

WEIS MARKETS INC  
Form 10-Q  
November 09, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, 2006**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5039

**WEIS MARKETS, INC.**

(Exact name of registrant as specified in its charter)

PENNSYLVANIA

(State or other jurisdiction of incorporation or  
organization)

24-0755415

(I.R.S. Employer Identification No.)

1000 S. Second Street

P. O. Box 471

Sunbury, Pennsylvania

(Address of principal executive offices)

17801-0471

(Zip Code)

Registrant's telephone number, including area code: (570) 286-4571

www.weismarkets.com

Registrant's web address:

Not Applicable

(Former name, former address and former fiscal year, if changed since last report.)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 7, 2006, there were issued and outstanding 27,018,259 shares of the registrant's common stock.

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**PART I - FINANCIAL INFORMATION**  
**ITEM I - FINANCIAL STATEMENTS**  
**WEIS MARKETS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands)

|   | <u>September 30, 2006</u> | <u>December 31, 2005</u> |
|---|---------------------------|--------------------------|
|   | (unaudited)               |                          |
| <b><u>Assets</u></b>  |                           |                          |
| Current:  |                           |                          |
| Cash and cash equivalents   | \$ 52,131                 | \$ 69,300                |
| Marketable securities   | 45,876                    | 23,210                   |
| Accounts receivable, net  | 35,719                    | 38,376                   |
| Inventories   | 174,797                   | 179,382                  |
| Prepaid expenses  | 4,331                     | 6,076                    |
| Deferred income taxes   | <u>3,416</u>              | <u>4,359</u>             |
| <b>Total current assets</b>   | <b><u>316,270</u></b>     | <b><u>320,703</u></b>    |
| Property and equipment, net   | 477,924                   | 446,517                  |
| Goodwill  | 15,722                    | 15,731                   |
| Intangible and other assets, net  | <u>4,968</u>              | <u>5,536</u>             |
|   | \$ <u>814,884</u>         | \$ <u>788,487</u>        |
| <b><u>Liabilities</u></b>   |                           |                          |
| Current:  |                           |                          |
| Accounts payable  | \$ 108,680                | \$ 100,895               |
| Accrued expenses  | 22,403                    | 20,079                   |
| Accrued self-insurance  | 22,635                    | 21,553                   |
| Payable to employee benefit plans   | 13,306                    | 12,487                   |
| Income taxes payable  | <u>373</u>                | <u>2,020</u>             |
| <b>Total current liabilities</b>  | <b><u>167,397</u></b>     | <b><u>157,034</u></b>    |
| Deferred income taxes   | <u>23,891</u>             | <u>27,596</u>            |
| <b><u>Shareholders' Equity</u></b>  |                           |                          |
| Common stock, no par value, 100,800,000 shares authorized,<br>33,008,946 and 33,002,357 shares issued, respectively | 8,592                     | 8,371                    |
| Retained earnings   | 754,349                   | 735,865                  |
| Accumulated other comprehensive income<br>(Net of deferred taxes of \$3,954 in 2006 and \$3,047 in<br>2005)         | <u>5,575</u>              | <u>4,296</u>             |
|   | 768,516                   | 748,532                  |
| Treasury stock at cost, 5,988,187 and 5,982,461 shares,<br>respectively   | <u>(144,920)</u>          | <u>(144,675)</u>         |
| <b>Total shareholders' equity</b>   | <b><u>623,596</u></b>     | <b><u>603,857</u></b>    |
|   | \$ <u>814,884</u>         | \$ <u>788,487</u>        |

See accompanying notes to consolidated financial statements.

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**WEIS MARKETS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(dollars in thousands, except shares and per share amounts)

