LETTER TO STAKEHOLDERS

Dear Fellow Stakeholders:

I would like to begin by appreciating our Team Members for their hard work and dedication and our customers, suppliers, and shareholders for their continued support. This year was another great year of growth for our company and stakeholders. On a 52-week to 52-week basis, our sales increased 15% to $6.6 billion driven by 7% comparable stores sales growth and 18%* ending square footage growth. Our average weekly sales for the year were $632,000* per store, a 7% increase year over year, translating to sales per square foot of $923*.

We opened a record 21 new stores, a significant increase over the 13 new store openings we averaged over the previous five years. Our new flagship store in London set new opening-day and first-week company sales records, and we hope to announce additional sites in the U.K. in the near future. We also opened our fourth store in New York City and completely revitalized our brand image in the Chicago area with the opening of four new stores.

After a very lengthy and expensive legal battle with the Federal Trade Commission, we successfully completed our merger with Wild Oats Markets in the fourth quarter. One of the exciting benefits from this merger is that we gained immediate entry into 15 new markets and five new states.

*Excludes acquired Wild Oats stores.

We quickly sold the Henry's and Sun Harvest stores and closed nine Wild Oats stores as they did not fit our overall brand or real estate strategy. Over time, we plan to relocate seven smaller stores to larger stores that we currently have in development. As a result of the merger, each of our 11 operating regions added stores, with our three smallest regions benefiting the most. At year end, we operated 276 stores totaling 9.3 million square feet with locations in 37 states and the District of Columbia, Canada and the U.K.

We believe our merger with Wild Oats will create long-term value for our customers, vendors and shareholders, as well as exciting opportunities for our Team Members. Over time, we expect to recognize significant synergies through G&A cost reductions, greater purchasing power and increased utilization of our facilities. Tremendous strides have already been made operationally and culturally thanks to the hard work and dedication of our Team Members, both existing and new.

While the Wild Oats stores on average are older and smaller than our stores, we believe that over time we will raise their sales productivity to levels in line with our stores. Sales at the stores are already rapidly improving as customers are enjoying an improved shopping experience thanks to the expanded product offerings, particularly on the fresh foods side, as well as price cuts on over one thousand items.

FINANCIAL HIGHLIGHTS

	2007	2006	2005	2004	2003
SALES (000s)	**$6,591,773**	$5,607,376	$4,701,289	$3,864,950	$3,148,593
NUMBER OF STORES AT END OF FISCAL YEAR	**276**	186	175	163	145
AVERAGE WEEKLY SALES PER STORE	**$617,000**	$593,000	$537,000	$482,000	$424,000
COMPARABLE STORE SALES GROWTH	**7.1%**	11.0%	12.8%	14.9%	8.6%
IDENTICAL STORE SALES GROWTH	**5.8%**	10.3%	11.5%	14.5%	8.1%

We plan to invest approximately $45 million in remodels and re-brand the stores as Whole Foods Market stores in 2008. In a short time, this integration has gone faster, further, and deeper than the integration of any of our prior mergers. We feel very positive about the results we have seen so far, and we expect these stores to drive robust sales growth in fiscal year 2008 and higher comparable store sales growth in fiscal year 2009 and beyond.

Over the past four quarters, we announced 28 new store leases, growing our development pipeline to 87 stores, including 14 new markets and 22 relocations. These stores average 51,000 square feet, with 13 stores over 65,000 square feet in size. We have continued to sign and open smaller stores, typically in markets where it is hard to find larger store locations, while experimenting with opening some very large format stores. Our "sweet spot" for most markets is a footprint between 45,000 and 60,000 square feet which allows us to create the exciting shopping experience for which we are known while simultaneously maximizing our return on invested capital. We plan to continue selectively signing sites for larger format stores, which showcase extensive prepared foods and sit-down venues, but they will predominantly be in dense urban markets or relocations of successful existing stores.

