LETTER TO STAKEHOLDERS

Dear Fellow Stakeholders:

I want to begin by appreciating our Team Members for their hard work and dedication and our customers, vendors and shareholders for their continued support. This year was another great year for our company. On December 27, 2005 we implemented our third two-for-one stock split after which our stock price reached an all-time high of $79.90. We were very excited to join the S&P 500 index and to move up to No. 449 on the FORTUNE 500 list of America's largest corporations. In 2006, we earned the No. 15 spot on FORTUNE's annual list of the "100 Best Companies to Work For," and in 2007, our ranking improved to No. 5, our highest ranking ever. We are also one of only 18 companies to be ranked every year since the list's inception 10 years ago.

For the fiscal year, we produced excellent operating results, reporting a 19% increase in sales to $5.6 billion driven by 11% comparable store sales growth. This marked our third consecutive year of double-digit comparable store sales growth, which is a company historical first. Our average weekly sales per store increased 11% to $593,000, and our sales per square foot for the year were $899—both company records.

Our robust sales helped drive healthy returns. Our comparable stores' return on invested capital was 40%, including an 86% return at our stores over 11 years old. EVA improved a record $39 million to $64 million. We produced $453 million in cash flow from operations and received $222 million in proceeds from the exercise of stock options.

We paid shareholders $358 million in dividends, including a special dividend of $278 million, invested $340 million in capital expenditures, repurchased $100 million of company stock, and still ended the year with $256 million in cash and investments and only $9 million of long-term debt. In conjunction with our fourth quarter and fiscal year-end earnings release, we announced our fourth dividend increase since declaring our first dividend in November 2003.

Year over year, we increased our ending square footage by 10% or 557,000 square feet, opening 13 stores, including the relocation of two existing stores and the expansion into four new trade areas. In addition, we were very pleased to re-open our two New Orleans-area stores, which were closed for several months due to damage from Hurricane Katrina. We ended the year with 186 stores open representing 6.4 million square feet. We signed 35 new store leases over the past year, growing our development pipeline to 88 stores, including 21 new markets and 18 relocations. With close to five million square feet in development through 2010, we believe we are well positioned to more than double our sales and nearly double our square footage over the next four years.

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

We have created a unique shopping experience focused on satisfying and delighting our customers. Our stores feature over 30,000 natural and organic items, and our emphasis on the highest quality perishable foods, which are about 67% of our sales, broadens our appeal beyond our core natural and organic food customers. We adhere to the highest quality standards, and our empowerment company culture, comprised of 87% full-time Team Members, fosters continual improvement and innovation. Over the next few years, we expect to create many new retail innovations which we believe will help redefine the food retailing marketplace and further differentiate our stores and customer experience from our competitors.

FINANCIAL HIGHLIGHTS

	2006	2005	2004	2003	2002
SALES (000s)	**$5,607,376**	$4,701,289	$3,864,950	$3,148,593	$2,690,475
NUMBER OF STORES AT END OF FISCAL YEAR	**186**	175	163	145	135
AVERAGE WEEKLY SALES PER STORE	**$593,000**	$537,000	$482,000	$424,000	$393,000
COMPARABLE STORE SALES GROWTH	**11.0%**	12.8%	14.9%	8.6%	10.0%

We are committed to both increasing product quality and lowering prices to our customers in the future. Private label products are an important part of this strategy. Our private label product count increased 21% year over year to just under 1,800, and our private label sales increased to 16% of our total Grocery and Whole Body sales, or 8% of all retail sales. We have doubled the resources on our private label team and expect private label to grow to a much higher percentage of our sales over time.

Our success depends on Team Member happiness and excellence, and their involvement at all levels of our business is the heart of building positive and healthy relationships in our company. To that end, we conducted our second company-wide vote to determine our benefits program for the next three years. We were pleased that 77% of eligible Team Members voted and participated in this important process.

To make the compensation of our key executives more competitive in the marketplace and help ensure their retention, we increased our salary cap from 14 times to 19 times the average pay of all full-time Team Members employed during the year. For 2006, this means the salary cap was approximately $608,000. This is only the third increase in our salary cap since it was initiated 20 years ago.

While it has become necessary to raise the salary cap at Whole Foods to help ensure the retention of our key leadership, this is not true in my case. The tremendous success of Whole Foods Market has provided me with far more money than I ever dreamed I'd have and far more than is necessary for either my financial security or personal happiness. I continue to work for Whole Foods not because of the money I can make but because of the pleasure I get from leading such a great company, and the ongoing passion I have to help make the world a better place, which Whole Foods is continuing to do. I am now 53 years old and I have reached a place in my life where I no longer want to work for money, but simply for the joy of the work itself and to better answer the call to service that I feel so clearly in my own heart.

