.

In the first quarter of fiscal 2016, we sold our 49% ownership interest in our Spanish joint venture, Starbucks Coffee España, S.L. (“Starbucks Spain”), to our joint venture partner, Sigla S.A. (Grupo Vips), for a total purchase price of $30.2 million. This transaction resulted in an insignificant pre-tax gain, which was included in interest income and other, net on our consolidated statements of earnings.

Our share of income and losses from our equity method investments is included in income from equity investees on our consolidated statements of earnings. Also included in this line item is our proportionate share of gross profit resulting from coffee and other product sales to, and royalty and license fee revenues generated from, equity investees. Revenues generated from these related parties were $187.3 million, $164.2 million, and $153.4 million in fiscal years 2017, 2016 and 2015, respectively. Related costs of sales were $109.3 million, $97.5 million, and $94.5 million in fiscal years 2017, 2016 and 2015, respectively. As of October 1, 2017 and October 2, 2016, there were $54.3 million and $55.7 million of accounts receivable from equity investees, respectively, on our consolidated balance sheets, primarily related to product sales and royalty revenues.

Cost Method Investments

As of October 1, 2017 and October 2, 2016, we had $23 million invested in equity interests of entities that develop and operate Starbucks® licensed stores in several global markets. We have the ability to acquire additional interests in some of these cost method investees at certain intervals. Depending on our total percentage ownership interest and our ability to exercise significant influence over financial and operating policies, additional investments may require application of the equity method of accounting.

Note 7: Supplemental Balance Sheet Information (in millions)

Property, Plant and Equipment, net

	Oct 1, 2017	Oct 2, 2016
Land	$46.9	$46.6
Buildings	481.7	458.4
Leasehold improvements	6,401.0	5,892.9
Store equipment	2,110.7	1,931.7
Roasting equipment	619.8	605.4
Furniture, fixtures and other	1,514.1	1,366.9
Work in progress	409.8	271.4
Property, plant and equipment, gross	11,584.0	10,573.3
Accumulated depreciation	(6,664.5)	(6,039.5)
Property, plant and equipment, net	$4,919.5	$4,533.8

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Accrued Liabilities

	Oct 1, 2017	Oct 2, 2016
Accrued compensation and related costs	$524.5	$510.8
Accrued occupancy costs	151.3	137.5
Accrued taxes	226.6	368.4
Accrued dividends payable	429.5	365.1
Accrued capital and other operating expenditures	602.6	617.3
Total accrued liabilities	$1,934.5	$1,999.1

Note 8: Other Intangible Assets and Goodwill

Indefinite-Lived Intangible Assets

(in millions)	Oct 1, 2017	Oct 2, 2016
Trade names, trademarks and patents	$212.1	$207.8
Other indefinite-lived intangible assets	15.1	15.1
Total indefinite-lived intangible assets	$227.2	$222.9

Additional disclosure regarding changes in our intangible assets due to acquisitions is included at Note 2, Acquisitions and Divestitures.

Goodwill

Changes in the carrying amount of goodwill by reportable operating segment (in millions):

	Americas	China/Asia Pacific	EMEA	Channel Development	All Other Segments	Total
Goodwill balance at September 27, 2015	$ 211.2	$ 804.1	$57.4	$ 23.8	$ 478.9	$1,575.4
Acquisition/(divestiture)	—	—	(2.6)	—	5.3	2.7
Other	0.4	140.8	0.3	—	—	141.5
Goodwill balance at October 2, 2016	$ 211.6	$ 944.9	$55.1	$ 23.8	$ 484.2	$1,719.6
Acquisition/(divestiture)	—	(7.6)	—	—	—	(7.6)
Impairment	—	—	(17.9)	—	(69.3)	(87.2)
Other	1.5	(87.1)	—	—	—	(85.6)
Goodwill balance at October 1, 2017	$ 213.1	$ 850.2	$37.2	$ 23.8	$ 414.9	$1,539.2

“Other” primarily consists of changes in the goodwill balance as a result of foreign currency translation.

During the third quarter of fiscal 2017, management finalized its long-term strategy for the Teavana reporting unit. The plan emphasizes sales of premium Teavana™ tea products at Starbucks branded stores and, to a lesser extent, consumer product channels. The existing portfolio of Teavana-branded retail stores are expected to be closed over the next several quarters. This change in strategic direction triggered an impairment test first of the retail store assets and then an impairment test of the goodwill asset, which also coincided with our annual goodwill testing process. For goodwill, we utilized a combination of income and market approaches to determine the implied fair value of the reporting unit. These approaches used primarily unobservable inputs, including discount, sales growth and royalty rates and valuation multiples of a selection of similar publicly traded companies, which are considered Level 3 fair value measurements. We then compared the implied fair value with the carrying value and recognized a goodwill impairment charge of $69.3 million, thus reducing goodwill of the Teavana reporting unit to $398.3 million as of October 1, 2017. The remaining intangible assets for the Teavana reporting unit of $117.2 million, consisting primarily of the indefinite-lived tradename and finite-lived tea recipes, were also tested, and no impairment losses were recorded.

The ongoing impact of the macro economic challenges we have experienced in our EMEA company-owned markets and the continued strength of the Swiss franc, when compared to the relatively inexpensive euro in surrounding countries, have posed strong headwinds to our Switzerland retail reporting unit. Our latest mitigation efforts incorporated into our Level 3 fair value calculation for our Switzerland retail business are not expected to fully recover the reporting unit's carrying value given the sustained nature of these and other external factors on consumer behavior and tourism. As a result, we recorded a goodwill impairment charge of $17.9 million in the third quarter of fiscal 2017, and, as of October 1, 2017, we had approximately $37 million of goodwill remaining on our condensed consolidated balance sheet associated with this reporting unit.

Finite-Lived Intangible Assets

(in millions)	Oct 1, 2017 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Oct 2, 2016 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired and reacquired rights	$328.8	$ (154.2)	$ 174.6	$361.3	$ (114.5)	$ 246.8
Acquired trade secrets and processes	27.6	(13.7)	13.9	27.6	(11.0)	16.6
Trade names, trademarks and patents	31.5	(17.6)	13.9	29.4	(15.2)	14.2
Licensing agreements	14.4	(3.8)	10.6	16.0	(2.8)	13.2
Other finite-lived intangible assets	6.7	(5.5)	1.2	7.2	(4.6)	2.6
Total finite-lived intangible assets	$409.0	$ (194.8)	$ 214.2	$441.5	$ (148.1)	$ 293.4

Amortization expense for finite-lived intangible assets was $57.5 million, $57.3 million, and $50.0 million during fiscal 2017, 2016 and 2015, respectively.

