

WEIS MARKETS INC  
Form 10-Q  
November 06, 2008

Table of Contents

**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 27, 2008**

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.)

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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange

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Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 6, 2008, there were issued and outstanding 26,965,899 shares of the registrant's common stock.

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Table of Contents

**WEIS MARKETS, INC.**

**TABLE OF CONTENTS**

| <u>FORM 10-Q</u>   | <u>Page</u> |
|--|-------------|
| <u>Part I. Financial Information</u>   |             |
| <u>Item 1. Financial Statements</u>  |             |
| <u>Consolidated Balance Sheets</u>   | 1           |
| <u>Consolidated Statements of Income</u>   | 2           |
| <u>Consolidated Statements of Cash Flows</u>   | 3           |
| <u>Notes to Consolidated Financial Statements</u>  | 4           |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 5           |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>                            | 8           |
| <u>Item 4. Controls and Procedures</u>   | 8           |
| <u>Part II. Other Information</u>  |             |
| <u>Item 6. Exhibits</u>  | 9           |
| <u>Signatures</u>  | 9           |
| <u>Exhibit 31.1 Rule 13a-14(a) Certification- CEO</u>  |             |
| <u>Exhibit 31.2 Rule 13a-14(a) Certification- CFO</u>  |             |
| <u>Exhibit 32 Certification Pursuant to 18 U.S.C. Section 1350</u>                                   |             |

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Table of Contents

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

|   | <u>September 27, 2008</u> | <u>December 29, 2007</u> |
|---|---------------------------|--------------------------|
|   | (unaudited)               |                          |
| <b><u>Assets</u></b>  |                           |                          |
| Current:  |                           |                          |
| Cash and cash equivalents   | \$ 72,106                 | \$ 41,187                |
| Marketable securities   | 21,228                    | 26,182                   |
| Accounts receivable, net  | 37,222                    | 48,460                   |
| Inventories   | 198,318                   | 193,732                  |
| Prepaid expenses  | 5,627                     | 3,317                    |
| Income taxes recoverable  | <u>7,318</u>              | <u>8,074</u>             |
| <b>Total current assets</b>   | <u>341,819</u>            | <u>320,952</u>           |
| Property and equipment, net   | 504,610                   | 499,246                  |
| Goodwill  | 15,722                    | 15,722                   |
| Intangible and other assets, net  | <u>4,233</u>              | <u>4,149</u>             |
| <b>Total assets</b>   | <u>\$ 866,384</u>         | <u>\$ 840,069</u>        |
| <b><u>Liabilities</u></b>   |                           |                          |
| Current:  |                           |                          |
| Accounts payable  | \$ 128,644                | \$ 111,555               |
| Accrued expenses  | 25,022                    | 23,036                   |
| Accrued self-insurance  | 24,247                    | 23,442                   |
| Payable to employee benefit plans   | 1,475                     | 1,400                    |
| Deferred income taxes   | <u>3,391</u>              | <u>4,134</u>             |
| <b>Total current liabilities</b>  | <u>182,779</u>            | <u>163,567</u>           |
| Postretirement benefit obligations  | 14,733                    | 14,027                   |
| Deferred income taxes   | <u>16,308</u>             | <u>14,247</u>            |
| <b>Total liabilities</b>  | <u>213,820</u>            | <u>191,841</u>           |
| <b><u>Shareholders' Equity</u></b>  |                           |                          |
| Common stock, no par value, 100,800,000 shares authorized,<br>33,047,807 and 33,044,357 shares issued, respectively | 9,949                     | 9,830                    |
| Retained earnings   | 786,282                   | 779,760                  |
| Accumulated other comprehensive income<br>(Net of deferred taxes of \$3,699 in 2008 and \$5,205 in<br>2007)         | <u>5,216</u>              | <u>7,339</u>             |
|   | 801,447                   | 796,929                  |
| Treasury stock at cost, 6,081,908 and 6,077,311 shares,<br>respectively   | <u>(148,883)</u>          | <u>(148,701)</u>         |
| <b>Total shareholders' equity</b>   | <u>652,564</u>            | <u>648,228</u>           |
| <b>Total liabilities and shareholders' equity</b>   | <u>\$ 866,384</u>         | <u>\$ 840,069</u>        |

*See accompanying notes to consolidated financial statements.*

Table of Contents

**WEIS MARKETS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

(unaudited)