|  | 13 Weeks Ended   |                  | 39 Weeks Ended   |                |
|--|------------------|------------------|------------------|----------------|
|  | Sept. 30, 2006   | Sept. 24, 2005   | Sept. 30, 2006   | Sept. 24, 2005 |
| Net sales  | \$ 557,177       | \$ 535,907       | \$ 1,620,697     |                |
| Cost of sales, including warehousing and distribution expenses | <u>409,371</u>   | <u>392,745</u>   | <u>1,189,738</u> |                |
| Gross profit on sales  | 147,806          | 143,162          | 430,959          |                |
| Operating, general and administrative expenses                 | <u>135,885</u>   | <u>125,970</u>   | <u>373,057</u>   |                |
| Income from operations   | 11,921           | 16,487           | 57,902           |                |
| Investment income  | 1,105            | 1,359            | 2,471            |                |
| Other income, net  | <u>4,216</u>     | <u>3,863</u>     | <u>11,194</u>    |                |
| Income before provision for income taxes                       | 17,242           | 21,709           | 71,567           |                |
| Provision for income taxes                                     | <u>5,677</u>     | <u>7,850</u>     | <u>26,510</u>    |                |
| Net income   | \$ <u>11,565</u> | \$ <u>13,859</u> | \$ <u>45,057</u> |                |
| Weighted-average shares outstanding, basic                     | 27,021,128       | 27,020,459       | 27,029,379       |                |
| Weighted-average shares outstanding, diluted                   | 27,028,554       | 27,034,607       | 27,035,421       |                |
| Cash dividends per share                                       | \$ 0.29          | \$ 0.28          | \$ .84           |                |
| Basic and diluted earnings per share                           | \$ 0.43          | \$ 0.51          | \$ 1.67          |                |

See accompanying notes to consolidated financial statements.

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**WEIS MARKETS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)  
(dollars in thousands)

|   | <b>39 Weeks Ended</b>     |                           |
|---|---------------------------|---------------------------|
|   | <u>September 30, 2006</u> | <u>September 24, 2005</u> |
| <b>Cash flows from operating activities:</b>                                      |                           |                           |
| Net income  | \$ 41,992                 | \$ 45,057                 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                           |
| Depreciation  | 32,868                    | 32,457                    |
| Amortization  | 4,492                     | 4,759                     |
| Loss on disposition of fixed assets   | 1,113                     | 526                       |
| Gain on sale of marketable securities   | (431)                     | (422)                     |
| Changes in operating assets and liabilities:                                      |                           |                           |
| Inventories   | 4,585                     | (898)                     |
| Accounts receivable and prepaid expenses  | 4,402                     | 78                        |
| Income taxes recoverable  | ---                       | 1,729                     |
| Accounts payable and other liabilities  | 12,010                    | 12,852                    |
| Income taxes payable  | (1,647)                   | 1,599                     |
| Deferred income taxes   | (3,669)                   | (2,220)                   |
| Other   | (36)                      | (15)                      |
| Net cash provided by operating activities   | <u>95,679</u>             | <u>95,502</u>             |
| <b>Cash flows from investing activities:</b>                                      |                           |                           |
| Purchase of property and equipment  | (71,399)                  | (38,870)                  |
| Proceeds from the sale of property and equipment                                  | 2,096                     | 276                       |
| Purchase of marketable securities   | (33,021)                  | (3,479)                   |
| Proceeds from maturities of marketable securities                                 | 11,998                    | ---                       |
| Proceeds from sale of marketable securities                                       | <u>1,010</u>              | <u>1,000</u>              |
| Net cash used in investing activities   | <u>(89,316)</u>           | <u>(41,073)</u>           |
| <b>Cash flows from financing activities:</b>                                      |                           |                           |
| Proceeds from issuance of common stock  | 221                       | 48                        |
| Dividends paid  | (23,508)                  | (22,705)                  |
| Purchase of treasury stock  | (245)                     | (608)                     |
| Net cash used in financing activities   | <u>(23,532)</u>           | <u>(23,265)</u>           |
| Net (decrease) increase in cash and cash equivalents                              | (17,169)                  | 31,164                    |
| Cash and cash equivalents at beginning of year                                    | <u>69,300</u>             | <u>58,234</u>             |
| Cash and cash equivalents at end of period  | \$ <u>52,131</u>          | \$ <u>89,398</u>          |

*See accompanying notes to consolidated financial statements.*



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**WEIS MARKETS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

(1) Significant Accounting Policies

**Basis of Presentation:** The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring deferrals and accruals) considered necessary for a fair presentation have been included. The operating results for the periods presented are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the company's latest Annual Report on Form 10-K.

