

LETTER TO STAKEHOLDERS

Dear Fellow Stakeholders:

I would like to begin by appreciating our team members for their hard work and dedication, as well as our customers, suppliers, and shareholders for their continued support. We knew that 2009 was going to be a tough year but did not predict just how challenging the economic environment would be. For the first time in 30 years, we experienced a decline in our comparable store sales. Due to the successful execution of the conservative growth and business strategy we implemented in late 2008, we were able to adjust operationally to lower sales volumes and delivered a 16% increase in adjusted EBITDA* on a 1% increase in sales.

While the Whole Foods Market brand always will be synonymous with carrying the highest quality natural and organic foods available, during these tough economic times, we strived to satisfy and delight our customers by stressing our “value” along with our “values.” We worked hard to improve our value perception, proactively and creatively communicating to our team members and customers how well we stacked up. By investing intelligently in pricing on key items, our value efforts continued to gain traction. Customer demand for our *Whole Deal* in-store value guide grew from an initial 800,000 copies

quarterly to 1.3 million bi-monthly, and redemption rates for *Whole Deal* coupons continued to rise as well, driving increases in basket size and number of items per basket.

We utilized new pricing data research capabilities to consistently monitor the marketplace and help us make strategic and targeted price investments. We took advantage of lower costs in certain areas, such as produce, to pass through great values to our customers. In other areas, for example in cheese and packaged nuts, we rolled out national programs to drive better values for customers without sacrificing gross margin. In a dynamic marketplace, we consistently sought the right balance between driving sales and maintaining margin. By year end, our sales were moving in the right direction while gross margins remained strong, suggesting we struck the right balance between the two.

While increasing our value image was a key focus, we also continued to differentiate our product selection in ways that spoke to our core customers and to our authenticity and leadership role in natural and organic products. Our total private label sales accounted for approximately 11% of retail sales, up from 10% last year. Our *Whole Trade Guarantee* label, a buying initiative that expands our social responsibility to bring together

*Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization and non-cash asset impairment charges.

FINANCIAL HIGHLIGHTS

	2009	2008	2007	2006	2005
SALES (000s)	\$8,031,620	\$7,953,912	\$6,591,773	\$5,607,376	\$4,701,289
NUMBER OF STORES AT END OF FISCAL YEAR	284	275	276	186	175
AVERAGE STORE SIZE (GROSS SQUARE FOOTAGE)	37,000	36,000	34,000	34,000	33,000
AVERAGE WEEKLY SALES PER STORE	\$549,000	\$570,000	\$617,000	\$593,000	\$537,000
COMPARABLE STORE SALES GROWTH	-3.1%	4.9%	7.1%	11.0%	12.8%
IDENTICAL STORE SALES GROWTH	-4.3%	3.6%	5.8%	10.3%	11.5%

a set of criteria for products sourced through developing countries, grew to over 1,350 items, with sales increasing 72% to \$76 million.

Over the past year, we demonstrated a proven ability to manage our cost of goods sold, direct store expenses and G&A in a challenging sales environment. Labor was a primary focus, and we utilized tools on a daily basis to monitor and adjust scheduling based on sales. Our hiring and salary freeze remained in place until the beginning of the fourth quarter, and we generated additional savings through normal attrition. By engaging our team members at all levels of the company, we collectively found solutions and new approaches to running our business in a more frugal way.

We continued to make important progress at the 52 continuing Wild Oats stores. Store contribution improved 150 basis points on a 5% increase in sales per square foot to \$542. We are pleased the FTC settlement is finally nearing an end, with only eight of the original 32 locations marketed for sale granted extended negotiation periods through March 8, 2010. As sales and profits continue to improve over the coming years, we believe this merger, as with our past mergers, will produce solid returns for our shareholders.

Investing prudently in our long-term growth, while maintaining adequate liquidity to see us through the difficult times ahead, was a key component to our overall strategy. To preserve capital, we opened 15 new stores, a reduction from the prior planned range of 25 to 30. These 15 new stores, which included six relocations, represented a 7% increase in square footage. Our construction and development teams adopted a leaner and more disciplined approach to design and building, including plans for smaller stores with simpler décor and smaller, less labor-intensive perishable departments, which ultimately will result in lower costs on a per store and per square foot basis.

We took the opportunity presented by the real estate downturn to rebalance our store development portfolio, terminating five leases and reducing the size of five others, for a net

reduction of approximately 340,000 square feet under development. We believe we now have a diverse group of stores “rightsized” for each respective community and geared to deliver strong EVA and a great shopping experience. We plan to continue adding select stores to our pipeline; however, stores must now meet a tougher EVA hurdle rate on lower sales expectations.

Through all of these efforts, we produced \$588 million in cash flow from operations and invested \$315 million in capital expenditures, \$248 million of which was for new stores, resulting in \$273 million of free cash flow. We produced significant year-over-year improvements in our balance sheet, with a \$470 million increase in our total cash and a \$190 million decrease in our total debt. From where we stand today, we believe we are well positioned to meet our long-term debt maturities in 2012. In addition, our strong performance led to a significant increase in our stock price and created the opportunity for us to give notice of redemption on the \$425 million of Series A Preferred Stock issued to Leonard Green & Partners just one year ago. They subsequently elected to convert their preferred stock into common shares, saving us approximately \$34 million in preferred cash dividends per year. What a difference one year can make!

We walk our talk when it comes to our core values.

