

Dear Fellow Stakeholders:

In 2010, we successfully emerged from the most challenging year in our company's history to produce strong results for all of our stakeholders. Building on the strategic decisions we made during the recession, we capitalized on the improving economy and the increasing confidence of consumers, quickly gaining back customers at a much faster rate than our competitors. We continued to strike the right balance between driving sales, improving our value image, and maintaining gross margin. For the fiscal year, we produced a 12% increase in sales to \$9.0 billion driven by 7% comparable store sales growth; EBITDA increased 29% to \$714 million, and diluted earnings per share increased 69% to \$1.43. Our better-than-expected sales and earnings drove an 84% increase in our stock price during the calendar year--what a great way to celebrate our company's 30th anniversary!

We are proud of our performance which we largely attribute to our successful efforts in improving Whole Foods Market's value image. While our brand will always be synonymous with carrying the highest quality natural and organic foods available, in 2010 we increasingly became known for offering good value as well. While many of our competitors went back and forth on their pricing strategies, we stayed true to our goal of offering a clear value choice in every department through compelling prices on known value items, as well as targeted pricing and promotional strategies. During the year we increased the frequency of our market pricing surveys, providing our operators with real-time information to make continual pricing adjustments. As a result, our average price gap versus our regional and national competitors surveyed narrowed to its lowest margin by year end. The 6% year-over-year increase in average transaction counts at our comparable stores is a meaningful indication that we are now being recognized for offering great value in addition to our high quality standards.

While improving our value image continued to be a top priority, we also remained focused on differentiating our product selection and shopping experience. Early this year, we launched our *Health Starts Here™* ("HSH") program which includes: classes, store tours, and in-store centers focused on healthy eating choices and cooking ideas; HSH-labeled prepared foods and frozen vegetables; and online resources. Based on the positive response from our Team Members and customers, we are expanding our efforts to build and grow HSH as the Whole Foods Market brand for health and wellness. One example is our new HSH Wellness Clubs that will be piloted in five cities in 2011. Working with qualified doctors, these clubs will be designed to create dynamic healthy eating communities within our stores, offering individualized wellness programs, testing, healthy lifestyle coaching, cooking classes and healthy dining alternatives for members. We expect our HSH initiative to grow and evolve over time into 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.

## FINANCIAL HIGHLIGHTS

	2010	2009	2008	2007	2006
SALES (000s)	\$9,005,794	\$8,031,620	\$7,953,912	\$6,591,773	\$5,607,376
NUMBER OF STORES AT FISCAL YEAR END	299	284	275	276	186
AVERAGE STORE SIZE (GROSS SQUARE FOOTAGE)	38,000	37,000	36,000	34,000	34,000
AVERAGE WEEKLY SALES PER STORE	\$588,000	\$549,000	\$570,000	\$617,000	\$593,000
COMPARABLE STORE SALES GROWTH	7.1%	-3.1%	4.9%	7.1%	11.0%
IDENTICAL STORE SALES GROWTH	6.5%	-4.3%	3.6%	5.8%	10.3%

In September, we became the first national grocer to partner with the Blue Ocean Institute and Monterey Bay Aquarium and provide our customers with an easy-to-understand, science-based sustainability rating system for wild-caught seafood. The system's green, yellow and red ratings make it easy for shoppers to make informed choices, with green or "best choice" ratings indicating a species is relatively abundant and is caught in environmentally-friendly ways.

We always are looking for ways to raise the bar and further differentiate the Whole Foods Market shopping experience. Our internal research shows we have a healthy combination of loyal core customers who have continued to shop with us and new customers who are discovering us for the first time. We believe our initiatives in areas such as value, healthy eating and seafood sustainability are aligned with our core customer base, reinforce our position as the authentic retailer of natural and organic foods, and make us the preferred choice for customers aspiring to a healthier lifestyle.

Our new stores are performing very well. This past year, we opened 16 stores and acquired two stores, expanding into six new market areas. Our new store performance showed strong year-over-year improvement, with this year's class producing 190 basis points higher store contribution as a percentage of sales than last year's class. New stores this year were approximately 20% smaller in size, averaging 43,000 square feet, and produced average weekly sales per store of \$503,000, translating to 17% higher sales per square foot of \$652. Our improved capital disciplines, which include a leaner, more disciplined approach to design and building and a shift to smaller stores with simpler décor and less labor-intensive perishable departments, helped drive a 17% decrease in our average development cost per square foot and a 260 basis point year-over-year improvement in return on invested capital to 8.9%.

We are pleased with how quickly we have been able to make adjustments regarding our new store development pipeline. We were poised to open 25 to 30 new stores in 2009. Based on the recession and our desire to preserve capital, however, we cut our store opening plans to 15 and then proceeded to trim approximately 1.4 million square feet from our development pipeline. Given the stabilization of the economy, our strong sales momentum, healthy balance sheet, and the availability of favorable real estate opportunities, we think the time is right to build our pipeline once again. We have the infrastructure and leadership in place to grow faster, and our focus on opening smaller stores that reach profitability sooner should result in healthy returns over the long run. With the announcement of 20 new leases signed in 2010, we are well positioned to step up our growth beginning in 2012.

In 2010, we delivered incremental operating margin improvement and earnings growth in excess of sales growth. We balanced our value investments by taking advantage of buying opportunities, and we improved our distribution, shrink control and inventory management to produce higher gross margin throughout the year. Our higher sales growth allowed us to better leverage certain fixed costs such as occupancy and depreciation. With the new systems and tools we put in place to successfully manage through the recession, focusing on expense control is now systemic in how we operate and thus much more consistent.

