



Starbucks Coffee Company US Store Closures Prepared Remarks

These prepared remarks should be viewed solely in conjunction with the Company's first quarter fiscal 2008 financial press release, which can be found at: <http://investor.starbucks.com>. These remarks include forward-looking statements about trends in or expectations regarding store openings, comparable store sales, net revenue, earnings per share, effective tax rate, operating margin, cost of sales including occupancy costs and commodity costs. These forward-looking statements are all based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements are contained in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section of Starbucks Annual Report on Form 10-K for the fiscal year ended September 30, 2007. The Company assumes no obligation to update any of these forward-looking statements.



Remarks from Pete Bocian, executive vice president and cfo

Thanks Christy, and good afternoon everyone. I hope you have had a chance to read the release we issued a little while ago.

We thought it was important to have this call to provide some context around this decision. During today's call, I will make a few brief remarks about today's announcement to close 600 underperforming company-operated stores in the U.S., and then open the call up for Q and A.

After completing a thorough analysis of the U.S. company-operated portfolio, we identified and made a decision to close approximately 600 stores. This compares to the 100 store target we previously announced.

As a note, I had communicated in the beginning of June at the Goldman Conference in New York that we had developed a watch list of stores above the 100.

This decision was the result of work done by both the field leadership teams and our executives, along with a discussion and review with the Board.



We used several criteria to identify stores for closure, that included:

- Locations that were not profitable at the store level and not projected to provide acceptable returns in the foreseeable future.
- We also used site- and market-specific criteria, and consideration was given to the impact of the current and anticipated economic trends.

These stores account for about 8 percent of our U.S. company-operated store portfolio.

Approximately 70 percent of the stores were opened since the beginning of fiscal 2006...And these stores represent about 19 percent of the stores opened from 2006 to 2008, with the largest part from the 2007 age class. The process to open the majority of these stores took place in fiscal 2006 and early fiscal 2007.

The stores are spread across all major U.S. markets.

While many of the store closures have yet to be scheduled, we expect the vast majority will close in Q4 of fiscal 08 and the first half of fiscal 09.

Also, the vast majority of stores have another company-operated store in close proximity, which should help in both customer and partner retention.

On average, each store has about 20 full-time and part-time positions. The closures affect approximately 7 percent of our global workforce.

We hire thousands of retail partners to support our stores every month and we have a plan to place partners into other stores, whenever and wherever possible.

We also took a hard look at 2009, and believe we still have opportunities to open new locations with strong returns on capital. However, we have trimmed the number of planned new U.S. company-operated stores to fewer than 200 for 2009.



When you're looking at the number of stores we had targeted for fiscal 08 and 09, combined, we are removing 550 stores from the previous store count targets...500 incremental closures, and 50 fewer stores in 09.

Going forward, we are committed to continuing to use this much higher level of scrutiny on store performance, to ensure we take action earlier to deliver on the business case returns.

As Christy mentioned, we have our normal quarterly earnings conference call on July 30th. I'll address the impact of the store closures on our fiscal 2008 guidance on that call.

In today's announcement, we believe we have improved the profit potential of the U.S. store portfolio, and also reduced the capital required in fiscal 09 for new stores in the U.S.

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