

Whole Foods Market (NASDAQ: WFMI), the largest natural and organic foods retailer



goal of \$10 billion in sales by the year 2010



by building larger stores with an emphasis on perishables, we have differentiated ourselves from our competitors

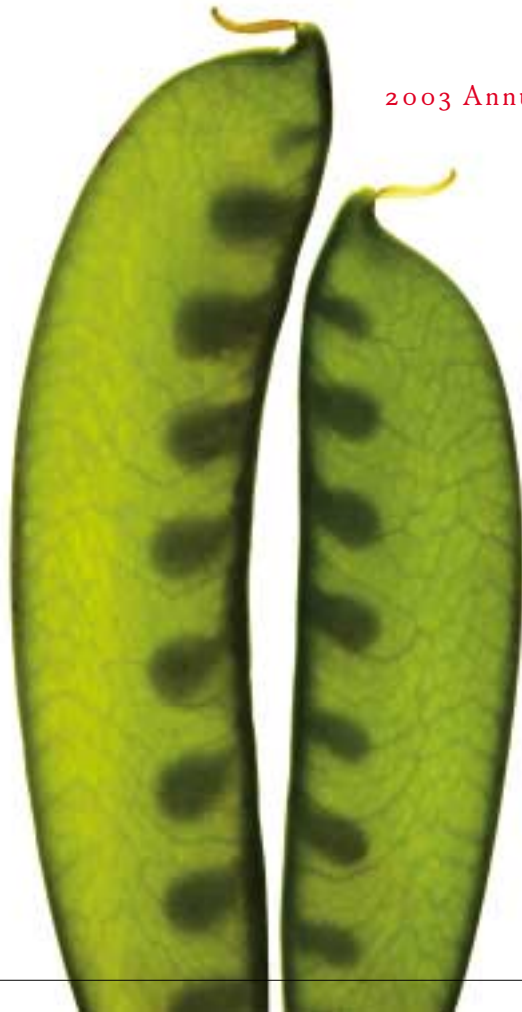


2003 Annual Report

145 stores totaling 4.5 million square feet



national certified organic procer



Selling the highest quality natural and organic products available

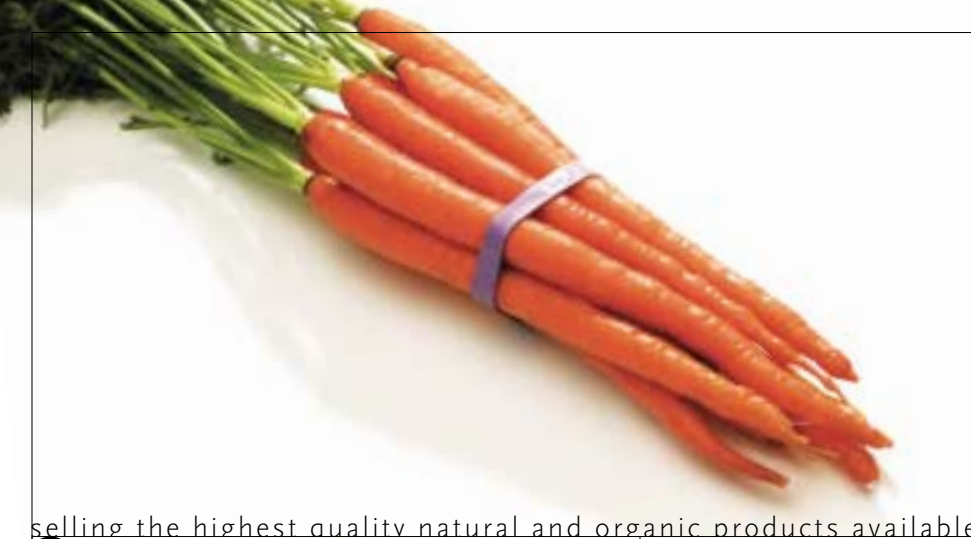
Core values:

