WEIS MARKETS INC
Form 10-K
March 12, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 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 Registrant's web address: www.weismarkets.com

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, no par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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.

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

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

The aggregate market value of Common Stock held by non-affiliates of the Registrant is approximately $506,299,000 as of July 1, 2006, the last business day of the most recently completed second quarter.
Shares of common stock outstanding as of March 2, 2007 - 26,973,778.

DOCUMENTS INCORPORATED BY REFERENCE: Selected portions of the Weis Markets, Inc. definitive proxy statement dated March 9, 2007 are incorporated by reference in Part III of this Form 10-K.

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WEIS MARKETS, INC.

PART I

Item 1. Business:

Weis Markets, Inc. is a Pennsylvania business founded by Harry and Sigmund Weis in 1912 and incorporated in 1924. The company is engaged principally in the retail sale of food in Pennsylvania and surrounding states. There was no material change in the nature of the company's business during fiscal 2006. The company's stock has been traded on the New York Stock Exchange since 1965 under the symbol "WMK." The Weis family currently owns approximately 64% of the outstanding shares. Robert F. Weis serves as Chairman of the Board of Directors, and Jonathan H. Weis, son of Robert F. Weis, serves as Vice Chairman and Secretary. Both are involved in the day-to-day operations of the business.

The company's retail food stores sell groceries, dairy products, frozen foods, meats, seafood, fresh produce, floral, prescriptions, deli/bakery products, prepared foods, fuel and general merchandise items, such as health and beauty care and household products. In addition, customer convenience is addressed at many locations by offering services such as third parties providing in-store banks, laundry services and take-out restaurants. The company advertises through various media, including circulars, newspapers, radio and television. Printed circulars are used extensively on a weekly basis to advertise featured items. The company utilizes a loyalty card program, "Weis Club Preferred Shopper," which provides shoppers with an opportunity to receive discounts, promotions and rewards. The company currently owns and operates 156 retail food stores and a chain of 31 SuperPetz, LLC pet supply stores. The company's operations are reported as a single reportable segment.

The percentage of net sales contributed by each class of similar products for each of the previous five fiscal years was:

Year	Grocery	Meat	Produce	Pharmacy	Pet Supply	Other
2006	53.52	15.99	14.99	10.22	2.55	2.73
2005	53.93	16.18	14.79	10.21	2.70	2.19
2004	53.91	16.19	14.58	10.45	2.98	1.89
2003	54.55	15.70	14.67	10.28	3.18	1.62
2002	55.39	15.29	14.73	9.83	3.28	1.48

Retail food store locations by state and by trade name as of year-end are as follows:

State	Total	Weis Markets	Mr. Z's Food Mart	King's Supermarkets	Cressler's Marketplace	Scot's Lo-Cost	Save-A-Lot
Pennsylvania	126	99	16	6	1	3	1
Maryland	24	24					
New Jersey	3	3					
New York	1	1					
West Virginia	2	2					
Total	156	129	16	6	1	3	1

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Item 1. Business: (continued)

All trade names, except Scot's Lo-Cost and Save-A-Lot, operate as conventional supermarkets. Scot's Lo-Cost operates under a warehouse format, while Save-A-Lot's format caters to the price motivated consumer. The retail food stores range in size from 8,000 to 66,000 square feet, with an average size of approximately 47,000 square feet. The following summarizes the number of stores by size categories as of year-end:

Square feet	Number of stores
55,000 to 66,000	28
45,000 to 54,999	75
35,000 to 44,999	34
25,000 to 34,999	11
Under 25,000	8
Total	156

The following schedule shows the changes in the number of retail food stores, total square footage and store additions/remodels as of year-end:

	2006	2005	2004	2003	2002
Beginning store count	158	157	158	160	163
New stores	2	1	1	---	1
Relocations	1	1	2	1	3
Closed stores	(4)	---	(2)	(2)	(2)
Relocated stores	(1)	(1)	(2)	(1)	(3)
Sold	---	---	---	---	(2)
Ending store count	156	158	157	158	160
Total square feet (000's), at year-end	7,311	7,280	7,183	7,157	7,154
Additions/major remodels	5	3	2	4	5

The company supports the retail operations through a centrally located distribution facility, its own transportation fleet and four manufacturing facilities. The company is required to use a significant amount of working capital to provide for the necessary amount of inventory to meet demand for its products through efficient use of buying power and effective utilization of space in the warehouse facilities. The manufacturing facilities consist of a meat processing plant, an ice cream plant, an ice plant and a milk processing plant.

At year-end, SuperPetz, LLC operated 2 stores in Alabama, 1 store in Georgia, 1 store in Indiana, 1 store in Maryland, 2 stores in Michigan, 6 stores in Ohio, 1 store in North Carolina, 8 stores in Pennsylvania, 5 stores in South Carolina and 4 stores in Tennessee.