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

|  | 13 Weeks Ended        |                       | 39 Weeks Ended        |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | <u>Sept. 27, 2008</u> | <u>Sept. 29, 2007</u> | <u>Sept. 27, 2008</u> | <u>Sept. 29, 2007</u> |
| Net sales  | \$ 603,894            | \$ 564,966,953        | \$ 603,894            | \$ 1,715,573          |
| Cost of sales, including warehousing and distribution expenses | <u>447,532</u>        | <u>417,332,785</u>    | <u>447,532</u>        | <u>1,262,126</u>      |
| Gross profit on sales  | 156,362               | 147,604,168           | 156,362               | 453,447               |
| Operating, general and administrative expenses                 | <u>145,525</u>        | <u>132,423,401</u>    | <u>145,525</u>        | <u>390,820</u>        |
| Income from operations   | 10,837                | 15,221,767            | 10,837                | 62,627                |
| Investment income  | <u>513</u>            | <u>768,981</u>        | <u>513</u>            | <u>2,232</u>          |
| Income before provision for income taxes                       | 11,350                | 15,993,748            | 11,350                | 64,859                |
| Provision for income taxes                                     | <u>3,259</u>          | <u>5,174,765</u>      | <u>3,259</u>          | <u>22,479</u>         |
| Net income   | \$ <u>8,091</u>       | \$ <u>10,819,983</u>  | \$ <u>8,091</u>       | \$ <u>42,380</u>      |
| Weighted-average shares outstanding, basic                     | 26,966,361            | 26,996,906,897        | 26,966,361            | 26,990,149            |
| Weighted-average shares outstanding, diluted                   | 26,967,076            | 26,996,867,091        | 26,967,076            | 26,998,397            |
| Cash dividends per share                                       | \$ 0.29               | \$ 0.29087            | \$ 0.29               | \$ 0.87               |
| Basic and diluted earnings per share                           | \$ 0.30               | \$ 0.40181            | \$ 0.30               | \$ 1.57               |

See accompanying notes to consolidated financial statements.

Table of Contents

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

|   | <b>39 Weeks Ended</b>        |                              |
|---|------------------------------|------------------------------|
|   | <b><u>Sept. 27, 2008</u></b> | <b><u>Sept. 29, 2007</u></b> |
| <b>Cash flows from operating activities:</b>                                      |                              |                              |
| Net income  | \$ 29,983                    | \$ 42,380                    |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |                              |
| Depreciation  | 34,690                       | 35,185                       |
| Amortization  | 6,316                        | 5,679                        |
| Gain on disposition of fixed assets   | (3)                          | (8,163)                      |
| Changes in operating assets and liabilities:                                      |                              |                              |
| Accounts receivable and prepaid expenses  | 8,928                        | (5,408)                      |
| Inventories   | (4,586)                      | 3,679                        |
| Income taxes recoverable  | 756                          | (5,227)                      |
| Accounts payable and other liabilities  | 20,661                       | 5,992                        |
| Income taxes payable  | ---                          | (1,317)                      |
| Deferred income taxes   | 2,824                        | (847)                        |
| Other   | <u>115</u>                   | <u>374</u>                   |
| Net cash provided by operating activities   | <u>99,684</u>                | <u>72,327</u>                |
| <b>Cash flows from investing activities:</b>                                      |                              |                              |
| Purchase of property and equipment  | (46,299)                     | (45,522)                     |
| Proceeds from the sale of property and equipment                                  | 242                          | 11,291                       |
| Proceeds from maturities of marketable securities                                 | 1,210                        | 13,781                       |
| Purchase of intangible assets   | <u>(394)</u>                 | <u>---</u>                   |
| Net cash used in investing activities   | <u>(45,241)</u>              | <u>(20,450)</u>              |
| <b>Cash flows from financing activities:</b>                                      |                              |                              |
| Proceeds from issuance of common stock  | 119                          | 1,221                        |
| Dividends paid  | (23,461)                     | (23,482)                     |
| Purchase of treasury stock  | <u>(182)</u>                 | <u>(1,616)</u>               |
| Net cash used in financing activities   | <u>(23,524)</u>              | <u>(23,877)</u>              |
| Net increase in cash and cash equivalents   | 30,919                       | 28,000                       |
| Cash and cash equivalents at beginning of year                                    | <u>41,187</u>                | <u>27,545</u>                |
| Cash and cash equivalents at end of period  | \$ <u>72,106</u>             | \$ <u>55,545</u>             |

See accompanying notes to consolidated financial statements.

Table of Contents

**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 September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 did not have a material impact on the company's financial statements. Marketable securities represent the only item recorded on the Company's balance sheets at fair value. Marketable securities are all classified as available-for-sale and values are derived solely from level 1 inputs.