Looking back on why I started this business over thirty years ago, one of the things I was most passionate about was the idea of providing customers with healthier alternatives to the heavily processed foods produced through industrial agriculture and sold in conventional supermarkets. While we fulfill a part of our mission every day through selling the highest quality natural and organic foods available, I believe we have the opportunity and obligation to do more in terms of educating our stakeholders about the benefits of healthy lifestyle choices. To underscore our renewed focus, we created a new Core Value this year – *Promoting the health of our stakeholders through healthy eating education.*

Beginning in 2010, our stores will be offering a variety of educational and support options created around this new core value, including: “Getting Started” programs through our health partners Eat Right America™ and Rip Esselstyn, creator of The Engine 2 Diet™, prepared foods selections, in-store healthy eating areas, educational books, cookbooks, culinary education classes, and online recipes. We believe our Health Starts Here™ initiative will grow and evolve over time to become a key competitive advantage for us, and by offering an informed approach to food as a source for improved health and vitality, we will help change many more lives for the better.

As supporters of team member happiness and excellence, in 2003 our leadership team sought a solution to dramatically rising health insurance costs. We were not sure which benefits were most important to our team members so we decided to put the various options to a vote. In 2009, we held our third benefits vote. We believe the opportunity to have a voice in such a sensitive area is highly valued by our team members as demonstrated by the high 84% participation rate the vote received this year.

In keeping with our core value of caring about our communities and the environment, we made charitable donations of over 5% of our net after-tax profits in fiscal year 2009. In addition, our Whole Planet Foundation, whose mission is to empower the poor through microcredit in communities that supply our stores with product, has committed grants of over \$10 million to

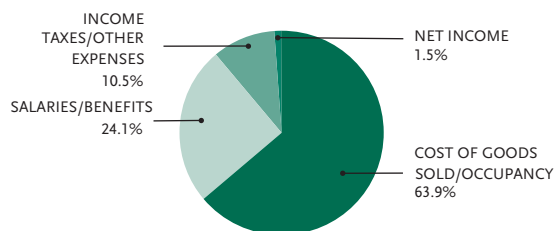
micro-lending projects based in 15 countries. And, since making the first loan through our Local Producer Loan Program in February 2007, we now have disbursed more than \$2.7 million in loans to 45 local producers across the country.

We have a loyal core customer base that is aligned with our mission and our core values. We believe our leadership in and passion about the causes that are important to our shoppers and neighbors reinforces our position as the authentic retailer of natural and organic foods, making us the preferred choice for customers aspiring to a healthier lifestyle.

Our business model is very successful and continues to benefit all of our stakeholders.

I believe the past year has created a permanent shift in how we think about many key areas of our business. Going forward, I expect us to maintain our competitive position on key items by being more aggressive on the purchasing side of our business while creating more value for our customers on the pricing side of our business. We will stay focused on systematically reducing costs without harming our customers’ shopping experience. We are also committed to being better stewards of capital and producing free cash flow on an annual basis. In the future, we expect our new stores on average to be smaller and less expensive which should increase our EVA and return on invested capital. This has been a challenging year, but the strategic changes we made allowed us to maximize our short-term results in a period of slower sales, while renewing our focus on our core customers. As a result, I believe we have emerged as a stronger company that is better positioned to fulfill our longer-term mission.

WHERE DID THE MONEY GO?*



*As a percentage of sales.

GROWTH SINCE IPO

	9/27/09	9/29/91*	CAGR
NUMBER OF STORES	284	10	20%
SALES	\$8.0 B	\$92.5 M	28%
EARNINGS PER SHARE	\$0.85	\$0.08	14%
OPERATING CASH FLOW	\$587.7 M	\$3.4 M	33%
TEAM MEMBERS	52,500	1,100	24%
STOCK PRICE	\$28.77	\$2.13	16%

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

After much thought and consideration, I decided to voluntarily give up my title as Chairman of the Board. I had held the Chairman title since our company's beginning in 1978, but the reality is that it became merely a title with no authority or responsibilities. The authority and responsibilities normally associated with the Chairman position were all shifted over time to Dr. John Elstrott after he became our Lead Director in January 2001. Dr. Elstrott now has the title of Chairman of the Board, which accurately reflects the authority and the responsibilities he has had for many years and which he deserves. I support him 100%. I remain a member of the Whole Foods Market Board and will continue to passionately serve as CEO, hopefully for many more years to come.

Our business model clearly has been highly successful, with our company ranked #324 on the Fortune 500 list of largest U.S. public corporations. In 2009, we were one of the top 20 best performing stocks in the S&P 500 Index. As the world moves out of this recession, our positive sales momentum, combined with our continued expense and capital disciplines, should produce strong returns for our shareholders. With fewer than 300 stores, I remain incredibly excited about the future for Whole Foods Market.

We are well positioned to take advantage of changing demographic trends, and I expect our renewed emphasis on healthy eating to help further differentiate us and solidify our unique position within the food retailing universe.

Our motto—Whole Foods, Whole People, Whole Planet™—emphasizes that our vision reaches far beyond just food retailing. We look forward to sharing our vision with the rest of the world.



With warmest regards,

John Mackey

John Mackey
Chief Executive Officer and Co-Founder

ADJUSTED EBITDA

(in thousands)

	2009	2008
Net income	\$146,804	\$114,524
Provision for income taxes	104,138	91,995
Interest expense, net	33,407	29,719
Operating income	284,349	236,238
Depreciation and amortization	266,695	249,213
EBITDA	551,044	485,451
Impairment of assets	24,508	9,195
Adjusted EBITDA	\$575,552	\$494,646