(2) Current Relevant Accounting Standards

In October 2005, the FASB issued FASB Staff Position ("FSP") FAS 13-1, "Accounting for Rental Costs Incurred during a Construction Period" ("FSP FAS 13-1"). FSP FAS 13-1 requires rental costs associated with operating leases incurred during a construction period to be recognized as rental expense effective for the first reporting period after December 15, 2005. In addition, FSP FAS 13-1 requires lessees to cease capitalizing rental costs for operating lease agreements entered into prior to the effective date. Early adoption is permitted. Retrospective application of the FSP is permitted but not required. Management has changed its accounting policy to recognize rental expense during construction as of the beginning of this fiscal year. The company did not previously capitalize rental costs for operating lease agreements. The adoption of FSP FAS 13-1 did not have a material effect on the company's consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes--an Interpretation of FASB Statement 109" ("FIN 48"). FIN 48 clarifies the accounting for the income tax effects of uncertain tax positions in financial statements. FIN 48 prescribes that the income tax effects should be recognized if it is determined it is more likely than not that the tax position will be sustained on examination by taxing authorities. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The effective date for this interpretation is for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to the opening balance of retained earnings. Management is currently evaluating the impact of adopting FIN 48 on the consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"). This statement requires balance sheet recognition of the overfunded or underfunded status of pension and postretirement benefit plans. Under SFAS 158, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in Accumulated Other Non-Shareowners' Changes in Equity, net of tax effects, until they are amortized as a component of net periodic benefit cost. The standard is effective for fiscal years ending after December 15, 2006. As of September 30, 2006, management believes the adoption of SFAS 158 will not have a material effect on the company's consolidated financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 was issued to provide consistency between how registrants quantify financial statement misstatements.



Historically, there have been two widely-used methods for quantifying the effects of financial statement misstatements. These methods are referred to as the "roll-over" and "iron curtain" method. The roll-over method quantifies the amount by which the current year income statement is misstated. Exclusive reliance on an income statement approach can result in the accumulation of errors on the balance sheet that may not have been material to any individual income statement, but which may misstate one or more balance sheet accounts. The iron curtain method quantifies the error as the cumulative amount by which the current year balance sheet is misstated. Exclusive reliance on a balance sheet approach can result in disregarding the effects of errors in the current year income statement that results from the correction of an error existing in previously issued financial statements. We currently use the roll-over method for quantifying identified financial statement misstatements.

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**WEIS MARKETS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)  
(continued)

## (2) Current Relevant Accounting Standards (continued)

SAB 108 established an approach that requires quantification of financial statement misstatements based on the effects of the misstatement on each of the company's financial statements and the related financial statement disclosures. This approach is commonly referred to as the "dual approach" because it requires quantification of errors under both the roll-over and iron curtain methods.

SAB 108 allows registrants to initially apply the dual approach either by (1) retroactively adjusting prior financial statements as if the dual approach had always been used or by (2) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. Use of this "cumulative effect" transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose.

We will initially apply SAB 108 using the cumulative effect transition method in connection with the preparation of our annual financial statements for the year ending December 30, 2006. As of September 30, 2006, management believes the adoption of SAB 108 will not have a material effect on the company's consolidated financial statements.

## (3) Comprehensive Income

The components of comprehensive income, net of related tax, for the periods ended September 30, 2006 and September 24, 2005 are as follows:

|  | <u>13 Weeks Ended</u>           |                                 | <u>39 Weeks Ended</u>           |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | <u>Sept. 30,</u><br><u>2006</u> | <u>Sept. 24,</u><br><u>2005</u> | <u>Sept. 30,</u><br><u>2006</u> | <u>Sept. 24,</u><br><u>2005</u> |
| <i>(dollars in thousands)</i>  |                                 |                                 |                                 |                                 |
| Net income   | \$ 11,565                       | \$ 13,667                       | \$ 41,992                       | \$ 45,057                       |
| Other comprehensive income by component,<br>net of tax:  |                                 |                                 |                                 |                                 |
| Unrealized holding gains (losses) arising<br>during period (Net of deferred taxes of \$572<br>and \$56 respectively for the 13 Weeks Ended<br>and \$1,086 and \$(36) respectively for the 39<br>Weeks Ended) | 807                             | 79                              | 1,531                           | (51)                            |
| Reclassification adjustment for gains<br>included in net income (Net of taxes of \$0<br>and \$(175) respectively for the 13 Weeks<br>Ended and \$(179) and \$(175) respectively<br>for the 39 Weeks Ended)   | ---                             | (247)                           | (252)                           | (247)                           |
| Comprehensive income, net of tax   | \$ 12,372                       | \$ 13,499                       | \$ 43,271                       | \$ 44,759                       |