creating wealth through profits and growth

satisfying and delighting our customers

caring about our communities and our environment

team member happiness and excellence



Financial Highlights

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|--|--------------|------------|------------|------------|------------|
| SALES (000s) | \$ 3,148,593 | 2,690,475 | 2,272,231 | 1,838,630 | 1,492,519 |
| OPERATING INCOME (000s) | 175,334 | 149,146 | 111,718 | 100,693 | 72,064 |
| DILUTED EPS FROM CONTINUING OPERATIONS | \$ 1.66 | 1.40 | 0.92 | 0.53 | 0.73 |
| NUMBER OF STORES AT END OF FISCAL YEAR | 145 | 135 | 126 | 117 | 100 |
| AVERAGE WEEKLY SALES PER STORE | \$ 424,000 | \$ 393,000 | \$ 353,000 | \$ 325,000 | \$ 310,000 |
| COMPARABLE STORE SALES INCREASE | 8.6% | 10.0% | 9.2% | 8.6% | 7.7% |

Dear Fellow Stakeholders:

Our core values reflect the sense of collective fate among our stakeholders and are the soul of our company. Our Team Members, customers, shareholders, vendors, community and environment must flourish together through their affiliation with us or we are not succeeding as a business. It is leadership's role to balance the needs and desires of all our stakeholders and increase the productivity of Whole Foods Market. By growing the collective pie, we create larger slices for all of our stakeholders.

In last year's letter, I shared three challenges that I saw in fiscal year 2003: continuing to improve our operations, increasing our store development pipeline, and successfully integrating the Harry's stores into our company. During a year full of unusual events including continued weakness in the economy, the outbreak of war, extreme weather across various parts of the country, and a power blackout in the Northeast, I am pleased that we successfully met these challenges and delivered strong results.

Our sales grew 17% to just over \$3.1 billion. Our comparable store sales increased 8.6% for the year despite a tough 10% comparison in the prior year. We opened 12 new stores, ending the year with 145 stores totaling approximately 4.5 million square feet. During the year, we signed 29 new store leases, increasing our store development pipeline to 35 stores and a record 1.6 million square feet. By the end of the year our Harry's stores were producing comparable store sales growth above the overall company average, reflecting the success of our remodeling efforts as well as the implementation of our culture and empowerment systems in those stores.

Excluding a \$3 million gain for proceeds from the sale of Blooming Prairie Cooperative in the third quarter, our adjusted net income increased 21% and we earned \$1.63 in adjusted earnings per share, in line with our upwardly revised guidance issued at the beginning of the year. We posted two quarters of positive EVA, and for the full year, EVA improved \$1.5 million to negative \$9.5 million. We produced cash flow

Growth Since IPO

| | 9/28/03 | 9/29/91* | CAGR |
|--------------|---------|----------|------|
| STORES | 145 | 10 | 25% |
| SALES | \$3.1 B | \$92.5 M | 34% |
| EPS | \$1.66 | \$0.17 | 21% |
| TEAM MEMBERS | 26,600 | 1,100 | 30% |
| STOCK PRICE | \$53.41 | \$4.25 | 24% |

*1991 results do not include the impact of subsequent pooling transactions. Stock price is split-adjusted IPO price in January 1992.

from operations of \$280 million, ending the year with approximately \$166 million in cash.

We are fortunate to have predictable cash flow and a strong balance sheet with sufficient cash on hand to fund our growth, and as an EVA company that believes in maximizing returns on capital to our shareholders, we proudly announced our first quarterly dividend of \$0.15 per share payable on January 16, 2004. We are hopeful that our continued success will allow us to steadily increase this dividend over time.



marine stewardship

Whole Foods Market's commitment to seafood sustainability means we are continually seeking out the best environmental seafood options to offer to our customers. For example, one of the sustainable fisheries we work closely with is in Yakutat, Alaska. More than half of Yakutat's 800 residents are native Tlingits, and the local economy is dependent upon wild Alaska salmon and commercial fishing. The local fishermen catch the fish in a set net just 100 yards from the ocean; and the fresh catch is then flown out of an airport less than ten miles from the processing plant to guarantee maximum freshness for our customers.