For the fiscal year, we produced approximately $399 million in cash flow from operations and received approximately $54 million in proceeds from the exercise of stock options. We invested $530 million in capital expenditures and $596 million to acquire Wild Oats, repurchased $100 million of stock and paid shareholders $97 million in dividends. We ended the year with $2 million in restricted cash and total debt of approximately $761 million. In conjunction with our fourth quarter and fiscal year-end earnings release, we announced our fifth dividend increase since declaring our first dividend in November 2003.

Our fiscal year was very positive for the many reasons stated above, but as expected our earnings growth was negatively impacted by our below-historical average sales growth combined with materially higher pre-opening expenses related to our acceleration in new store openings.

In addition, as a percentage of sales, our direct store expenses increased to levels above our historical averages. We remain committed to providing above-average wages and benefits to our Team Members, and while we are experiencing increases in health care costs, our annual increases and our costs per Team Member are still well below industry norms. Our goal is to continue to educate our Team Members on how to best use the medical resources available, to avoid emergency room visits for less urgent care, and to encourage wellness programs and overall good health steps.

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

Our primary goal is to satisfy and delight our customers. Through constant experimentation and innovation, we are redefining the retail food marketplace and further differentiating our shopping experience from other food retailers. We continue to expand and adapt our product offering in ways that speak to our core customers and to our authenticity and leadership role within natural and organic products including:

- Private Label. Over the last several years, we have significantly expanded our private label resources and offerings, which currently feature over 2,000 SKUs led by our primary brands 365 Everyday Value™ and 365 Organic™. Our private label sales increased to 18% of our total grocery and Whole Body sales this year, and we expect an even higher percentage over time as we continue to focus on the rapid development and growth of our product lines.

- Buying Local. We have further empowered our individual store and regional buyers to seek out locally grown products that meet our high quality standards, particularly those produced in an environmentally friendly, sustainable way. We provide space in many of our store parking lots, working in concert with existing farmers' markets when possible, for local farmers to sell their products directly to our customers. In addition, we created a Local Producer Loan Program offering up to $10 million in annual financial assistance through which we have already administered over $1 million in low-interest rate loans to small-scale food producers and growers from 12 states.

- Buying Global. In March, we launched our Whole Trade™ program, a new buying initiative that brings together a set of strict criteria for products from developing countries to ensure: exceptional product quality; more money for producers; better wages and working conditions; sound environmental production practices; and support for eliminating poverty through a donation of 1% of sales to our Whole Planet Foundation™. The Whole Trade Guarantee label is currently featured on over 400 items, and sales of $8 million to date have generated close to $80,000 in donations to the Whole Planet Foundation. Our goal is to have over 50% of our imported products from the developing world meet our Whole Trade qualifications within 10 years.

- Five-Step Animal Welfare Rating Program. With the opening of our new London store in June, we debuted our five-tiered meat and poultry labeling program which provides shoppers with a clear and transparent way to make informed buying decisions based solely on animal welfare considerations. We hope to roll out the program in our U.S. stores in 2008.

Above and beyond offering the highest quality natural and organic products, we are also known for our emphasis on perishables, beautiful stores uniquely designed for each market, and exceptional customer service, which all translate into a fun shopping experience that is hard to replicate.

We support Team Member happiness and excellence and were very pleased to have earned the No. 16 spot on FORTUNE's annual list of the "100 Best Companies to Work For." We are one of only 14 companies to be ranked every year since the list's inception 11 years ago.