## (4) Impairment Charges

In accordance with SFAS No. 144, the company recorded a pre-tax charge for the impairment of long-lived assets of \$1.7 million in the third quarter of 2006. On July 18, 2006, a landlord of an open store facility was notified of a July 13, 2006 decision that the Company intended not to exercise a successive renewal lease option beginning in October 2006. In 1999, the Company had constructed a major portion of the property, which was recorded as leasehold improvements, in exchange for a discount in the lease rate. Until the decision not to renew, the fair market value of the

lease exceeded the carrying value of the \$1.2 million leasehold improvement. Additionally, the Company notified the landlord of another open store facility that it intended not to exercise a successive renewal lease option, which resulted in the impairment of a \$450,000 leasehold improvement. These charges were included as a component of operating, general and administrative expenses and eliminate the carrying value of the store.

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**WEIS MARKETS, INC.**  
**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**OVERVIEW**

Founded in 1912, Weis Markets, Inc. currently ranks among the top 50 food and drug retailers in the United States in terms of revenues generated. At the end of the third quarter 2006, the company operated 156 retail food stores in Pennsylvania and four surrounding states: Maryland, New Jersey, West Virginia and New York. Company revenues, income and cash flows are generated in its retail food stores from the sale of a wide variety of consumer products including groceries, dairy products, frozen foods, meats, seafood, fresh produce, floral, prescriptions, deli/bakery products, prepared foods, fuel, general merchandise, health and beauty care and household products. The company supports its retail operations through a centrally located distribution facility, transportation fleet, four manufacturing facilities and its administrative offices. The company also operates 31 SuperPetz pet supply stores.

The following analysis should be read in conjunction with the Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q, the 2005 Annual Report on Form 10-K, filed with the U. S. Securities and Exchange Commission, as well as the cautionary statement captioned "Forward-Looking Statements" immediately following this analysis.

**OPERATING RESULTS**

Total sales for the third quarter ended September 30, 2006 increased 4.1% to \$557.2 million compared to sales of \$535.3 million in the same quarter of 2005. Comparable store sales in the third quarter increased 3.2% compared to a 3.3% increase in 2005. Sales for the first three quarters of this year increased 2.9% to \$1.7 billion compared to \$1.6 billion in 2005. Through the first three quarters of 2006, the company generated a 2.0% increase in comparable store sales compared to a 3.7% increase for the same period a year ago. In the first quarter of this year, the company's sales were adversely affected by a very mild winter, particularly in Pennsylvania, where it operates the majority of its retail food stores.

Although the company experienced some product cost inflation, management does not believe it can accurately measure the full impact of product inflation and deflation on retail pricing due to changes in the types of merchandise sold between periods, shifts in customer buying patterns and the fluctuation of competitive factors.

The cost of sales consists of direct product costs (net of discounts and allowances), warehouse costs, transportation costs and manufacturing facility costs. In recent years, many vendors have converted promotional incentives to reimbursements based upon sales movement data recorded at the point of sale rather than for cases purchased. Management expects this trend to have no discernible impact on the company's overall gross profit results.

In the third quarter, the company's gross profit increased \$5.3 million or 3.7% to \$147.8 million at 26.5% of sales compared to the same period a year ago, while the gross profit rate decreased 0.1%. Year-to-date, the company's gross profit increased 3.6% or \$15.5 million, while its gross profit rate increased 0.2%. A \$3.1 million improvement in store inventory losses ("shrink") in the first three quarters of 2006, compared to the same period in 2005, accounted for all of the increase in the year-to-date gross profit rate.

The company, which continues to implement operational initiatives for shrink reduction in its retail units, began the installation of a new exception reporting and performance management application in the first quarter of 2006 to further improve its gross profit results.

As a result of higher fuel prices, the company's diesel fuel costs increased 27.1% in the quarter and 26.4% year-to-date compared to the same periods in 2005. At this time, management is unaware of any other events or trends that may

cause a material change to the overall financial operation due to shifts in product cost.

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**WEIS MARKETS, INC.**  
**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**OPERATING RESULTS (continued)**

Operating, general and administrative expenses in the third quarter of \$135.9 million at 24.4% of sales, increased \$9.9 million or 7.9% compared to the same quarter in 2005. As a percentage of sales, operating expenses were .9% higher than the third quarter last year. The company experienced a 5.9% increase in labor expenses for the quarter, which were significantly affected by additional staffing requirements for nine expansion projects including eight remodels and one new store. The spike in energy prices has had a major impact on the company's heating and cooling costs, increasing 7.9% in the quarter compared to the same period last year. The cost of petroleum based store supplies (such as plastic shopping bags) increased an estimated 15% in the third quarter 2006 compared to the same period last year. In the third quarter of 2006, the company also incurred a pre-tax impairment loss of \$1.7 million on two closed store facilities and expensed \$417,000 for the environmental remediation of a non-store property.