We also actively support the Marine Stewardship Council (MSC) through our promotion of their eco-label program which provides customers with a quick and easy way to make the best environmental choice in seafood. ♻️

This year I toured all of our eight regions, visiting 135 stores across the country and talking to thousands of Team Members. It was a very rich, meaningful, and educational experience for me, and I am proud to say that the Whole Foods Market corporate culture of empowerment is alive and well. Our stores have never looked better than they do right now and our Team Members are serving our customers well.

We strive to offer our customers a unique shopping experience, and this has resulted in a continual evolution of our store design concept. Ten years ago, our average store size was 20,000 square feet with approximately 57% of our sales in perishable departments. Today, our stores average 31,000 square feet with 66% of sales in perishables. By building larger stores with an emphasis on perishable products, we have differentiated ourselves from our competitors while attracting many of our most loyal shoppers.

First-time visitors to Whole Foods Market are often awed by our perishables. We devote more space to fresh fruits and vegetables, including an extensive selection of organics, than most of our competitors. Our meat and poultry products are natural – no artificial ingredients, minimal processing, and raised without the use of artificial growth hormones, antibiotics or animal by-products in their feed. Our seafood is either wild-caught or sourced from





aquaculture farms where environmental concerns are a priority. Also, our seafood is never treated with chlorine or other chemicals, as is common practice in the food retailing industry. With each new store or renovation, we challenge ourselves to create

“There is a paradox in American society that people love food and they love to shop, and yet they hate to shop for food. Our inviting and interactive store atmosphere aims to change that by turning shopping for food into a fun, pleasurable experience.”

—JOHN MACKKEY

more entertaining, theatrical, and scintillatingly appetizing prepared foods areas. We bake daily, using whole grains and unbleached, unbromated flour and feature European-style

loaves, pastries, cookies and cakes as well as gluten-free baked goods for those allergic to wheat. We also offer many vegetarian and vegan products for our customers seeking to avoid all animal products. Our cheeses are free of artificial flavors, colors, and synthetic preservatives, and we offer an outstanding variety of both organic cheeses and cheeses made using traditional methods.

At the beginning of the 2003 calendar year, we put into place a new health insurance plan. We started paying 100% of the premiums for all full-time Team Members. In addition, the company funded Personal Wellness Accounts which could be used to pay the higher deductible and of which any unused balances could roll over and accumulate for future needs. Through interacting with thousands of Team Members during my store tours and meetings, I learned that one of their primary concerns was health care and benefits. While we believed that the new health plan was the best

plan for the Team Members and the company, we decided that the way to ensure that we were providing the benefits that our Team Members considered most valuable was to empower them to select their own benefits package. This past summer, respecting that as a company we have a finite amount of money to put towards our benefit package, Team Members across the company actively con-

Whole Foods Market is the first national grocer to have its retail operations “certified organic.” In order to receive certification, we adhere to strict standards set forth by the USDA’s National Organic Program, submit extensive documentation, and open our facilities to on-site inspections by a federally recognized independent third party certification organization — all to assure our customers that the chain of organic integrity for products in our stores is preserved from farm to shopping bag. ☺

certified organic





Our Team Members have once again ranked Whole Foods Market as one of Fortune magazine's "100 Best Companies to Work For." Candidate companies complete a questionnaire describing their human resources policies and workplace culture, and a random sample of employees is surveyed for opinions about their workplaces. In scoring the responses, Fortune places two thirds of the weighting on the employee responses. We are the only national supermarket retailer to make the list, and we are one of only 24 companies to make the list consecutively since its inception.

tributed ideas, which were then compiled and voted on as our benefits package for the next three years.