In February 2008, FASB issued FASB Staff Position No. 157-2 ("FSP 157-2") which delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the provisions of FSP 157-2 to determine the potential impact, if any, the adoption will have on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value at specified election dates. The fair value option may be applied instrument by instrument (with a few exceptions), is irrevocable and is applied only to entire instruments and not to portions of instruments. Unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The company has chosen not to elect the fair value option, therefore the adoption of SFAS 159 did not have an impact on the company's financial statements.

**(3) Comprehensive Income**

The components of comprehensive income, net of related tax, for the periods ended September 27, 2008 and September 29, 2007 are as follows:

|                               | <u>13 Weeks Ended</u>           |                                 | <u>39 Weeks Ended</u>           |                                 |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                               | <u>Sept. 27,</u><br><u>2008</u> | <u>Sept. 29,</u><br><u>2007</u> | <u>Sept. 27,</u><br><u>2008</u> | <u>Sept. 29,</u><br><u>2007</u> |
| <i>(dollars in thousands)</i> |                                 |                                 |                                 |                                 |
| Net income                    | \$ 8,091                        | \$ 10,817                       | \$ 29,983                       | \$ 42,380                       |



Other comprehensive income by component,  
net of tax:

|  |    |              |    |               |    |                |    |               |
|--|----|--------------|----|---------------|----|----------------|----|---------------|
| Unrealized holding (losses) gains arising during period (Net of deferred taxes of \$323 and \$221 respectively for the 13 Weeks Ended and \$1,506 and \$968 respectively for the 39 Weeks Ended) |    | <u>(456)</u> |    | <u>312</u>    |    | <u>(2,123)</u> |    | <u>1,365</u>  |
| Comprehensive income, net of tax   | \$ | <u>7,635</u> | \$ | <u>11,129</u> | \$ | <u>27,860</u>  | \$ | <u>43,745</u> |

(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 2008. On October 4, 2008, a leased open store facility was closed, which the company decided to close on August 13, 2008. In 1998, 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 to close, the fair market value of the lease exceeded the carrying value of the \$1.7 million leasehold improvement. This charge was included as a component of operating, general and administrative expenses and eliminates the carrying value of the store.

Table of Contents

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

**OVERVIEW**

Weis Markets, Inc. was founded in 1912 by Sigmund and Harry Weis in Sunbury, Pennsylvania. Today, the company ranks among the top 50 food and drug retailers in the United States in revenues generated. As of September 27, 2008, the company operated 156 retail food stores in Pennsylvania and four surrounding states: Maryland, New Jersey, West Virginia and New York. In addition to its retail food stores, the company operates 28 SuperPetz pet supply stores in ten states: Alabama, Georgia, Indiana, Maryland, Michigan, North Carolina, Ohio, Pennsylvania, South Carolina and Tennessee.

Company revenues 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, pharmacy services, deli/bakery products, prepared foods, fuel and general merchandise items, such as health and beauty care and household products. The company supports its retail operations through a centrally located distribution facility, its own transportation fleet, four manufacturing facilities and its administrative offices. The company's operations are reported as a single reportable segment.

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 2007 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 27, 2008 increased 6.9% to \$603.9 million compared to sales of \$565.0 million in the same quarter of 2007. Comparable store sales in the third quarter increased 6.2% compared to a 1.8% increase in 2007. Sales for the first three quarters of this year increased 5.1% to \$1.80 billion compared to \$1.72 billion in 2007, while comparable store sales increased at the same rate compared to a 3.0% increase in 2007 over 2006. The company's revenues are earned and cash is generated as merchandise is sold to customers.

When calculating the percentage change in comparable store sales, the company defines a new store to be comparable the week following one full year of operation. Relocated stores and stores with expanded square footage are included in comparable sales since these units are located in existing markets and are open during construction. When a store is closed, sales generated from that unit in the prior year are subtracted from total company sales starting the same week of closure in the prior year and continuing from that point forward.

The increase in comparable store sales during the third quarter was primarily the result of an increase in average sales per customer transaction, which was the result of changes in product mix and inflation. The number of comparable store customer visits in the quarter was slightly down compared to the same quarter one year ago, which the company believes is due to the uncertain economy and the high cost of gasoline. Although customers are more cautious in their spending and are making fewer store visits per week, they are spending more while in the store. The average customer basket size in the quarter increased 6.9% as compared to the same period a year ago. The company is also experiencing a shift in consumer buying habits from more expensive national brand products to the Weis private label brands. The year-to-date units of Weis private label merchandise sold increased 4.6% compared to the first three

quarters in 2007. The company believes this trend will continue as more consumers become acquainted with the quality and value of its private label products .