Interchange fees for accepting credit/debit cards increased 13.6% in the quarter compared to the same period in 2005. The company remains extremely concerned about the continuing rise in interchange fees for accepting credit/debit card transactions. From 1995 through 2005, this one line item expense increased 700.2% while customer utilization increased 560.6%. Since transaction volume is up and fraud is down, it is only logical that transaction costs should decrease. Consequently, the company is working with a wide variety of corporations and associations to reduce interchange rates, through possible legislative and regulatory initiatives.

Year-to-date operating, general and administrative expenses increased \$24.6 million or 6.6% compared to the first three quarters last year. As a percent of sales, these expenses increased 0.9% to 23.9%. Year-to-date the company experienced significant increases in labor costs, energy costs and credit/debit card interchange fees; labor costs increased 5.8%, utilities increased 8.8% and interchange fees increased 13.6%.

In the third quarter, the company's investment income totaled \$1.1 million at 0.2% of sales, a decrease of \$82,000 or 6.9% compared to the same period a year ago. The company's third quarter 2005 investment income included a \$422,000 gain on the sale of equity securities. Year-to-date, the company's investment income increased \$1.1 million or 44.0% to \$3.6 million. In the first quarter of 2006, the company realized a gain of \$431,000 on the sale of equities from its investment portfolio. The increase in investment income is primarily the result of rising interest rates and the fact that the majority of the company's portfolio is in money market funds. The money market funds are classified on the Consolidated Balance Sheets as "Cash and Cash Equivalents."

The company's other income is primarily generated from net rental income, coupon-handling fees, store service commissions, cardboard salvage, gain or loss on the disposition of fixed assets and interest expense. Other income of \$4.2 million at 0.8% of sales increased \$390,000 or 10.2% compared to the same quarter last year. Year-to-date, other income of \$12.3 million at 0.7% of sales increased \$1.1 million or 10.2% versus a year ago.

The effective tax rate for the third quarter of 2006 and 2005 was 32.9% and 36.6%, respectively. Year-to-date, the effective tax rate was 35.0% for 2006 compared to 37.0% for the first three quarters of last year. The effective income tax rate differs from the federal statutory rate of 35% primarily due to the effect of state taxes.

For the thirteen-week period ending September 30, 2006, the company's net income decreased 15.4% to \$11.6 million compared to the same period a year ago. The company's third quarter basic and diluted earnings per share of \$.43 decreased \$.08 or 15.7% compared to 2005. Year-to-date earnings decreased 6.8% from \$45.1 million to \$42.0 million. Basic and diluted earnings per share in the first three quarters of 2006 decreased 7.2% to \$1.55 compared to

\$1.67 generated last year.

**LIQUIDITY AND CAPITAL RESOURCES**

During the first thirty-nine weeks of 2006, the company generated \$95.7 million in cash flows from operating activities compared to \$95.5 million for the same period in 2005. Working capital decreased \$14.8 million or 9.0% since the beginning of the year. Net cash provided by operating activities increased \$177,000 compared to the same period last year.

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**WEIS MARKETS, INC.**  
**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
(continued)

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

Net cash used in investing activities in the first three quarters of 2006 amounted to \$89.3 million compared to the \$41.1 million used in 2005. Capital expenditures totaled \$71.4 million compared to \$38.9 million in the first three quarters of 2005. The company estimated that its capital expenditure plans would require an investment of \$90.6 million in 2006. This plan includes construction of new superstores, the expansion and remodeling of existing units, the acquisition of sites for future expansion, new technology purchases and the continued upgrade of company processing and distribution facilities.

Net cash used in financing activities during the first thirty-nine weeks of 2006 was \$23.5 million compared to \$23.3 million in 2005. In 2006, treasury stock purchases amounted to \$245,000 in the period compared to \$608,000 in the first three quarters last year. The Board of Directors' 2004 resolution authorizing the purchase of one million shares of treasury stock has a remaining balance of 886,396 shares.