Our solid financial performance and capital expense discipline resulted in a steady generation of free cash flow and a healthy balance sheet. For the fiscal year, we produced \$585 million in cash flow from operations and invested \$257 million in capital expenditures, resulting in free cash flow of \$328 million. We ended the year with approximately \$645 million in total cash, including cash equivalents, restricted cash, and investments, with an additional \$343 million available on our credit line. With our excess cash, we paid off \$210 million of our term loan in the third quarter and an additional \$100 million subsequent to the end of the fourth quarter, bringing our remaining term loan balance to \$390 million.

Our favorable financial position and long-term outlook gave our Board of Directors the confidence to reinstate a quarterly cash dividend subsequent to the end of the fiscal year. The dividend of \$0.10 per share will return approximately \$69 million to shareholders annually. As a company with significant future growth opportunities, we are fortunate to have sufficient cash on hand and predictable cash flow allowing us to pay off our debt, accelerate our new store growth, and pay a dividend to our shareholders.

The Federal Trade Commission’s (“FTC”) challenge to our merger with Wild Oats is finally over. As part of our settlement agreement with the FTC, on July 1, we completed the sale of two former Wild Oats stores; one non-operating store; and the associated intellectual property. We have no further obligations to the FTC and are pleased, three years after closing the deal, to have this matter officially behind us.

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

Last January, we were extremely pleased to move up four spots to number 18 on *Fortune’s* list of the “100 Best Companies to Work For.” To be one of only 13 companies ranked thirteen years in a row validates our commitment to our core value of ‘Supporting Team Member Happiness and Excellence.’ This was a great achievement, and we thank our regional and store leadership teams for the great job they did staying focused on Team Member morale in 2009, which was a very challenging year.

We also want to thank our customers and Team Members for their generosity in the wake of the tragedy in Haiti. Our customers donated \$1.8 million toward the relief and rebuilding efforts in Haiti, and our Team Members contributed \$96,000 to support our Haitian Team Members whose friends and family were affected by the earthquake. Through the Whole Planet Foundation, Whole Foods Market provided \$1 million to a microcredit organization that provided banking services to people in Haiti following the earthquake. While not surprised by the outpouring of cash donations, we were humbled and grateful that our customers and Team Members contributed to help so many others in need.

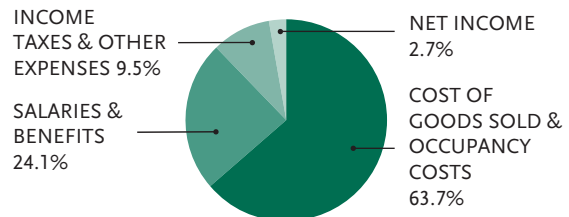
In keeping with our core value of caring about our communities and the environment, we made charitable donations of over 5% of our net after-tax profits in fiscal year 2010. In addition, our Whole Planet Foundation, whose mission is to empower the poor through microcredit in communities that supply our stores with product, committed grants of over \$12 million to micro-lending projects in 20 countries. And, since making the first loan through our Local Producer Loan Program in February 2007, we now have disbursed more than \$3.7 million in loans to 66 local producers across the country. We believe our leadership in and passion about causes that are important to our communities have created a loyal core customer base aligned with our mission and our core values.

**GROWTH SINCE IPO**

	9/26/10	9/29/91*	CAGR
NUMBER OF STORES	299	10	20%
SALES	\$9.0 B	\$92.5 M	27%
EARNINGS PER SHARE	\$1.43	\$0.08	16%
OPERATING CASH FLOW	\$585.3M	\$3.4 M	31%
TEAM MEMBERS	58,300	1,100	23%
STOCK PRICE	\$37.07	\$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.

**WHERE DID THE MONEY GO?\***



\*As a percentage of fiscal year 2010 sales.

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

There are many reasons to be optimistic about our future growth potential. When the first Whole Foods Market store opened in September 1980, we had no idea that in only three decades we would rank #284 on the Fortune 500 list of the largest U.S. public corporations and have 300 stores, including stores in Canada and the United Kingdom. Thanks to the collective hard work of many thousands of Team Members, as well as strong leadership throughout the company, we have been highly successful, producing industry-leading comparable store sales growth, average weekly sales and sales per square foot. Our executive team has worked closely together since 2001. This year, with the promotions of Walter and A.C., our Board took active steps to keep our executive leadership team together for what we hope is many years to come.

We have an expanded sense of our ultimate growth potential as our brand has continued to strengthen, consumer demand for natural and organic products continues to increase, and our flexibility on new store size has opened up additional market opportunities. While it is difficult to put a number on how many stores we can eventually have, we consider 1,000 stores to be a reasonable indication of the market opportunity. There is plenty of runway left in the United States; Canada and the United Kingdom hold great promise, and we expect some incremental long-term growth to come from other international opportunities as well.

We like to believe that we all have played a small part in changing the world for the better through a focus on high-quality foods, both by helping the natural and organic foods industry to grow and succeed and by offering a different kind of business model where profits and integrity positively impact all of our stakeholders. After 30 years in the business, we are more passionate than ever about our future and our impact on the world. We firmly believe that the best is yet to come for Whole Foods Market and look forward to working together to see our collective vision realized.

With deep appreciation to all of our stakeholders,



*John Mackey*

John Mackey  
Co-Founder & Co-CEO

*Walter Robb*

Walter Robb  
Co-CEO