Dear Fellow Stakeholders,

Fiscal year 2013 was another record-breaking year across many fronts. Our sales approached $13 billion, translating to sales per gross square foot of $972. We opened 32 new stores, expanding into 10 new markets and growing our square footage 8% to 14 million. We delivered our fifth consecutive year of operating margin improvement, produced over $1 billion in EBITDA, and, on a comparative 52-week basis, increased diluted earnings per share 19%. Our strong results and capital expense disciplines drove a healthy 15% return on invested capital and generated $472 million of free cash flow.

During the year, we returned $633 million to shareholders through share buybacks and dividends and still ended the year with a healthy reserve of $1.4 billion in cash and investments. Our outstanding performance was reflected in our stock price, which increased 20% for the fiscal year, outpacing the S&P 500 for the fifth consecutive year.

Reflecting confidence in our future growth and cash flow generation, subsequent to the fiscal year end, our Board of Directors increased our quarterly dividend 20% to $0.12 per share and granted an additional $500 million in stock repurchase authority, increasing our total available authority to $800 million.

WE ARE FOCUSED ON BOTH VALUE AND VALUES.
We continued to expand our value offerings across the store and narrowed the pricing gap versus our competitors on known value items to its narrowest margin yet.

Our sales momentum and operating disciplines, along with moderating inflation, helped generate record gross margin performance for the year, with occupancy leverage, shrink reduction and buyside initiatives more than offsetting the impact of our value initiatives.

As we improved our price image, we continued to raise the bar even higher on our standards of transparency. We are the only U.S. public food retailer to date to commit to labeling products with GMO ingredients, and we also announced a new rating system for fresh produce and floral to measure performance on important sustainable farming topics, including pest management, farmworker welfare, and pollinator protection.

We believe our initiatives to improve our value assortment and increase the level of transparency about the products we sell are aligned with our core customer base, reinforce our position as the authentic retailer of natural and organic foods, and continue to make us the preferred choice for customers aspiring to a healthier lifestyle.
WE ARE ACCELERATING OUR GROWTH.

With our fourth consecutive year of increased new store openings, we are demonstrating that we can accelerate our growth in a culturally sustainable way. In the first quarter, we opened stores in three different countries, a company first! The six stores we purchased in the Boston area were all remodeled and re-opened by year end, helping to revitalize our brand in one of our oldest markets. In addition, we opened a store in downtown Detroit, providing fresh healthy food to an underserved community. We have similar stores planned for New Orleans, Newark and Chicago.

Our EVA-based approach to evaluating new sites allows us to consider many different markets. Sales productivity and operating expenses may vary, but when balanced with the appropriate store size and level of capital investment, a wide variety of markets can deliver healthy returns for our shareholders. For the last eight quarters, on average our new store class consisted of 28 stores open for approximately 6.5 months. At 36,000 square feet in size, these stores produced average weekly sales of $515,000 translating to sales per square foot of $738, and generated a contribution margin of approximately 5%. Most importantly, our comparable stores less than two years old produced an average 15% return on invested capital over that same period, and we believe this is the best metric for investors to focus on.

WE WALK OUR TALK WHEN IT COMES TO OUR CORE VALUES.

Our more than 78,000 team members are the heart and soul of our company, and our “not-so-secret” sauce. Last January, we were extremely pleased to be ranked once again on Fortune’s list of the 100 Best Companies to Work for in America. To be one of only 13 companies ranked consecutively for 16 years validates our commitment to our Core Value of ‘Supporting Team Member Happiness and Excellence.’ We created over 5,600 new jobs this past year, and morale is very high, with voluntary turnover for full-time team members below 10% for the fourth consecutive year.

Our support of and leadership in causes that are important to our communities have created a loyal core customer base aligned with our mission and Core Values. This year, our donations to charitable organizations once again well exceeded our goal of 5% of our after-tax profits.

When the first Whole Foods Market store opened in 1980, we had no idea that we would become the 8th largest public food and drug retailer in the U.S., ranking #232 on the Fortune 500.

Our two foundations and Local Producer Loan Program continued to expand their good works. Whole Planet Foundation®, whose mission is to empower the poor through microcredit in communities that supply our stores with product, has partnered with various microfinance institutions to facilitate over $42 million in company, team member, supplier and customer-funded grants to micro-lending projects in 58 countries. Whole Kids Foundation™ is dedicated to improving children’s nutrition by supporting schools and inspiring families. Through the generosity of Whole Foods Market customers, suppliers and community donors, approximately 1,600 schools in the U.S. and Canada have received school garden grants since 2011. In addition, Whole Foods Market and Whole Kids Foundation, in partnership with Let’s Move Salad Bars to Schools, have provided more than 2,600 salad bars to schools around the country. And, since making the first loan through our Local Producer Loan Program in February 2007, we have distributed $10 million to 147 local producers company-wide.
OUR BUSINESS MODEL IS VERY SUCCESSFUL AND CONTINUES TO BENEFIT ALL OF OUR STAKEHOLDERS.

When the first Whole Foods Market store opened in 1980, we had no idea that we would become the 8th largest public food and drug retailer in the U.S., ranking #232 on the Fortune 500. Over seven million customers visit our 367 stores in 40 U.S. states, Canada, and the U.K. each week, and with four million followers, we are the #2 retail brand on Twitter. In 2005, it was a major milestone to report six stores averaging $1 million in sales per week, and we now have more than 50 stores averaging sales at or above that level.

Food retailing is more competitive than ever, and with the growing demand for fresh, healthy foods, it seems as if everyone is adding to or expanding their offering of natural and organic products. We believe our industry-leading metrics highlight our ability to innovate and compete in this dynamic marketplace, the unique power of our brand, and the excitement our stores create within their communities.

Our outlook for fiscal year 2014 reflects another year of record new store openings, healthy comparable store sales growth and incremental operating margin improvement. Longer term, we see demand for 1,200 Whole Foods Market stores in the U.S., with additional opportunities internationally.

With great courage, integrity and love, we embrace our responsibility to co-create a world where each of us, our communities and our planet can flourish—all the while, celebrating the sheer love and joy of food. We look forward to you continuing on the journey with us.

With deep appreciation to all of our stakeholders,

John Mackey, Co-CEO
Walter Robb, Co-CEO