Estimated future amortization expense as of October 1, 2017 (in millions):

Fiscal Year Ending		
2018	$	55.7
2019	54.5	
2020	54.3	
2021	31.4	
2022	8.0	
Thereafter	10.3	
Total estimated future amortization expense	$	214.2

Additional disclosure regarding changes in our intangible assets due to acquisitions is included at Note 2, Acquisitions and Divestitures.

Note 9: Debt

Revolving Credit Facility and Commercial Paper Program

Our $1.5 billion unsecured, revolving credit facility with various banks, of which $150 million may be used for issuances of letters of credit, is available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases, and is currently set to mature on November 6, 2020. Starbucks has the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional $750 million. Borrowings under the credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the credit facility), in each case plus an applicable margin. The applicable margin is based on the better of (i) the Company's long-term credit ratings assigned by Moody's and Standard & Poor's rating agencies and (ii) the Company's fixed charge coverage ratio, pursuant to a pricing grid set forth in the credit agreement. The current applicable margin is 0.565% for Eurocurrency Rate Loans and 0.00% (nil) for Base Rate Loans. The credit facility contains provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of October 1, 2017, we were in compliance with all applicable covenants. No amounts were outstanding under our credit facility as of October 1, 2017.

Under our commercial paper program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of $1 billion, with individual maturities that may vary but not exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under our credit facility discussed above. The proceeds from borrowings under our commercial paper program may be used for working capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of October 1, 2017, availability under our commercial paper program was approximately $0 billion (which represents the full committed credit facility amount, as no amounts were outstanding under our commercial paper program).

In the first quarter of fiscal 2018 we entered into a new credit facility and commercial paper program. See Note 18, Subsequent Events for further detail.

Long-term Debt

In March 2017, we issued Japanese yen-denominated long-term debt in an underwritten registered public offering. The 7-year 0.372% Senior Notes (the “2024 notes”) due March 2024 were issued with a face value of ¥85 billion, of which ¥81 billion has been designated to hedge the foreign currency exposure of our net investment in Japan. Interest on the 2024 notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017.

In December 2016, we repaid the $400 million of 0.875% Senior Notes (the “2016 notes”) at maturity.

In May 2016, we issued long-term debt in an underwritten registered public offering, which consisted of $500 million of 10-year 2.450% Senior Notes (the “2026 notes”) due June 2026. Interest on the 2026 notes is payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2016.

In February 2016, we issued long-term debt in an underwritten registered public offering, which consisted of $500 million of 5-year 2.100% Senior Notes (the “2021 notes”) due February 2021. In May 2016, we reopened this offering with the same terms and issued an additional $250 million of Senior Notes (collectively, the “2021 notes”) for an aggregate amount outstanding of $750 million. Interest on the 2021 notes is payable semi-annually on February 4 and August 4 of each year, commencing on August 4, 2016.

In July 2015, we redeemed $550 million of 6.250% Senior Notes (the “2017 notes”) originally scheduled to mature in August 2017. The redemption resulted in a charge of $61.1 million, which is presented separately as loss on extinguishment of debt within other income and expenses on our consolidated statements of earnings. This loss primarily relates to the optional redemption payment as outlined in the 2017 notes indenture, as well as non-cash expenses related to the previously capitalized original issuance costs and accelerated amortization of the unamortized discount. In connection with the redemption, we also reclassified $2.0 million from accumulated other comprehensive income to interest expense on our consolidated statements of earnings related to remaining unrecognized losses from interest rate contracts entered into in conjunction with the 2017 notes and designated as cash flow hedges.

In June 2015, we issued long-term debt in an underwritten registered public offering, which consisted of $500 million of 7-year 2.700% Senior Notes (the “2022 notes”) due June 2022, and $350 million of 30-year 4.300% Senior Notes (the “2045 notes”) due June 2045. Interest on the 2022 and 2045 notes is payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2015.

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Components of long-term debt including the associated interest rates and related fair values by calendar maturity (in millions, except interest rates):

Issuance	Oct 1, 2017 Face Value	Oct 1, 2017 Estimated Fair Value	Oct 2, 2016 Face Value	Oct 2, 2016 Estimated Fair Value	Stated Interest Rate	Effective Interest Rate (1)
2016 notes	$—	$ —	$400.0	$ 400	0.875 %	0.941 %
2018 notes	350.0	352	350.0	357	2.000 %	2.012 %
2021 notes	500.0	501	500.0	511	2.100 %	2.293 %
2021 notes	250.0	250	250.0	255	2.100 %	1.600 %
2022 notes	500.0	508	500.0	526	2.700 %	2.819 %
2023 notes	750.0	806	750.0	839	3.850 %	2.859 %
2024 notes(2)	755.3	760	—	—	0.372 %	0.462 %
2026 notes	500.0	481	500.0	509	2.450 %	2.511 %
2045 notes	350.0	381	350.0	417	4.300 %	4.348 %
Total	3,955.3	4,039	3,600.0	3,814		
Aggregate debt issuance costs and unamortized premium/(discount), net	(17.5)		(14.8)			
Hedge accounting fair value adjustment(3)	(5.2)		—			
Total	$3,932.6		$3,585.2			

(1) Includes the effects of the amortization of any premium or discount and any gain or loss upon settlement of related treasury locks or forward-starting interest rate swaps utilized to hedge the interest rate risk prior to the debt issuance.

(2) Japanese yen-denominated long-term debt.

(3) Amount represents the change in fair value due to changes in benchmark interest rates related to our 2023 notes. Refer to Note 3, Derivative Financial Instruments, for additional information on our interest rate swap designated as a fair value hedge.

The indentures under which the above notes were issued also require us to maintain compliance with certain covenants, including limits on future liens and sale and leaseback transactions on certain material properties. As of October 2, 2017, we were in compliance with each of these covenants.

The following table summarizes our long-term debt maturities as of October 1, 2017 by fiscal year (in millions):

Fiscal Year	Total
2018	$—
2019	350.0
2020	—
2021	750.0
2022	500.0
Thereafter	2,355.3
Total	$3,955.3

Note 10: Leases

Rent expense under operating lease agreements (in millions):

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Minimum rent	$1,185.7	$1,092.5	$1,026.3
Contingent rent	143.5	130.7	111.5
Total	$1,329.2	$1,223.2	$1,137.8

Minimum future rental payments under non-cancelable operating leases and lease financing arrangements as of October 1, 2017 (in millions):

Fiscal Year Ending	Operating Leases	Lease Financing Arrangements
2018	$ 1,213.1	$ 4.1
2019	1,141.6	4.1
2020	1,068.6	4.1
2021	986.9	4.0
2022	888.1	3.9
Thereafter	3,315.2	38.9
Total minimum lease payments	$ 8,613.5	$ 59.1

We have subleases related to certain of our operating leases. During fiscal 2017, 2016 and 2015, we recognized sublease income of $15.5 million, $14.6 million, and $11.9 million, respectively. Additionally, as of October 1, 2017 and October 2, 2016, the gross carrying values of assets related to build-to-suit lease arrangements accounted for as financing leases were $94.3 million and $92.7 million, respectively, with associated accumulated depreciation of $9.0 million and $6.2 million, respectively. Lease exit costs associated with our restructuring efforts will be recognized concurrently with actual store closures. Total lease exit costs are expected to be approximately $153.7 million of which $15.7 million were recorded within restructuring and impairments on the consolidated statement of earnings in fiscal 2017.

