Starbucks Corporation
Simplified Overview of Starbucks East China - From Joint Venture to Company-Operated in FY18

		Joint Venture Model	Company-Operated Model	
		Pre-acquisition - Starbucks owns 50% of Starbucks East China	Post-acquisition - Starbucks owns 100% of Starbucks East China	
		Impact of Starbucks East China Joint Venture in CAP segment[1]	Acquisition-related items	Starbucks East China results recorded in CAP segment[1]
Net revenues:				
Company-operated stores		—	—	100%
Licensed stores[2]		Royalties & product sales	—	100%
CPG, food service and other		—	—	100%
Total net revenues	**(A)**	Royalties & product sales	—	100%
Cost of sales including occupancy costs[2]		Product COGS	Integration costs[3]	100%
Store operating expenses		—	Integration costs[3]	100%
Other operating expenses		—	—	100%
Depreciation and amortization expenses		—	Integration costs[3]	100%
General and administrative expenses		—	Integration[3] & transaction[4] costs	100%
Total operating expenses	**(B)**	Product COGS	Integration & transaction costs	100%
Income from equity investees	**(C)**	50% of Starbucks East China's earnings, net of Chinese taxes	—	—
Operating income	**(D)**	**= (A) - (B) + (C)**	**= (A) - (B) + (C)**	**= (A) - (B) + (C)**
		Amounts below operating income only impact unallocated corporate expenses (no impact to CAP segment results)		
Gain resulting from acquisition of joint venture	**(E)**	—	Gain on 50% interest[5]	—
Interest income and other, net	**(F)**	—	—	—
Earnings before income taxes	**(G)**	**= (D) + (E) + (F)**	**= (D) + (E) + (F)**	**= (D) + (E) + (F)**
Income tax expense	**(H)**	Applicable rates x **(G)**	Applicable rates x **(G)**	Applicable rates x **(G)**
Net earnings including noncontrolling interests	**(I)**	**= (G) - (H)**	**= (G) - (H)**	**= (G) - (H)**
Net earnings attributable to noncontrolling interests	**(J)**	—	—	—
Net earnings attributable to Starbucks		**= (I) - (J)**	**= (I) - (J)**	**= (I) - (J)**

Notes:

(1) Represents the portion of Starbucks East China's results reflected in our consolidated and China/Asia Pacific ("CAP") segment statements of earnings on a US GAAP basis.

(2) Represents Starbucks sales of products to Starbucks East China, related product costs of goods sold, and royalties earned, which is based on a percentage of Starbucks East China sales. These revenue streams and related product COGS will be fully eliminated under the company-operated model.

(3) Will include the amortization of significant acquired intangible assets as well as depreciation for technology integration investments and compensation-related costs.

(4) Transaction costs will be primarily recorded in unallocated corporate G&A. Integration costs may be recorded in both unallocated corporate G&A and the CAP segment.

(5) In Q1 FY18, we recorded a gain to bring the Company's existing 50% ownership in Starbucks East China up to its fair value.