Cash dividends of \$23.5 million were paid to shareholders in the first three quarters of 2006 versus \$22.7 million a year ago. At its regular meeting held in October, the Board of Directors unanimously approved a quarterly dividend of \$.29 per share, payable on November 17, 2006 to shareholders of record on November 3, 2006.

The company has no other commitment of capital resources as of September 30, 2006, other than the lease commitments on its store facilities under operating leases that expire at various dates through 2026. The company anticipates funding its working capital requirements and the remainder of its \$90.6 million capital expansion program through internally generated cash flows from operations.

**Critical Accounting Policies**

The company has chosen accounting policies that it believes are appropriate to accurately and fairly report its operating results and financial position, and the company applies those accounting policies in a consistent manner. The Significant Accounting Policies are summarized in Note 1 to the Consolidated Financial Statements included in the 2005 Annual Report on Form 10-K. There have been no changes to the Critical Accounting Policies since the company filed its Annual Report on Form 10-K for the year ended December 31, 2005.

**FORWARD-LOOKING STATEMENTS**

In addition to historical information, this 10-Q Report may contain forward-looking statements. Any forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. For example, risks and uncertainties can arise with changes in: general economic conditions, including their impact on capital expenditures; business conditions in the retail industry; the regulatory environment; rapidly changing technology and competitive factors, including increased competition with regional and national retailers; and price pressures. Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's analysis only as of the date hereof. The company undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents the company files periodically with the Securities and Exchange Commission.





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**WEIS MARKETS, INC.**

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Quantitative Disclosure - There have been no material changes in the company's market risk during the nine months ended September 30, 2006. Quantitative information is set forth in Item 7a on the company's annual report on Form 10-K under the caption "Quantitative Disclosures About Market Risk," which was filed for the fiscal year ended December 31, 2005 and is incorporated herein by reference.

Qualitative Disclosure - This information is set forth in Item 7a of the company's annual report on Form 10-K under the caption "Liquidity and Capital Resources," within "Management's Discussion and Analysis of Financial Condition and Results of Operations," which was filed for the fiscal year ended December 31, 2005 and is incorporated herein by reference.

**ITEM 4. CONTROLS AND PROCEDURES**

The Chief Executive Officer and the Chief Financial Officer of the company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of a date within 90 days prior to the date of the filing of this Report, that the company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the company in such reports is accumulated and communicated to the company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the company's internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

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**WEIS MARKETS, INC.**

**PART II - OTHER INFORMATION**

**ITEM 6. EXHIBITS**

Exhibits

Exhibit 31.1 Rule 13a-14(a) Certification - CEO

Exhibit 31.2 Rule 13a-14(a) Certification - CFO

Exhibit 32 Certification Pursuant to 18 U.S.C. Section 1350

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WEIS MARKETS, INC.

(Registrant)

Date 11/9/2006

/S/Norman S. Rich

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Norman S. Rich  
President / Chief Executive Officer

Date 11/9/2006

/S/William R. Mills

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William R. Mills  
Senior Vice President and Treasurer /  
Chief Financial Officer / Chief  
Accounting Officer

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**EXHIBIT 31.1**

**WEIS MARKETS, INC.**

**CERTIFICATION- CHIEF EXECUTIVE OFFICER  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Norman S. Rich, President/CEO of Weis Markets, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Weis Markets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2006

/S/ Norman S. Rich  
Norman S. Rich  
President/CEO



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**EXHIBIT 31.2**

**WEIS MARKETS, INC.**

**CERTIFICATION- CHIEF FINANCIAL OFFICER  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, William R. Mills, Senior Vice President and Treasurer/CFO of Weis Markets, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Weis Markets, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2006

/S/ William R. Mills  
William R. Mills  
Senior Vice President



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**EXHIBIT 32**

**WEIS MARKETS, INC.**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Weis Markets, Inc. (the "company") on Form 10-Q for the quarter ending September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), We, Norman S. Rich, President / Chief Executive Officer, and William R. Mills, Senior Vice President and Treasurer / Chief Financial Officer, of the company, certify, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) to my knowledge the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

/S/ Norman S. Rich

Norman S. Rich  
President / CEO  
11/9/2006

/S/ William R. Mills

William R. Mills  
Senior Vice President and Treasurer / CFO  
11/9/2006

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to Weis Markets, Inc. and will be retained by Weis Markets, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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