Note 11: Equity

In addition to 2.4 billion shares of authorized common stock with $0.001 par value per share, we have authorized 7.5 million shares of preferred stock, none of which was outstanding at October 1, 2017.

We repurchased 37.5 million shares of common stock at a total cost of $2.1 billion, and 34.9 million shares at a total cost of $2.0 billion for the years ended October 1, 2017 and October 2, 2016, respectively. As of October 1, 2017, 80.3 million shares remained available for repurchase under current authorizations.

Comprehensive Income

Comprehensive income includes all changes in equity during the period, except those resulting from transactions with our shareholders. Comprehensive income is comprised of net earnings and other comprehensive income. Accumulated other comprehensive income reported on our consolidated balance sheets consists of foreign currency translation adjustments and other and the unrealized gains and losses, net of applicable taxes, on available-for-sale securities and on derivative instruments designated and qualifying as cash flow and net investment hedges.

Changes in accumulated other comprehensive income (“AOCI”) by component, for the years ended October 1, 2017, October 2, 2016, and September 27, 2015, net of tax,a re as follows:

(in millions)	Available-for-Sale Securities	Cash Flow Hedges	Net Investment Hedges	Translation Adjustment and Other	Total
October 1, 2017					
Net gains/(losses) in AOCI, beginning of period	$ 1.1	$ 10.9	$ 1.3	$ (121.7)	$ (108.4)
Net gains/(losses) recognized in OCI before reclassifications	(6.6)	40.6	12.7	(40.7)	6.0
Net (gains)/losses reclassified from AOCI to earnings	3.0	(55.6)	—	(0.6)	(53.2)
Other comprehensive income/(loss) attributable to Starbucks	(3.6)	(15.0)	12.7	(41.3)	(47.2)
Net gains/(losses) in AOCI, end of period	$ (2.5)	$ (4.1)	$ 14.0	$ (163.0)	$ (155.6)

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(in millions)	Available-for-Sale Securities	Cash Flow Hedges	Net Investment Hedges	Translation Adjustment and Other	Total
October 2, 2016					
Net gains/(losses) in AOCI, beginning of period	$ (0.1)	$ 25.6	$ 1.3	$ (226.2)	$ (199.4)
Net gains/(losses) recognized in OCI before reclassifications	2.2	(82.1)	—	104.5	24.6
Net (gains)/losses reclassified from AOCI to earnings	(1.0)	67.4	—	—	66.4
Other comprehensive income/(loss) attributable to Starbucks	1.2	(14.7)	—	104.5	91.0
Net gains/(losses) in AOCI, end of period	$ 1.1	$ 10.9	$ 1.3	$ (121.7)	$ (108.4)

(in millions)	Available-for-Sale Securities	Cash Flow Hedges	Net Investment Hedges	Translation Adjustment and Other	Total
September 27, 2015					
Net gains/(losses) in AOCI, beginning of period	$ (0.4)	$ 46.3	$ 3.2	$ (23.8)	$ 25.3
Net gains/(losses) recognized in OCI before reclassifications	0.9	30.8	2.7	(185.6)	(151.2)
Net (gains)/losses reclassified from AOCI to earnings	(0.6)	(51.5)	(4.6)	14.3	(42.4)
Other comprehensive income/(loss) attributable to Starbucks	0.3	(20.7)	(1.9)	(171.3)	(193.6)
Purchase of noncontrolling interest	—	—	—	(31.1)	(31.1)
Net gains/(losses) in AOCI, end of period	$ (0.1)	$ 25.6	$ 1.3	$ (226.2)	$ (199.4)

Impact of reclassifications from AOCI on the consolidated statements of earnings (in millions):

AOCI Components	Amounts Reclassified from AOCI Fiscal Year Ended			Affected Line Item in the Statements of Earnings
	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015	
Gains/(losses) on available-for-sale securities	$ (4.1)	$ 1.6	$ 1.0	Interest income and other, net
Gains/(losses) on cash flow hedges				
Interest rate hedges	4.8	5.0	3.2	Interest expense
Cross-currency swaps	57.2	(101.1)	46.2	Interest income and other, net
Foreign currency hedges	3.0	4.9	14.0	Revenue
Foreign currency/coffee hedges	5.7	11.4	8.6	Cost of sales including occupancy costs
Gains/(losses) on net investment hedges(1)	—	—	7.2	Gain resulting from acquisition of joint venture
Translation adjustment(2)				
Starbucks Japan	—	—	(7.2)	Gain resulting from acquisition of joint venture
Other	0.6	—	(7.1)	Interest income and other, net
	67.2	(78.2)	65.9	Total before tax
	(14.0)	11.8	(23.5)	Tax (expense)/benefit
	$ 53.2	$ (66.4)	$ 42.4	Net of tax

(1) Release of pretax cumulative net gains in AOCI related to our net investment derivative instruments used to hedge our preexisting 39.5% equity method investment in Starbucks Japan.

(2) Release of cumulative translation adjustments to earnings upon sale or liquidation of foreign business.

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Note 12: Employee Stock and Benefit Plans

We maintain several equity incentive plans under which we may grant non-qualified stock options, incentive stock options, restricted stock, restricted stock units ("RSUs") or stock appreciation rights to employees, non-employee directors and consultants. We issue new shares of common stock upon exercise of stock options and the vesting of RSUs. We also have an employee stock purchase plan ("ESPP").

As of October 1, 2017, there were 73.5 million shares of common stock available for issuance pursuant to future equity-based compensation awards and 13.3 million shares available for issuance under our ESPP.

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

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Options	$44.3	$42.7	$37.8
RSUs	131.7	175.4	172.0
Total stock-based compensation expense recognized in the consolidated statements of earnings	$176.0	$218.1	$209.8
Total related tax benefit	$57.6	$73.0	$72.3
Total capitalized stock-based compensation included in net property, plant and equipment and inventories on the consolidated balance sheets	$1.9	$1.5	$1.9

Stock Option Plans

Stock options to purchase our common stock are granted at the fair value of the stock on the grant date. The majority of options become exercisable in four equal installments beginning a year from the grant date and generally expire 10 years from the grant date. Options granted to non-employee directors generally vest over one to three years. All outstanding stock options are non-qualified stock options.