We were pleased that 79% of our Team Members participated in our benefits vote, and they voted to keep our newly adopted health plan in place. The new health plan received 83% of the votes compared to only 17% of the votes for the two proposed alternative plans. We believe it is unprecedented for a company our size to approach its benefits in this way and hope that our success in this collaborative effort will encourage other companies to follow our lead.

Every five years Whole Foods Market goes through a process called "Future Search," where we bring together representatives of our various stakeholder groups, including customers, Team Members,

investors, and vendors along with our Board of Directors, to help us collectively envision the future of the company. In October of 2003 we held our fourth Future Search with 135 people participating over a three-day period. It was a very successful event, and collectively we envisioned some very powerful goals and aspirations for Whole Foods Market over the next five years. The group came up with a fairly large list of goals; however, three in particular stood out as major priorities for our company over the next year:

1. Global expansion. There was tremendous collective passion around evolving Whole Foods Market into a global company. The group strongly believed that our company mission needs to extend beyond the borders of the U.S. and Canada and into Europe. We believe the U.K. is the most likely entry into the European market due to the advanced acceptance of organics and lack

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— JOHN MACKEY

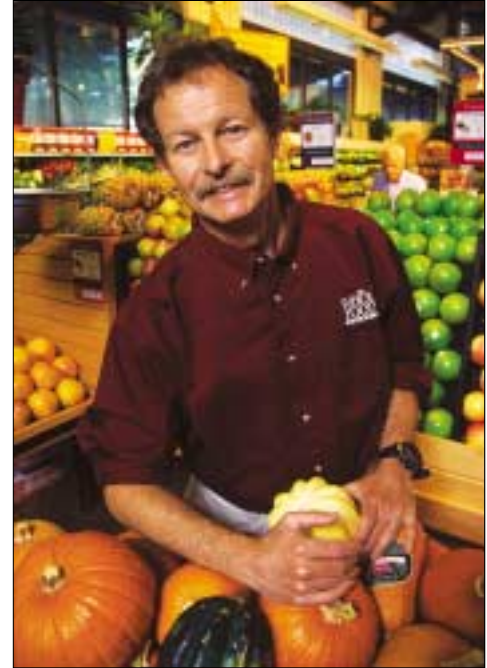




of language barriers in that country. While the exact timing is uncertain, we have begun exploring opportunities, and it is our hope to make some progress toward our global expansion goal in fiscal year 2004.

2. Animal Compassionate Standards. Over nine billion livestock animals are slaughtered for food every year in the U.S. The majority are processed through industrialized “factory farms” which Whole Foods Market believes cause the animals unnecessary pain and suffering. At Future Search, we decided the paradigm for animal production can and must change and that we have the scale and scope to make a difference. While our current meat and poultry product quality standards require animals to be raised humanely, we decided to raise the bar even higher by developing new Animal Compassionate Standards which focus on providing environments and conditions that best support each species’ natural physical needs, behavior and well being.

3. Whole Foods Market University. The third area that generated a great deal of collective passion was creating a Whole Foods Market University to upgrade the training and information available to both our Team Members and customers. The vision is that Whole Foods Market University will be a virtual institution with course materials, teaching, and testing primarily occurring through our internal websites.



Throughout our rapid growth, we have remained a uniquely mission-driven company. Our motto—*Whole Foods, Whole People, Whole Planet*—emphasizes that our vision reaches far beyond just food retailing. We are focused on creating a better person, company and world through our dedication to our core values, stringent quality standards and principles of right livelihood, Team Member empowerment, community service, conscientious retailing and sustainable agriculture.

We look forward to sharing and extending our vision with the rest of the world as we work to fulfill our goal of \$10 billion in sales by the year 2010.

With thanks to all of our stakeholders,

A handwritten signature in black ink that reads "John Mackey".