The company continues to maintain an aggressive pricing and promotional program to retain its market share in an extremely competitive market environment. As a result of its promotional strategy, the supermarket store customer count increased 0.7% in the first three quarters of 2008 as compared to the same period a year ago and comparable store customer count increased 0.7%. Year-to-date, the company's average sale per customer increased 4.7% and its average sale per customer for comparable stores increased 4.1%.

Table of Contents

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

**OPERATING RESULTS (continued)**

Sales were and continue to be significantly impacted by lower pharmacy sales. Market forces affecting pharmacy sales such as an aging population base, continue to be offset by retail erosion due to increased generic penetration. Additionally, prescription plan sponsors continue to offer economic incentives to covered individuals in an effort to shift prescription drug expenditures to mail order. In a retail environment where increasingly competitive markets have made it difficult for grocery store retailers to achieve gains in comparable store sales, the company benefited from increased perishable sales and other successful sales building strategies which helped offset the decrease in pharmacy sales. Management is confident in its ability to sustain sales growth in a highly competitive environment, but also understands that some competitors have greater financial resources and could use these resources to take measures which could adversely affect the company's competitive position.

According to federal economic reports, wholesale food prices increased 7.3% in the first three quarters of this year, just over one percentage point higher than the inflation rate for retail food-at-home prices. As with other food retailers, the company experienced substantial cost increases for most food commodities, which have outpaced increases in retail prices paid by its customers, over the past year. However, this trend is gradually subsiding and price increases from manufacturers are being passed along to consumers on a more timely basis. Management does not feel 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.

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 on sales movement data recorded at the point of sale rather than for cases purchased. Management expects this trend to continue, but notes it should have no discernible impact on the company's overall gross profit results.

Gross profit of \$156.4 million at 25.9% of sales, increased \$8.7 million or 5.9% versus the same quarter last year and the gross profit rate decreased 0.2%. Year-to-date gross profit at 25.9% of sales increased \$13.7 million or 3.0%, while the gross profit rate decreased 0.5%. Because of the significant wholesale price inflation, the company increased the accrual to its LIFO reserve by an additional \$900,000 in the quarter and \$2.7 million year-to-date. In addition to the disparity between wholesale and retail price inflation, cost of sales was also impacted by a 55.3% increase in the cost of diesel fuel used by the company to deliver goods from its distribution center as compared to the third quarter in 2007.

At this time, management is unaware of any other events or trends that may cause a material change to its overall financial operation due to fluctuations in product costs.

The third quarter operating, general and administrative expenses of \$145.5 million at 24.1% of sales, increased \$13.1 million or 9.9% compared to the same quarter in 2007. As a percentage of sales, operating expenses were 0.7% higher than the third quarter last year. Year-to-date operating, general and administrative expenses increased \$34.6 million compared to the first three quarters of last year. These expenses increased from 22.8% of sales in 2007 to 23.6%, an

increase in rate of 0.8%. The change in the third quarter percent of sales was entirely attributable to a 2008 \$1.7 million impairment loss and a 2007 pre-tax gain on the sale of a closed store facility for \$2.7 million; both combining to affect the variance in the percent of sale rate negatively by 0.8%. In 2007, the company realized a pre-tax gain on the sale of two closed store facilities and an undeveloped parcel of land for a total of \$8.2 million during the first three quarters of that year. Excluding the 2007 gain and the 2008 third quarter impairment loss, the year-to-date operating, general and administrative expenses as a percent of sales rate increased only 0.2%.

Employee-related costs such as wages, employer paid taxes, health care benefits and retirement plans, comprise over 60% of the total operating, general and administrative expenses. Employee-related costs improved by 0.2% of sales for the quarter, but accounted for 0.1% of the rate increase year-to-date. Employee-related costs increased 6.1% in the first three quarters of this year compared to the same period last year. The Commonwealth of Pennsylvania, where the majority of the company's stores are located, increased the minimum wage rate \$2.00 per hour in 2007. Although the company paid its associates more than the minimum wage rate, the increase impacted associate rates well above minimum wage. In addition, the company increased associate rates in neighboring states.