The fair value of stock option awards was estimated at the grant date with the following weighted average assumptions for fiscal years 2017, 2016 and 2015:

	Employee Stock Options Granted During the Period		
Fiscal Year Ended	2017	2016	2015
Expected term (in years)	3.9	3.9	4.2
Expected stock price volatility	21.6 %	23.9 %	22.3 %
Risk-free interest rate	1.5 %	1.2 %	1.1 %
Expected dividend yield	1.8 %	1.3 %	1.6 %
Weighted average grant price	$56.12	$60.20	$39.89
Estimated fair value per option granted	$8.56	$10.54	$6.58

The expected term of the options represents the estimated period of time until exercise and is based on historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future employee behavior. Expected stock price volatility is based on a combination of historical volatility of our stock and the one-year implied volatility of Starbucks traded options, for the related vesting periods. The risk-free interest rate is based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term. The dividend yield assumption is based on our anticipated cash dividend payouts. The amounts shown above for the estimated fair value per option granted are before the estimated effect of forfeitures, which reduce the amount of expense recorded in the consolidated statements of earnings.

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Stock option transactions for the year ended October 1, 2017 (in millions, except per share and contractual life amounts):

	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, October 2, 2016	31.3	$ 30.59	5.8	$ 771
Granted	7.1	56.12		
Exercised	(5.3)	23.16		
Expired/forfeited	(1.7)	51.13		
Outstanding, October 1, 2017	31.4	36.51	5.8	589
Exercisable, October 1, 2017	19.7	26.42	4.2	552
Vested and expected to vest, October 1, 2017	30.0	35.60	5.6	587

The aggregate intrinsic value in the table above, which is the amount by which the market value of the underlying stock exceeded the exercise price of outstanding options, is before applicable income taxes and represents the amount optionees would have realized if all in-the-money options had been exercised on the last business day of the period indicated.

As of October 1, 2017, total unrecognized stock-based compensation expense, net of estimated forfeitures, related to nonvested options was approximately $38 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2.7 years. The total intrinsic value of options exercised was $181 million, $254 million, and $358 million during fiscal years 2017, 2016 and 2015, respectively. The total fair value of options vested was $40 million, $37 million, and $36 million during fiscal years 2017, 2016 and 2015, respectively.

RSUs

We have both time-vested and performance-based RSUs. Time-vested RSUs are awarded to eligible employees and non-employee directors and entitle the grantee to receive shares of common stock at the end of a vesting period, subject solely to the employee’s continuing employment or the non-employee director's continuing service. The majority of time-vested RSUs vest in two equal annual installments beginning a year from the grant date. Our performance-based RSUs are awarded to eligible employees and entitle the grantee to receive shares of common stock if we achieve specified performance goals during the performance period and the grantee remains employed during the subsequent vesting period. The majority of performance-based RSUs vest in two equal annual installments beginning two years from the grant date.

RSU transactions for the year ended October 1, 2017 (in millions, except per share and contractual life amounts):

	Number of Shares	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Nonvested, October 2, 2016	8.3	$ 46.15	0.9	$ 448
Granted	5.1	54.30		
Vested	(4.3)	42.09		
Forfeited/canceled	(1.5)	51.05		
Nonvested, October 1, 2017	7.6	52.06	0.9	410

For fiscal 2016 and 2015, the weighted average fair value per RSU granted was $58.81 and $38.56, respectively. As of October 1, 2017, total unrecognized stock-based compensation expense related to nonvested RSUs, net of estimated forfeitures, was approximately $75 million, before income taxes, and is expected to be recognized over a weighted average period of approximately 2.0 years. The total fair value of RSUs vested was $182 million, $169 million and $137 million during fiscal years 2017, 2016 and 2015, respectively.

ESPP

Our ESPP allows eligible employees to contribute up to 10% of their base earnings toward the quarterly purchase of our common stock, subject to an annual maximum dollar amount. The purchase price is 95% of the fair market value of the stock on the last business day of the quarterly offering period. The number of shares issued under our ESPP was 0.5 million in fiscal 2017.

Deferred Compensation Plan

We have a Deferred Compensation Plan for Non-Employee Directors under which non-employee directors may, for any fiscal year, irrevocably elect to defer receipt of shares of common stock the director would have received upon vesting of restricted stock units. The number of deferred shares outstanding related to deferrals made under this plan is not material.

Defined Contribution Plans

We maintain voluntary defined contribution plans, both qualified and non-qualified, covering eligible employees as defined in the plan documents. Participating employees may elect to defer and contribute a portion of their eligible compensation to the plans up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws.

Our matching contributions to all U.S. and non-U.S. plans were $101.4 million, $86.2 million and $70.9 million in fiscal years 2017, 2016 and 2015, respectively.

Note 13: Income Taxes

Components of earnings before income taxes (in millions):

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
United States	$3,393.0	$3,415.7	$2,837.2
Foreign	924.5	782.9	1,065.8
Total earnings before income taxes	$4,317.5	$4,198.6	$3,903.0

Provision/(benefit) for income taxes (in millions):

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Current taxes:			
U.S. federal	$931.0	$704.1	$801.0
U.S. state and local	170.8	166.5	150.1
Foreign	216.6	218.5	172.2
Total current taxes	1,318.4	1,089.1	1,123.3
Deferred taxes:			
U.S. federal	121.2	351.3	56.5
U.S. state and local	14.2	25.8	4.0
Foreign	(21.2)	(86.5)	(40.1)
Total deferred taxes	114.2	290.6	20.4
Total income tax expense	$1,432.6	$1,379.7	$1,143.7

Reconciliation of the statutory U.S. federal income tax rate with our effective income tax rate:

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	2.8	3.0	2.8
Benefits and taxes related to foreign operations	(2.8)	(2.2)	(2.1)
Domestic production activity deduction	(1.8)	(1.9)	(2.2)
Gain resulting from acquisition of joint venture	—	—	(3.7)
Other, net	—	(1.0)	(0.5)
Effective tax rate	33.2 %	32.9 %	29.3 %

U.S. income and foreign withholding taxes have not been provided on approximately $3.7 billion of cumulative undistributed earnings of foreign subsidiaries and equity investees, including cumulative unrealized currency translation adjustments. We intend to reinvest these earnings for the foreseeable future. If these amounts were distributed to the U.S., in the form of

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dividends or otherwise, we would be subject to additional U.S. income taxes, which could be material. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because of the complexities with its hypothetical calculation, and the amount of liability, if any, is dependent on circumstances existing if and when remittance occurs.