John Mackey

CHAIRMAN OF THE BOARD
PRESIDENT & CHIEF EXECUTIVE OFFICER

2003 National All*Stars

Whole Foods Market recognizes excellence in leadership throughout the company with our National All*Star awards. With more than 26,000 team members in over 180 stores, facilities and offices across the company, being recognized as a National All*Star is a true achievement. We honor these 39 individuals who have set incredibly high standards and have achieved truly outstanding results over the course of the past year.

| | | | | | |
|---|--|---|---|---|--|
| <p>Rory Alexander > <i>Gateway Store Team Leader</i></p> |  | <p>Sally Allen > <i>Biscayne Whole Body Team Leader</i></p> |  | <p>Jean-Michel Bartolo > <i>Tysons Store Team Leader</i></p> |  |
| | <p>Amy Bearden > <i>National Health & Welfare Team Leader</i></p> |  | <p>Linda Boardman > <i>Director of Marketing— Private Label</i></p> |  | <p>Troy Bond > <i>Winter Park Store Team Leader</i></p>  |
| <p>Paige Brady > <i>National Organic Programs & Special Projects Coordinator</i></p> |  | <p>Guy Chandonnet > <i>Ridgewood Store Team Leader</i></p> |  | <p>Mike Clifford > <i>Vice President & Chief Information Officer</i></p> |  |
| <p>Laura Derba > <i>University Store Team Leader</i></p> |  | <p>Dan DeRusseau > <i>Southwest Regional Meat Coordinator</i></p> |  | <p>Karen Doyle > <i>Boca Raton Store Team Leader</i></p> |  |

| | | | | | | |
|---|---|--|---|--|---|---|
| <p>Christopher Phillips-Frishman <i>Madison/West Bloomfield Store Team Leader</i></p> |  | <p>Dave Gearhart <i>Mid-Atlantic Regional Team Member Services Coordinator</i></p> |  | <p>Joey Herndon <i>South Regional Director of Produce & Distribution</i></p> |  | |
| | <p>Paul Hilliard <i>National Growth & Development Analyst</i></p> |  | <p>Yianni Ioannou <i>Plano Produce Team Leader</i></p> |  | <p>Bryan Lew <i>Mid-Atlantic Regional Director of Operations</i></p> |  |
| <p>Jon Loomis <i>Woodland Hills Store Team Leader</i></p> |  | <p>Marc Mastropaolo <i>Charlottesville Store Team Leader</i></p> |  | <p>Laurie McVey <i>Brighton Specialty Team Leader</i></p> |  | |
| | <p>Mario Meneses <i>Portland Prepared Foods Team Leader</i></p> |  | <p>Chris Merrifield <i>Southwest Regional Distribution Facility Team Leader</i></p> |  | <p>Dan Neuerburg <i>Northern Pacific Regional Meat Coordinator</i></p> |  |
| <p>John Nicholson <i>Northeast Regional Meat Director</i></p> |  | <p>Sam Park <i>Mid-Atlantic Regional Director of Operations</i></p> |  | <p>William Renna <i>Ridgewood Grocery Team Leader</i></p> |  | |
| | <p>Geoff Ryan <i>Southern Pacific Regional Specialty Coordinator</i></p> |  | <p>Shimme <i>University Bakery Team Leader</i></p> |  | <p>Bruce Simon <i>Greenwich Prepared Foods Team Leader</i></p> |  |
| <p>Jim Speirs <i>Mid-Atlantic Regional Vice President</i></p> |  | <p>Seth Stutzman <i>Roosevelt Square Store Team Leader</i></p> |  | <p>Chris Taylor <i>Mid-Atlantic Regional Director of Category Management</i></p> |  | |
| | <p>Jeff Turnas <i>Midwest Regional Specialty Coordinator</i></p> |  | <p>Sammy Twene <i>Silver Springs Bakery Team Leader</i></p> |  | <p>Lee Valkenaar <i>Mid-Atlantic Regional President</i></p> |  |
| <p>Kristina Westphal <i>Monterey Marketing/Community Relations Representative</i></p> |  | <p>Joe Wood <i>Annapolis Meat Team Leader</i></p> |  | <p>Don Zambito <i>Mid-Atlantic Regional Grocery Category Manager</i></p> |  | |

General Information

Trading Information

The common stock of Whole Foods Market is traded on the Nasdaq Stock Market (symbol: WFM). If you wish to become a shareholder, please contact a stockbroker.