Table of Contents

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

**OPERATING RESULTS (continued)**

The company's profitability is particularly sensitive to the cost of oil. Fluctuating fuel prices may adversely affect operating profits since the cost of fuel is incurred in connection with the transportation of goods from the distribution facilities to the stores and in the cost of other petroleum based products, including plastic bags. Retail store profitability is sensitive to rising utility costs due to the amount of electricity and gas required to operate. In addition, the company continues to see year-over-year increases in the cost for accepting credit/debit cards, known as interchange fees that have negatively impacted margins. Interchange fees for accepting credit/debit cards increased 13.3% year-to-date compared to the same period in 2007. The company may not be able to recover these rising utility, fuel and interchange costs through increased prices charged to customers. Any delay in the company's response to unforeseen cost increases or competitive pressures that prevent its ability to raise prices may cause earnings to suffer. The company is reacting to these increased operating costs by evaluating technological improvements for improved utility and fuel management, and through initiatives at the legislative and regulatory levels of the federal government to regain control of the interchange fees. Management does not foresee a change in these trends in the near future.

In the third quarter, the company's investment income totaled \$513,000 at 0.1% of sales, a decrease of \$255,000 or 33.2% compared to the same period a year ago. Year-to-date, the company's investment income decreased \$251,000 or 11.2%.

The effective tax rate for the third quarter of 2008 and 2007 was 28.7% and 32.4%, respectively. Year-to-date, the effective tax rate was 31.5% for 2008 compared to 34.7% in 2007. The effective income tax rate differs from the federal statutory rate of 35% primarily due to the effect of state taxes, net of permanent differences relating to tax-free income.

For the three-month period ending September 27, 2008, net income of \$8.1 million decreased 25.2% compared to the same period last year. Basic and diluted earnings per share of \$.30 for the quarter decreased \$.10 or 25.0% compared to 2007. Year-to-date earnings decreased 29.3% from \$42.4 million to \$30.0 million. Basic and diluted earnings per share in the first three quarters of 2008 decreased 29.3% to \$1.11 compared to \$1.57 generated in the first three quarters of last year.

Income is earned by selling merchandise at price levels that produce revenues in excess of cost of merchandise sold and operating and administrative expenses. Although the company may experience short term fluctuations in its earnings due to unforeseen short-term operating cost increases, it historically has been able to increase revenues and maintain stable earnings from year to year.

**LIQUIDITY AND CAPITAL RESOURCES**

During the first thirty-nine weeks of 2008, the company generated \$99.7 million in cash flows from operating activities compared to \$72.3 million for the same period in 2007. Working capital increased \$1.7 million or 1.1% since the beginning of the year.

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Net cash used in investing activities in the first three quarters of 2008 amounted to \$45.2 million compared to the \$20.5 million used in 2007. Capital expenditures for the first three quarters totaled \$46.3 million compared to \$45.5 million in 2007. The company estimated that its capital expenditure plans would require an investment of \$78.9 million in 2008. 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 2008 was \$23.5 million compared to \$23.9 million in 2007. In 2008, treasury stock purchases amounted to \$182,000 in the period compared to \$1.6 million in the first three quarters of last year. The Board of Directors' 2004 resolution authorizing the purchase of one million shares of treasury stock has a remaining balance of 818,236 shares.

Cash dividends of \$23.5 million were paid to shareholders in the first three quarters of 2008, approximately the same amount as 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, 2008 to shareholders of record on November 3, 2008.

Table of Contents

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

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

The company has no other commitment of capital resources as of September 27, 2008, other than the lease commitments on its store facilities under operating leases that expire at various dates through 2028. The company anticipates funding its working capital requirements and its \$78.9 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 2007 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 29, 2007.

**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.

**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 27, 2008. Quantitative information is set forth in Item 7a on the company's annual report on Form 10-K under the caption "Quantitative and Qualitative Disclosures About Market Risk," which was filed for the fiscal year ended December 29, 2007 and is incorporated herein by reference.

Qualitative Disclosure - This information is set forth in 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 29, 2007 and is incorporated herein by reference.

**ITEM 4. CONTROLS AND PROCEDURES**



The Chief Executive Officer and the Chief Financial Officer, together with the Company's Disclosure Committee, evaluated the Company's disclosure controls and procedures as of the quarter ended September 27, 2008. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report 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, was 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 was 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.

In connection with the evaluation described above, there was no change in the Company's internal control over financial reporting during the quarter ended September 27, 2008, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

**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 11/06/2008

/S/Norman S. Rich

Norman S. Rich

Chief Executive Officer

Date 11/06/2008

/S/William R. Mills

William R. Mills

Senior Vice President, Treasurer  
and Chief Financial Officer

**Page 9 of 9 (Form 10-Q)**

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