Tax effect of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities (in millions):

	Oct 1, 2017	Oct 2, 2016
Deferred tax assets:		
Property, plant and equipment	$71.3	$56.8
Accrued occupancy costs	118.0	104.5
Accrued compensation and related costs	95.0	88.6
Stored value card liability	130.7	124.2
Stock-based compensation	125.9	138.3
Net operating losses	80.8	79.0
Litigation charge	792.0	862.3
Other	180.8	197.4
Total	$1,594.5	$1,651.1
Valuation allowance	(80.1)	(70.3)
Total deferred tax asset, net of valuation allowance	$1,514.4	$1,580.8
Deferred tax liabilities:		
Property, plant and equipment	(477.2)	(445.7)
Intangible assets and goodwill	(159.0)	(175.9)
Other	(89.1)	(88.5)
Total	(725.3)	(710.1)
Net deferred tax asset	$789.1	$870.7
Reported as:		
Deferred income tax assets	795.4	885.4
Deferred income tax liabilities (included in Other long-term liabilities)	(6.3)	(14.7)
Net deferred tax asset	$789.1	$870.7

The valuation allowance as of October 1, 2017 and October 2, 2016 is primarily related to net operating losses and other deferred tax assets of consolidated foreign subsidiaries.

As of October 1, 2017, we had state net operating loss carryforwards of $31.2 million which will begin to expire in fiscal 2024, state tax credit carryforwards of $18.0 million, of which $15.9 million will begin to expire in fiscal 2024 and the remainder will begin to expire in fiscal 2018, and foreign net operating loss carryforwards of $262.2 million, of which $207.3 million have an indefinite carryforward period and the remainder expire at various dates starting from fiscal 2018.

Uncertain Tax Positions

As of October 1, 2017, we had $196.9 million of gross unrecognized tax benefits of which $139.5 million, if recognized, would affect our effective tax rate. We recognized an expense of $5.2 million, a benefit of $3.6 million and an expense of $0.7 million of interest and penalties in income tax expense, prior to the benefit of the federal tax deduction, for fiscal 2017, 2016 and 2015, respectively. As of October 1, 2017 and October 2, 2016, we had accrued interest and penalties of $11.2 million and $7.7 million, respectively, within our consolidated balance sheets.

The following table summarizes the activity related to our unrecognized tax benefits (in millions):

	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Beginning balance	$146.5	$150.4	$112.7
Increase related to prior year tax positions	10.4	—	7.9
Decrease related to prior year tax positions	—	(23.6)	(0.9)
Increase related to current year tax positions	41.3	33.7	32.0
Decrease related to current year tax positions	—	—	(0.6)
Decreases related to settlements with taxing authorities	—	(3.1)	(0.7)
Decrease related to lapsing of statute of limitations	(1.3)	(10.9)	—
Ending balance	$196.9	$146.5	$150.4

We are currently under examination, or may be subject to examination, by various U.S. federal, state, local and foreign tax jurisdictions for fiscal years 2006 through 2016. We are no longer subject to U.S. federal or state examination for years prior to fiscal year 2011, with the exception of one state. We are no longer subject to examination in any material international markets prior to 2006.

It is reasonably possible that a portion of the Company's gross unrecognized tax benefits may be recognized by the end of fiscal 2018 as a result of a lapse of the statute of limitations or resolution of examinations with tax authorities. We estimate this range to be approximately $42 million to $75 million.

Note 14: Earnings per Share

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

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Net earnings attributable to Starbucks	$2,884.7	$2,817.7	$2,757.4
Weighted average common shares outstanding (for basic calculation)	1,449.5	1,471.6	1,495.9
Dilutive effect of outstanding common stock options and RSUs	12.0	15.1	17.5
Weighted average common and common equivalent shares outstanding (for diluted calculation)	1,461.5	1,486.7	1,513.4
EPS — basic	$1.99	$1.91	$1.84
EPS — diluted	$1.97	$1.90	$1.82

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. We had 11.4 million and 5.4 million out-of-the-money stock options as of October 1, 2017 and October 2, 2016, respectively. There were no out-of-the-money stock options as of September 27, 2015.

Note 15: Commitments and Contingencies

Contractual Commitments

In the fourth quarter of fiscal 2017, we signed an agreement to acquire the remaining 50% ownership of our East China joint venture from Uni-President Enterprises Corporation ("UPEC") and President Chain Store Corporation ("PCSC") for approximately $1.3 billion to unify our business operations across mainland China. The acquisition will convert these licensed stores to company-operated stores and is expected to close by early calendar year 2018, subject to regulatory approval and customary closing conditions. Concurrently, with the purchase of our East China joint venture, UPEC and PCSC will assume 100% ownership of Starbucks operations in Taiwan by acquiring our 50% interest in President Starbucks Coffee Taiwan Limited for approximately $175 million. The sale is also expected to close by early calendar year 2018.

Legal Proceedings

Starbucks is party to various other legal proceedings arising in the ordinary course of business, including, at times, certain employment litigation cases that have been certified as class or collective actions, but 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 16: Segment Reporting

Our chief executive officer and executive chairman comprise the Company's Chief Operating Decision Maker function ("CODM"). Segment information is prepared on the same basis that our CODM manages the segments, evaluates financial results, and makes key operating decisions.

We have four reportable operating segments: 1) Americas, inclusive of the U.S., Canada, and Latin America; 2) China/Asia Pacific ("CAP"); 3) Europe, Middle East, and Africa ("EMEA") and 4) Channel Development.

Americas, CAP, and EMEA operations sell coffee and other beverages, complementary food, packaged coffees, single-serve coffee products and a focused selection of merchandise through company-operated stores and licensed stores. Our Americas segment is our most mature business and has achieved significant scale. Certain markets within our CAP and EMEA operations are still in the early stages of development and require a more extensive support organization, relative to their current levels of revenue and operating income, than our Americas operations. The Americas, CAP and EMEA segments also include certain foodservice accounts, primarily in Canada, Japan and the U.K.

Channel Development operations sell a selection of packaged coffees and single-serve products, as well as a selection of premium Tazo® teas globally. Channel Development operations also produce and sell a variety of ready-to-drink beverages, such as Frappuccino® coffee drinks, Starbucks Doubleshot® espresso drinks, Starbucks Refreshers® beverages, Teavana™ tea beverages and chilled multi-serve beverages. The U.S. foodservice business, which is included in the Channel Development segment, sells coffee and other related products to institutional foodservice companies.

Consolidated revenue mix by product type (in millions):

Fiscal Year Ended	Oct 1, 2017		Oct 2, 2016		Sep 27, 2015	
Beverage	$12,915.0	58 %	$12,383.4	58 %	$11,115.4	58 %
Food	3,832.1	17 %	3,495.0	16 %	3,085.3	16 %
Packaged and single-serve coffees and teas	2,883.6	13 %	2,866.0	14 %	2,619.9	14 %
Other[1]	2,756.1	12 %	2,571.5	12 %	2,342.1	12 %
Total	$22,386.8	100%	$21,315.9	100%	$19,162.7	100%

[1] "Other" primarily consists of royalty and licensing revenues, beverage-related ingredients, serveware, and ready-to-drink beverages, among other items.