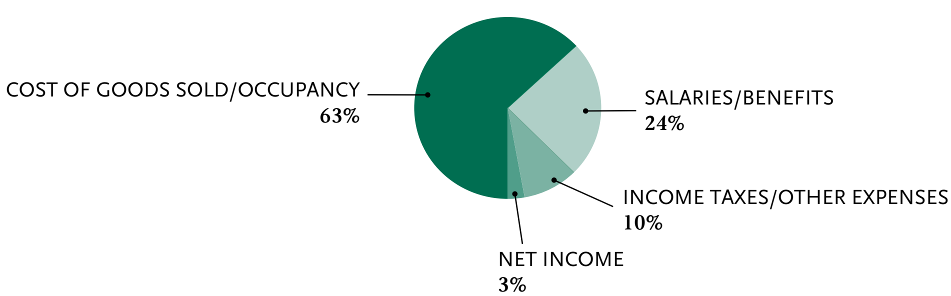
In keeping with our core value of caring about our communities and the environment, we made charitable donations of just under $15 million, or about 8% of our after-tax profits in fiscal year 2007. In addition, our Whole Planet Foundation, which seeks to create economic partnerships with the poor in the developing-world communities that supply our stores with product, committed over $5 million in grants to five micro-lending projects in five countries: Costa Rica, Guatemala, Nicaragua, Honduras and India. We hope to expand to Indonesia, Kenya and Tanzania in 2008. For our commitment to advancing the development of the nation's green power market, we were awarded the Environmental Protection Agency's Green Power Partner of the Year award for a second consecutive year.

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

We are executing at a high level, continuing to produce higher sales growth, comparable store sales increases and sales per square foot than our public competitors. In fiscal year 2008, we expect higher-than-average sales growth of 25% to 30%, of which approximately 10% is expected to come from the Wild Oats stores, and comparable store sales growth of 7.5% to 9.5%.

We believe we will return to our more historical comparable stores sales growth rate despite increasing competition, a greater degree of cannibalization, and the possible negative impact of any slowdown in consumer spending. Our expectation is based on our continued positive sales growth trends along with easier year-over-year comparisons, a greater number of new stores entering the comparable store base, and the transfer of sales from some of the Wild Oats' store closures.

WHERE DID THE MONEY GO?



While we expect higher-than-average total sales growth, we do not expect to produce operating leverage for the year due primarily to a decrease in store contribution as well as flat G&A expense year over year as a percentage of sales. Store contribution is expected to be negatively impacted by a higher percentage of sales coming from new and acquired stores which have a lower contribution than our existing stores, and continued, though more moderate, increases in health care costs as a percentage of sales, as well as investments in labor and benefits at the Wild Oats stores. G&A is expected to be flat as a percentage of sales primarily due to costs related to the Wild Oats acquisition, including integration costs and costs related to fully staffing our three smallest regions which gained the greatest number of stores as a percentage of their existing store base.

We have produced very consistent gross margin, direct store expenses, and G&A as a percentage of sales over time and believe that, over the long term, we will continue to deliver healthy earnings growth through strong sales growth rather than through significant operating leverage. We believe the investments we are making today in our new, acquired and existing stores will result in substantial earnings growth in the near future.

We are well positioned to achieve our goal of $12 billion in sales in fiscal year 2010.

With fewer than 300 stores, the majority of which are in the top metro markets, we have significant growth opportunities ahead of us. None of our current markets are saturated; the top markets allow for a dense concentration of stores, the majority of which are still underserved; the success we are seeing in some of our new markets indicates there are a lot of opportunities in secondary markets, and we are very excited about what lies ahead of us in terms of international expansion.

Given our recent merger, solid historical sales growth, significant store development pipeline, and acceleration in store openings, we believe we are well positioned to achieve our goal of $12 billion in sales in the year 2010. Over the longer term, however, we believe the sales potential for Whole Foods Market is much greater than $12 billion as the market continues to grow and as our company continues to improve.

We have grown our stock price at an average compound annual rate of 22% since going public, and we encourage our shareholders to stay focused on the long term. We are constantly evolving, innovating and maturing and have a demonstrated track record of competing, executing and delivering compelling results.

GROWTH SINCE IPO

	9/30/07	9/29/91*	CAGR
NUMBER OF STORES	**276**	10	23%
SALES	**$6.6 B**	$92.5 M	30%
EARNINGS PER SHARE	**$1.29**	$0.08	18%
TEAM MEMBERS	**52,600**	1,100	27%
STOCK PRICE	**$48.96**	$2.13	22%

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

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
Chairman of the Board, Chief Executive Officer, and Co-Founder