

2004 was the best year in our 24-year history.

Dear Fellow Stakeholders:

I want to appreciate all of our Team Members for their continued hard work and dedication and all of our customers and shareholders for their continued support. In a year that was challenging for most food retailers, we grew sales 23% to just under \$4 billion. Our 14.9% comparable store sales increase set a new company record. We had strong sales every quarter and across all regions, all departments, and all age classes of stores. Even our stores over eight years of age produced double-digit sales increases. Eighty-four percent of all stores set weekly sales records and our sales per gross square foot were \$786, up from \$716 last year. Our net profit margin for the year improved 25 basis points to 3.4% of sales, we produced a 21% increase in diluted earnings per share to \$1.98, well ahead of our initial guidance of \$1.87 to \$1.95, and we reported four consecutive quarters of positive EVA resulting in record EVA improvement of \$12.6 million.

We earned \$330 million in cash from operations which allowed us to self fund our \$265 million in capital expenditures, of which \$155 million was for new stores, as well as \$28 million paid to shareholders in quarterly cash dividends that we initiated at the beginning of the year. We were very pleased to have the confidence in our financial position to increase that quarterly dividend 27% to \$0.19 per share at year end.

Our industry-leading performance and strong balance sheet position led to our corporate credit rating being raised to investment grade by both Moody's Investors Service and S&P Ratings Services and to a sharp 59% increase in our stock price during the fiscal year.

Last year I spoke of three goals that were created during our 2003 Future Search process which stood out for us as major priorities in 2004. We made significant progress during the year toward each of these goals.

Global Expansion

During the year, we opened our second store in Canada and acquired six Fresh & Wild stores in the United Kingdom.

We are very excited about expanding our presence in Canada and extending our company mission and the Whole Foods Market brand beyond North America and into Europe. The U.K. was an obvious choice due to the advanced acceptance of organics and the lack of language barriers there. We felt an acquisition was the right strategy for our first overseas venture because, as with other successful acquisitions we have made, the infrastructure and intellectual capital we gained provided us with an immediate platform for expansion. We are actively exploring real estate opportunities in the London area with the goal of signing a lease for a large format Whole Foods Market store in the very near future.

Animal Compassion Standards

We decided the existing paradigm for animal production should change and that we now have the scale and scope to make a difference. Last year we began a rigorous process of creating enhanced farm animal treatment standards beyond the strict animal welfare we already required. These enhanced standards are being developed jointly by Whole Foods Market, animal welfare advocacy groups and various farmers and ranchers that we do business with, and focus on providing environments that best support the animals' natural physical needs, behavior and well being. This year we created standards for several species but hope to complete standards for every species we sell over the next three years. We also created an Animal Compassion Foundation which will provide education and research services to assist and inspire ranchers and meat producers around the world to achieve a higher standard of animal welfare excellence while still maintaining economic viability. Please check our website for additional information about our welfare standards and the Animal Compassion Foundation.

Whole Foods Market University (WFM-U)

As we continue to expand, maintaining our Team Members' passion for our Mission and Core Values is an essential ingredient in setting us apart from our competitors. Cindy Bradley, formerly our VP of Team Member Services, was selected as our new VP of Learning at WFM-U. The vision for WFM-U is to create online, self-paced learning modules that will engage our Team Members in active education and development. The "U-Learn Network" was launched this year and several modules, made up of learning vignettes, are already accessible. In the future, we hope to create product-related training materials that will be accessible to both Team Members and customers, thereby creating an in-store learning environment that will become an important part of the Whole Foods Market shopping and work experience.

"Building on the strength of 2004, I'm looking forward to an even brighter 2005!"

The question I am asked most often is "how many Whole Foods stores can there be?" I don't answer that question anymore because I have always been wrong in the past, thankfully on the low side. We certainly are not limited by opportunity as demographically the world continues to move in our direction with an overall aging of the population and a growing interest in health, well-being and longevity. Our 2004 class of new stores was our best yet, with the 12 new stores (six of which were in new markets) averaging \$575,000 in weekly sales for the year. We believe the fact that our new stores are successful in markets as diverse as New York City and Charleston, South Carolina, speaks to the broad appeal of our stores and the growing awareness of our brand. And, while I am not ready today to say our comparable store sales have broken out of their historical 8% to 9% range, we certainly have seen accelerating trends over the last ten years, and most dramatically over the last year which seems to indicate we are still significantly under-stored.

Our goal is to produce 15% weighted average square footage growth in fiscal 2005 and beyond. We have sufficient capital available to meet this goal, and over the last five quarters, we have announced seven or more newly signed leases creating a pipeline of 53 stores covering 21 states, Ontario, Canada, and the United Kingdom. These stores average 49,000 gross square feet, a 53% increase over our existing average store size of 32,000 gross square feet. Our pipeline totals a record 2.6 million square feet, a 63% increase in square footage under development over last year, and represents 50% of our existing square footage.

Our biggest challenges in 2005 center around meeting our higher square footage growth goals while delivering strong results in light of the difficult comparisons we are facing, particularly in the first half of the year. Despite 2004 being our best year ever, we still expect sales growth of 15% to 20% and comparable store sales growth of 8% to 10% in 2005. Due primarily to significantly higher pre-opening expenses, it is likely our EPS growth will be lower than our sales growth. In addition, new stores could have some negative impact on store contribution, as new stores generally have lower gross margins and higher direct store expenses than more mature stores.

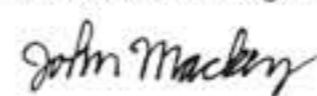
The changes we made to our executive team and to our operating structure will better position us for the accelerated growth ahead. I transferred the title of President to Walter Robb and A.C. Gallo, and we promoted Lee Valkenaar to the new position of Executive Vice President of Global Support. We also expanded our number of operating regions from eight to ten for better regional support of our existing store base as well as for our anticipated future growth in those areas.

Even as we have grown at a rapid pace, hiring thousands of new Team Members each year, we have managed to spread and perpetuate our culture and this remains a top priority for us. One of our secrets is what I refer to as our "yogurt culture." For example, in our Columbus Circle store, about 25% of the Team Members transferred from existing stores. They were the starting culture that launched the fermentation that turned Columbus Circle into a true Whole Foods store. I will always remember when we opened our second store back in 1982, and Team Members told me they feared we would get way too corporate and lose what made us special. But we have proven that it doesn't matter how large we get as long we stay true to our core values and continue to maintain and attract Team Members who share our passion.

Our motto — Whole Foods, Whole People, Whole Planeté — emphasizes that our vision reaches far beyond just food retailing. We are focused on selling the highest quality natural and organic foods in the world and helping evolve 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 open bigger and better new stores at an accelerated rate in the years ahead, as the brand awareness of Whole Foods Market continues to increase, and as we progress toward our goal of \$10 billion in sales by the year 2010.

With warmest regards,



John Mackey
Chairman of the Board
Chief Executive Officer