Information by geographic area (in millions):

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Net revenues:			
United States	$16,527.1	$15,774.8	$14,123.7
Other countries	5,859.7	5,541.1	5,039.0
Total	$22,386.8	$21,315.9	$19,162.7
Long-lived assets[1]:			
United States	$5,848.3	$6,012.8	$5,795.2
Other countries	3,234.0	3,541.8	2,639.9
Total	$9,082.3	$9,554.6	$8,435.1

[1] Long-lived assets for fiscal 2016 and fiscal 2015 have been adjusted for the adoption of new accounting guidance related to the reclassification of debt issuance costs as discussed in Note 1, Summary of Significant Accounting Policies.

No customer accounts for 10% or more of our revenues. Revenues are shown based on the geographic location of our customers. Revenues from countries other than the U.S. consist primarily of revenues from Japan, Canada, China and the U.K., which together account for approximately 77% of net revenues from other countries for fiscal 2017.

Management evaluates the performance of its operating segments based on net revenues and operating income. The accounting policies of the operating segments are the same as those described in Note 1, Summary of Significant

Accounting Policies.

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Operating income represents earnings before other income and expenses and income taxes. Management does not evaluate the performance of its operating segments using asset measures. The identifiable assets by segment disclosed in this note are those assets specifically identifiable within each segment and include cash and cash equivalents, net property, plant and equipment, equity and cost investments, goodwill, and other intangible assets. Assets not attributed to reportable operating segments below are corporate assets and are primarily comprised of cash and cash equivalents available for general corporate purposes, investments, assets of the corporate headquarters and roasting facilities, and inventory.

The table below presents financial information for our reportable operating segments and All Other Segments for the years ended October 1, 2017, October 2, 2016 and September 27, 2015.

(in millions)	Americas	China / Asia Pacific	EMEA	Channel Development	All Other Segments	Segment Total
Fiscal 2017						
Total net revenues	$15,652.7	$ 3,240.2	$1,013.7	$ 2,008.6	$ 471.6	$22,386.8
Depreciation and amortization expenses	615.0	202.2	31.3	2.2	10.1	860.8
Income from equity investees	—	197.0	—	194.4	—	391.4
Operating income/(loss)	3,663.2	765.0	116.1	893.4	(174.3)	5,263.4
Total assets	3,327.2	2,770.9	273.8	114.0	771.9	7,257.8
Fiscal 2016						
Total net revenues	$14,795.4	$ 2,938.8	$1,124.9	$ 1,932.5	$ 524.3	$21,315.9
Depreciation and amortization expenses	590.1	180.6	40.8	2.8	13.3	827.6
Income from equity investees	—	150.1	1.5	166.6	—	318.2
Operating income/(loss)	3,742.0	631.6	151.6	807.3	(38.4)	5,294.1
Total assets	3,424.6	2,740.2	552.1	67.1	861.1	7,645.1
Fiscal 2015						
Total net revenues	$13,293.4	$ 2,395.9	$1,216.7	$ 1,730.9	$ 525.8	$19,162.7
Depreciation and amortization expenses	522.3	150.7	52.0	2.7	16.3	744.0
Income from equity investees	—	119.6	3.1	127.2	—	249.9
Operating income/(loss)	3,223.3	500.5	168.2	653.9	(24.8)	4,521.1
Total assets	2,726.7	2,230.5	749.1	87.3	1,785.3	7,578.9

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

Fiscal Year Ended	Oct 1, 2017	Oct 2, 2016	Sep 27, 2015
Total segment operating income	$5,263.4	$5,294.1	$4,521.1
Unallocated corporate operating expenses	(1,128.7)	(1,122.2)	(920.1)
Consolidated operating income	4,134.7	4,171.9	3,601.0
Gain resulting from acquisition of joint venture	—	—	390.6
Loss on extinguishment of debt	—	—	(61.1)
Interest income and other, net	275.3	108.0	43.0
Interest expense	(92.5)	(81.3)	(70.5)
Earnings before income taxes	$4,317.5	$4,198.6	$3,903.0

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Note 17: Selected Quarterly Financial Information (unaudited; in millions, except EPS)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Fiscal 2017:					
Net revenues	$5,732.9	$5,294.0	$5,661.5	$5,698.3	$22,386.8
Operating income	1,132.6	935.4	1,044.2	1,022.5	4,134.7
Net earnings attributable to Starbucks	751.8	652.8	691.6	788.5	2,884.7
EPS — diluted	0.51	0.45	0.47	0.54	1.97
Fiscal 2016(1):					
Net revenues	$5,373.5	$4,993.2	$5,238.0	$5,711.2	$21,315.9
Operating income	1,058.0	864.2	1,022.3	1,227.5	4,171.9
Net earnings attributable to Starbucks	687.6	575.1	754.1	801.0	2,817.7
EPS — diluted	0.46	0.39	0.51	0.54	1.90

(1) The fiscal year ended on October 2, 2016, included 53 weeks, with the 53rd week falling in our fourth fiscal quarter.

Note 18: Subsequent Events

On October 25, 2017, we replaced our $1.5 billion 2016 credit facility with our new $2.0 billion unsecured 5-year revolving credit facility (the “2018 credit facility”), set to mature on October 25, 2022 and a $1.0 billion unsecured 364-Day credit facility (the “364-day credit facility”), set to mature on October 24, 2018. We have the option, subject to negotiation and agreement with the related banks, to increase either facility by an additional $500 million.

On October 27, 2017 we increased our commercial paper program from $1 billion to $3 billion, allowing us to issue unsecured commercial paper notes up to this maximum aggregate amount outstanding at any time.

On November 2, 2017, we entered into an agreement to sell assets associated with our Tazo brand including Tazo® signature recipes, intellectual property and inventory to Unilever for a total of $384.0 million. This transaction is subject to customary closing conditions, and Starbucks expects the closing date to occur in the first quarter of fiscal 2018. The transaction will result in a net gain and will be included in interest income and other, net on our consolidated statements of earnings. Results from Tazo operations are currently reported primarily in Channel Development.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Starbucks Corporation
Seattle, Washington

We have audited the accompanying consolidated balance sheets of Starbucks Corporation and subsidiaries (the "Company") as of October 1, 2017 and October 2, 2016, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the three years in the period ended October 1, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Starbucks Corporation and subsidiaries as of October 1, 2017 and October 2, 2016, and the results of their operations and their cash flows for each of the three years in the period ended October 1, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of October 1, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 17, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
Seattle, Washington
November 17, 2017

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fourth quarter of fiscal 2017, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report (October 1, 2017).

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.1 and 31.2, respectively, to this 10-K.

Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control — Integrated Framework (the “2013 Framework”), issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of October 1, 2017.