Beginning on January 1, 2007, my salary was reduced to $1 per year and I will no longer take any other cash compensation at all. I will continue to receive the same benefits that all other Team Members receive, including the food discount card and health insurance. In addition, the intention of the Board of Directors is for Whole Foods Market to donate all the future stock options I would be eligible to receive to our two company foundations — The Whole Planet Foundation™ and The Animal Compassion Foundation™.

In keeping with our core value of caring about our communities and the environment, we made charitable donations of just under $12 million, or about 6% of our after-tax profits in fiscal year 2006. Approximately 90% of this $12 million was donated by our stores to support their local communities. The other 10% was donated to support our two foundations. The Animal Compassion Foundation is an independent non-profit organization whose mission is to improve the quality of life of farm animals by helping farmers achieve a higher standard of animal welfare excellence. The Whole Planet Foundation's primary focus is to improve the economic well-being of the poor in developing countries where the company trades by assisting entrepreneurship and self-employment through income-generating micro-enterprises via access to capital through micro-loans. I encourage you to look more closely at both of these foundations at www.wholeplanetfoundation.org and www.animalcompassionfoundation.org for they are both doing important work.

We announced our determination to do more to promote local agriculture and strengthen our local sourcing resources through providing loans to small, local farmers, ranchers, and manufacturers close to our stores. We are also supporting local farmers by having many of our stand-alone stores across the U.S., Canada and the U.K. host local farmers markets.

We strengthened our commitment to being a leader in environmental stewardship by making the largest wind energy credit purchase in the history of the U.S. and Canada, becoming the only FORTUNE 500 company to purchase enough wind energy credits to offset 100% of its electricity use. The Environmental Protection Agency recognized our commitment to advancing the development of the nation's green power market by awarding us its top honor - the Green Power Partner of the Year award.

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

After producing exceptional growth in same-store sales over the last three years, in 2007 we expect the pendulum may swing to the low side of or even below our historical average since our IPO of between 8% and 10%. While we cannot state conclusively why our comparable store growth trends have slowed down, we believe it is most likely the result of many factors including the simple math of so many quarters of compounding double-digit growth, heightened competition, fewer store relocations in some quarters, and a higher degree of self-cannibalization by opening additional stores in many of our markets. The bottom line is that we have a loyal base of customers who consider shopping at our stores an essential part of their lifestyle, but it appears that through our above-average performance over the last few years, we have raised the bar so high that, while we are still jumping over it, we cannot continue to jump over it at the same rate. Despite this expected slowdown, we expect our same store sales growth in 2007 will still exceed all other public food retailers in the U.S.

We expect to open more stores in fiscal year 2007 than we ever have in any 12-month period in our history. Our new stores generally produce robust sales from day one, and the majority of them are profitable soon after opening. We are particularly excited about opening our fourth New York City store and making our London debut with what will be our largest, and I predict our best, store across the company. However, as we revert back to or slightly below our historical comparable store sales growth range without yet producing a fully offsetting increase in sales from new stores, while incurring materially higher pre-opening expenses year over year due to our acceleration in new store openings, we expect our fiscal year 2007 sales and earnings growth to be negatively impacted.

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

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

With fewer than 190 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.

We are executing at a high level, continuing to produce much higher sales growth, comparable store sales increases and sales per square foot than our public competitors. Given our history of aggressive sales growth, record store development pipeline, and anticipated acceleration in store openings, 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 25% 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 strong results.

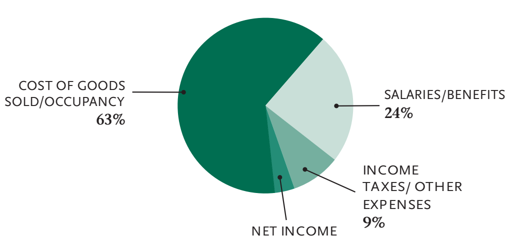
Our motto—Whole Foods, Whole People, Whole Planet™—emphasizes that our vision reaches far beyond just food retailing. We look forward to sharing our vision with the rest of the world.

With warmest regards,

John Mackey

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

WHERE DID THE MONEY GO?



GROWTH SINCE IPO

	9/24/06	9/29/91*	CAGR
NUMBER OF STORES	186	10	22%
SALES	$5.6 B	$92.5 M	31%
EARNINGS PER SHARE	$1.41	$0.08	21%
TEAM MEMBERS	41,500	1,100	27%
STOCK PRICE	$59.29	$2.13	25%

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