Dividend Policy

On November 12, 2003, Whole Foods Market announced that its Board of Directors declared a dividend of fifteen cents per share, payable January 16, 2004 to shareholders of record as of January 6, 2004. Subject to capital availability and a determination that cash dividends continue to be in the best interest of the Company's shareholders, it is the intention of the Board of Directors to pay a comparable quarterly dividend on an ongoing basis.

Ordering Financial Statements

A copy of our Annual Report or Form 10-K may be obtained by written or phone request to:

Shareholder Services
Whole Foods Market, Inc.
601 North Lamar, Suite 300
Austin, Texas 78703
512.477.5566 ext. 8000

Annual Meeting

March 22, 2004
9:00 a.m. (PST)
Seattle Marriott Waterfront
2100 Alaskan Way
Seattle, Washington 98121

Transfer Agent & Registrar

Information about stock certificates, dividends, change of address, ownership transfer or other stock matters can be obtained from:

Securities Transfer Corporation
2591 Dallas Parkway, Suite 102
Frisco, Texas 75034
469.633.0101
www.stctransfer.com

Independent Auditors

Ernst & Young, L.L.P.
700 Lavaca Street, Suite 1400
Austin, Texas 78701

Visit our web site
www.wholefoodsmarket.com

National Leadership Team

Michael Besancon
President, Southern Pacific Region

Cindy Bradley
Vice President of Human Resources and Team Member Services

Mike Clifford
Vice President and Chief Information Officer

Glenda Flanagan
Executive Vice President and Chief Financial Officer

Betsy Foster
Vice President of Purchasing and Distribution

A.C. Gallo
Executive Vice President and Chief Operating Officer

Anthony Gilmore
President, Midwest Region

Marc Jonna
National Wine Buyer

Edmund Lamacchia
National Produce Coordinator

Roberta Lang
General Counsel

David Lannon
President, Northeast Region

Cindy McCann
Vice President of Investor Relations

John Mackey
Chairman of the Board, President and Chief Executive Officer

Lee Matecko
Vice President of Operational Finance

Ron Megahan
President, Northern Pacific Region

Ken Meyer
President, South Region

Juan Nunez
President, Florida Region

Will Paradise
President, Southwest Region

Walter Robb
Executive Vice President and Chief Operating Officer

Jim Sud
Executive Vice President of Growth and Business Development

Lee Valkenaar
President, Mid-Atlantic Region

Margaret Wittenberg
Vice President of Marketing and Public Affairs

Board of Directors

David W. Dupree
Managing Director The Halifax Group

Dr. John B. Elstrott
Director Levy Rosenblum Institute for Entrepreneurship, Tulane University

Avram J. Goldberg
Chairman of the Board AVCAR Group, Ltd.

Gabrielle E. Greene
Chief Financial Officer Villanueva Companies

John Mackey
Chairman of the Board, President and Chief Executive Officer Whole Foods Market, Inc.

Linda A. Mason
Chairman of the Board Bright Horizons Family Solutions

Morris J. Siegel
Former Vice Chairman of the Board, The Hain Celestial Group, Inc.

Dr. Ralph Z. Sorenson
Managing Partner Sorenson Limited Partnership



66% of sales are in perishables



over \$3.1 billion in sales



announced our first quarterly dividend of \$0.15 per share. We are hopeful that our continued success will allow us to



8.6% same store sales growth



foods that are free from artificial preservatives



bake daily, using whole grains and unbleached, unbromated flour and feature European-style loaves, pastries, cookies and breads as well as gluten-free baked goods for those allergic to w



requires vineyards to use and document specific growing practices for three years prior to receiving certification healthy soil is the true foundation of organic wine prod