Our internal control over financial reporting as of October 1, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Starbucks Corporation
Seattle, Washington

We have audited the internal control over financial reporting of Starbucks Corporation and subsidiaries (the "Company") as of October 1, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 1, 2017, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the fiscal year ended October 1, 2017, of the Company and our report dated November 17, 2017 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Seattle, Washington
November 17, 2017

Item 9B. Other Information
None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our executive officers is set forth in Item 1 of Part 1 of this Report under the caption "Executive Officers of the Registrant."

We adopted a code of ethics that applies to our chief executive officer, executive chairman, chief financial officer, controller and other finance leaders, which is a "code of ethics" as defined by applicable rules of the SEC. This code is publicly available on our website at www.starbucks.com/about-us/company-information/corporate-governance. If we make any amendments to this code other than technical, administrative or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of this code to our chief executive officer, chief operating officer, chief financial officer or controller, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies on our website at www.starbucks.com/about-us/company-information/corporate-governance or in a report on Form 8-K filed with the SEC.

The remaining information required by this item is incorporated herein by reference to the sections entitled "Proposal 1 — Election of Directors" and "Beneficial Ownership of Common Stock — Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance — Board Committees and Related Matters" and "Corporate Governance — Audit and Compliance Committee" in our definitive Proxy Statement for the Annual Meeting of Shareholders to be held on March 21, 2018 (the "Proxy Statement").

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the sections entitled "Executive Compensation," "Compensation of Directors," "Corporate Governance — Compensation and Management Development Committee" and "Compensation Committee Report" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this item is incorporated by reference to the sections entitled "Equity Compensation Plan Information" and "Beneficial Ownership of Common Stock" in the Proxy Statement.

Item 13. Certain Relationships, Related Transactions and Director Independence

The information required by this item is incorporated by reference to the section entitled "Certain Relationships and Related Transactions" and "Corporate Governance — Affirmative Determinations Regarding Director Independence and Other Matters" in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the sections entitled "Independent Registered Public Accounting Firm Fees" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm" in the Proxy Statement.

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PART IV

Item 15. Exhibits, Financial Statement Schedules
(a) The following documents are filed as a part of this 10-K:

1. Financial Statements
The following financial statements are included in Part II, Item 8 of this 10-K:
- Consolidated Statements of Earnings for the fiscal years ended October 1, 2017, October 2, 2016, and September 27, 2015;
- Consolidated Statements of Comprehensive Income for the fiscal years ended October 1, 2017, October 2, 2016, and September 27, 2015;
- Consolidated Balance Sheets as of October 1, 2017 and October 2, 2016;
- Consolidated Statements of Cash Flows for the fiscal years ended October 1, 2017, October 2, 2016, and September 27, 2015;
- Consolidated Statements of Equity for the fiscal years ended October 1, 2017, October 2, 2016, and September 27, 2015;
- Notes to Consolidated Financial Statements; and
- Reports of Independent Registered Public Accounting Firm

2. Financial Statement Schedules
Financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or notes described in Item 15(a)(1) above.

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3. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Date of Filing	Exhibit Number	Filed Herewith
3.1	Restated Articles of Incorporation of Starbucks Corporation	10-Q	0-20322	4/28/2015	3.1	
3.2	Amended and Restated Bylaws of Starbucks Corporation (As amended and restated through September 13, 2016)	8-K	0-20322	9/16/2016	3.1	
4.1	Indenture, dated as of September 15, 2016, by and between Starbucks Corporation and U.S. Bank National Association, as trustee	S-3ASR	333-213645	9/15/2016	4.1	
4.2	First Supplemental Indenture, dated March 17, 2017, by and between Starbucks Corporate and U.S. Bank National Association, as trustee, transfer agent and registrar, and Elavon Financial Services, DAC, UK Branch, as paying agent (0.372% Senior Notes due 2024)	8-K	0-20322	3/20/2017	4.2	
4.3	Form of 0.372% Senior Note due March 15, 2024	8-K	0-20322	3/20/2017	4.3	
4.4	Indenture, dated as of August 23, 2007, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee	S-3ASR	333-190955	9/3/2013	4.1	
4.5	Second Supplemental Indenture, dated as of September 6, 2013, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (3.850% Senior Notes due October 1, 2023)	8-K	0-20322	9/6/2013	4.2	
4.6	Form of 3.850% Senior Notes due October 1, 2023	8-K	0-20322	9/6/2013	4.3	
4.7	Third Supplemental Indenture, dated as of December 5, 2013, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (0.875% Senior Notes due 2016 and 2.000% Senior Notes due 2018)	8-K	0-20322	12/5/2013	4.2	
4.8	Form of 2.000% Senior Notes due December 5, 2018	8-K	0-20322	12/5/2013	4.4	
4.9	Fourth Supplemental Indenture, dated as of June 10, 2015, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (2.700% Senior Notes due June 15, 2022 and 4.300% Senior Notes due June 15, 2045)	8-K	0-20322	6/10/2015	4.2	
4.10	Form of 2.700% Senior Notes due June 15, 2022	8-K	0-20322	6/10/2015	4.3	
4.11	Form of 4.300% Senior Notes due June 15, 2045	8-K	0-20322	6/10/2015	4.4	
4.12	Fifth Supplemental Indenture, dated as of February 4, 2016, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (2.100% Senior Notes due February 4, 2021)	8-K	0-20322	2/4/2016	4.2	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Date of Filing	Exhibit Number	Filed Herewith
4.13	Form of 2.100% Senior Notes due February 4, 2021	8-K	0-20322	2/4/2016	4.3	
4.14	Sixth Supplemental Indenture, dated as of May 16, 2016, by and between Starbucks Corporation and Deutsche Bank Trust Company Americas, as trustee (2.450% Senior Notes due June 15, 2026)	8-K	0-20322	5/16/2016	4.4	
4.15	Form of 2.450% Senior Notes due June 15, 2026	8-K	0-20322	5/16/2016	4.5	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Date of Filing	Exhibit Number	Filed Herewith
10.1*	Starbucks Corporation Amended and Restated 1989 Stock Option Plan for Non-Employee Directors	10-K	0-20322	12/23/2003	10.2	
10.2*	Starbucks Corporation Employee Stock Purchase Plan — 1995 as amended and restated on April 9, 2015 to reflect adjustments for the 2-for-1 forward stock split effective on such date	10-Q	0-20322	8/1/2017	10.1	
10.3	Amended and Restated Lease, dated as of January 1, 2001, between First and Utah Street Associates, L.P. and Starbucks Corporation	10-K	0-20322	12/20/2001	10.5	
10.4*	Starbucks Corporation Executive Management Bonus Plan, as amended and restated November 10, 2015, effective September 28, 2015	10-K	0-20322	11/18/2016	10.4	
10.5*	Starbucks Corporation Management Deferred Compensation Plan, as amended and restated effective January 1, 2011	10-Q	0-20322	2/4/2011	10.2	
10.6*	Starbucks Corporation UK Share Save Plan	10-K	0-20322	12/23/2003	10.9	
10.7*	Starbucks Corporation Directors Deferred Compensation Plan, as amended and restated effective September 29, 2003	10-K	0-20322	12/23/2003	10.10	
10.8*	Starbucks Corporation Deferred Compensation Plan for Non-Employee Directors, effective October 3, 2011	10-K	0-20322	11/18/2011	10.11	
10.9*	Starbucks Corporation UK Share Incentive Plan, as amended and restated effective November 14, 2006	10-K	0-20322	12/14/2006	10.12	
10.10*	Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as amended and restated effective March 20, 2013, and as restated on April 9, 2015 to reflect adjustments for the 2-for-1 forward stock split effective on such date	10-Q	0-20322	4/28/2015	10.4	
10.11*	2005 Key Employee Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as amended and restated effective November 15, 2005	10-Q	0-20322	2/10/2006	10.2	
10.12*	2005 Non-Employee Director Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan, as amended and restated effective March 22, 2016	10-Q	0-20322	04/26/2016	10.1	
10.13*	Form of Stock Option Grant Agreement for Purchase of Stock under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan	10-Q	0-20322	5/2/2012	10.1	
10.14*		10-K	0-20322	11/18/2016	10.14	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Date of Filing	Exhibit Number	Filed Herewith
10.15*	Form of Stock Option Grant Agreement for Purchase of Stock under the 2005 Non-Employee Director Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan	10-Q	0-20322	04/26/2016	10.2	
10.16*	Form of Restricted Stock Unit Grant Agreement under the 2005 Non-Employee Director Sub-Plan to the Starbucks Corporation 2005 Long-Term Equity Incentive Plan	10-Q	0-20322	04/26/2016	10.3	
10.17	Credit Agreement, dated October 25, 2017, among Starbucks Corporation, Bank of America, N.A., in its capacity as Administrative Agent, Swing Line Lender and L/C Issuer, Wells Fargo Bank, N.A., Citibank, N.A. and U.S. Bank National Association, as L/C Issuers, and the other Lenders from time to time a party thereto.	8-K	0-20322	10/30/2017	10.1	
10.18	364-Day Credit Agreement, dated October 25, 2017, among Starbucks Corporation, Bank of America, N.A., in its capacity as Administrative Agent and Swing Line Lender, and the other Lenders from time to time a party thereto.	8-K	0-20322	10/30/2017	10.2	
10.19	Form of Commercial Paper Dealer Agreement between Starbucks Corporation, as Issuer, and the Dealer	8-K	0-20322	7/29/2016	10.1	
10.20*	Letter Agreement dated February 21, 2008 between Starbucks Corporation and Clifford Burrows	10-Q	0-20322	5/8/2008	10.3	
10.21*	Form of Time Vested Restricted Stock Unit Grant Agreement (U.S.) under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan	10-K	0-20322	11/18/2011	10.30	
10.22*	Form of Time Vested Global Restricted Stock Unit Grant Agreement under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan	10-K	0-20322	11/18/2016	10.21	
10.23*	Form of Performance Based Global Restricted Stock Unit Grant Agreement under the Key Employee Sub-Plan to the 2005 Long-Term Equity Incentive Plan	10-K	0-20322	11/18/2016	10.22	
10.24*	Form of Global Key Employee Restricted Stock Unit Grant Agreement					X
10.25*	Form of Global Key Employee Stock Option Grant Agreement for Purchase of Stock under the 2005 Long-Term Equity Incentive Plan					X
10.26*	Form of Global Key Employee Restricted Stock Unit Grant Agreement (Performance-Based)					X
10.27*	Exclusive Aircraft Sublease (S/N 6003) dated as of September 27, 2013 by and between Cloverdale Services, LLC and Starbucks Corporation	10-Q	0-20322	4/29/2014	10.3	

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Date of Filing	Exhibit Number	Filed Herewith
10.28*	Letter Agreement dated November 30, 2009 between Starbucks Corporation and John Culver	10-Q	0-20322	2/2/2010	10.3	
10.29*	Letter Agreement dated May 16, 2012 between Starbucks Corporation and Lucy Lee Helm	10-K	0-20322	11/14/2014	10.33	
10.30*	Letter Agreement dated January 29, 2014 between Starbucks Corporation and Scott Maw	8-K	0-20322	1/29/2014	10.2	
10.31*	Offer Letter dated March 23, 2017 between Starbucks Corporation and Kevin Johnson	10-Q	0-20322	5/2/2017	10.1	
10.32*	Offer Letter dated August 23, 2017 between Starbucks Corporation and Rosalind Brewer	8-K	0-20322	9/6/2017	10.1	

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Date of Filing	Exhibit Number	
12	Computation of Ratio of Earnings to Fixed Charges	—	—	—	—	X
21	Subsidiaries of Starbucks Corporation	—	—	—	—	X
23	Consent of Independent Registered Public Accounting Firm	—	—	—	—	X
24	Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K)	—	—	—	—	X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	—	X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	—	—	—	—	X
32**	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	—	—	—	—	
101	The following financial statements from the Company's 10-K for the fiscal year ended October 1, 2017, formatted in XBRL: (i) Consolidated Statements of Earnings, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, and (vi) Notes to Consolidated Financial Statements	—	—	—	—	X

* Denotes a management contract or compensatory plan or arrangement.
**Furnished herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STARBUCKS CORPORATION

By: /s/ Kevin R. Johnson
Kevin R. Johnson
president and chief executive officer

November 17, 2017

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Kevin R. Johnson and Scott Maw, and each of them, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or such person's substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of November 17, 2017.

Signature	Title
By: /s/ Kevin R. Johnson Kevin R. Johnson	president and chief executive officer, director (principal executive officer)
By: /s/ Scott Maw Scott Maw	executive vice president, chief financial officer (principal financial officer and principal accounting officer)
By: /s/ Howard Schultz Howard Schultz	executive chairman
By: /s/ William W. Bradley William W. Bradley	director
By: /s/ Rosalind G. Brewer Rosalind G. Brewer	director
By: /s/ Mary N. Dillon Mary N. Dillon	director
By: /s/ Robert M. Gates Robert M. Gates	director

	Signature	Title
By:	/s/ Mellody Hobson Mellody Hobson	director
By:	/s/ Jørgen Vig Knudstorp Jørgen Vig Knudstorp	director
By:	/s/ Satya Nadella Satya Nadella	director
By:	/s/ Joshua Cooper Ramo Joshua Cooper Ramo	director
By:	/s/ Clara Shih Clara Shih	director
By:	/s/ Javier G. Teruel Javier G. Teruel	director
By:	/s/ Myron E. Ullman, III Myron E. Ullman, III	director
By:	/s/ Craig E. Weatherup Craig E. Weatherup	director