The business of the company is highly competitive. The number of competitors and the variety of competition experienced by the company's stores vary by market area. National, regional and local food chains, as well as independent food stores comprise the company's principal competition, although the company also faces substantial competition from convenience stores, membership warehouse clubs, specialty retailers, supercenters and large-scale drug and pharmaceutical chains. The company competes based on price, quality, location and service.

The company currently has approximately 18,000 full-time and part-time associates.

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WEIS MARKETS, INC.

Item 1. Business: (continued)

The company maintains a web site at *www.weismarkets.com.* The company makes available, free of charge, on the "Corporate Info" section of its web site, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the company electronically files such material or furnishes it to the U.S. Securities and Exchange Commission ("SEC").

Additionally, the company's annual reports and corporate governance materials, including governance guidelines; the charters of the Audit and Compensation Committees, as well as the Disclosure Committee Bylaws; and both the Code of Business Conduct and Ethics and the Code of Ethics for the CEO and CFO, may be found under the "Corporate Info" section of its web site. A copy of the foregoing corporate governance materials is available upon written request to the company's principal executive offices.

Item 1a. Risk Factors:

In addition to risks and uncertainties in the ordinary course of business common to all businesses, important factors are listed below specific to the company and its industry, which could materially impact its future performance.

Competition: The retail food industry is intensely price competitive, and the competition the company encounters may have a negative impact on product retail prices. The financial results may be adversely impacted by a competitive environment that could cause the company to reduce retail prices without a reduction in its product cost to maintain market share; thus reducing sales and gross profit margins.

Trade Area: The company's stores are concentrated in central and northeast Pennsylvania, central Maryland and suburban Baltimore regions. Changes in economic and social conditions in the company's operating regions, including the rate of inflation, population demographics and employment and job growth, affect customer shopping habits. These changes may negatively impact sales and earnings. In addition, employment conditions specifically may affect the company's ability to hire and train qualified associates. Business disruptions due to weather and catastrophic events historically have been few. The company's geographic regions could receive an extreme variance in the amount of annual snowfall that may materially affect sales and expense results.

Execution of Expansion Plans: In 2007, the company expects to invest $72.5 million for capital expenditures, which includes all store, distribution and manufacturing projects and equipment purchases. Over the next twelve months, the company is planning to build two superstores, including one replacement unit and will continue to invest in its existing store base with eight additions and nine remodels. Circumstances outside the company's control could negatively impact these anticipated capital investments. The company cannot determine with certainty whether its new stores will be successful. The failure to expand by successfully opening new stores as planned, or the failure of a significant number of these stores to perform as planned, could have a material adverse effect on the company's business and results of its operations.

Operating Costs: Associate expenses attribute to the majority of its operating costs and therefore, the company's financial performance is greatly influenced by increasing wage and benefit costs, a competitive labor market and the risk of unionized labor disruptions of its non-union workforce. The company's profit is particularly sensitive to the cost of oil. Oil prices directly affect the company's product transportation costs, as well as its utility and petroleum-based supply costs. The company is extremely concerned about the continuing rise in interchange fees for accepting credit card payments at the point of sale.

Self-Insurance Exposure: The company is self-insured for a majority of its workers' compensation, general liability, vehicle accident and associate medical benefit claims. The company is liable for associate health claims up to a lifetime aggregate of $1,000,000 per member and for workers' compensation claims up to $2,000,000 per claim. Property and casualty insurance coverage is maintained with outside carriers at deductible or retention levels ranging from $250,000 to $2,000,000. Although the company has minimized its exposure on individual claims, the company, for the benefit of cost savings, has accepted the risk of an unusual amount of independent multiple material claims arising and having a significant impact on earnings.

Taxes: The company's future effective tax rate may increase from current rates due to changes in laws and the status of pending items with various taxing authorities.

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Item 1b. Unresolved Staff Comments:

There are no unresolved staff comments.

Item 2. Properties:

The company currently owns and operates 84 of its retail food stores, and leases and operates 72 stores under operating leases that expire at various dates through 2026. SuperPetz leases all 31 of its retail store locations. The company owns all trade fixtures and equipment in its stores and several parcels of vacant land, which are available as locations for possible future stores or other expansion.

The company owns and operates one distribution center in Milton, Pennsylvania of approximately 1,110,000 square feet, and one in Northumberland, Pennsylvania totaling approximately 76,000 square feet. The company also owns one warehouse complex in Sunbury, Pennsylvania totaling approximately 564,000 square feet. The company operates an ice cream plant, meat processing plant, ice plant and milk processing plant in 274,000 square feet at its Sunbury location.

Item 3. Legal Proceedings:

Neither the company nor any subsidiary is presently a party to, nor is any of their property subject to, any pending legal proceedings, other than routine litigation incidental to the business.

Item 4. Submission of Matters to a Vote of Security Holders:

There were no matters submitted to a vote of security holders during the fourth quarter of 2006.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities:

The company's stock is traded on the New York Stock Exchange (ticker symbol WMK). The approximate number of shareholders, including individual participants in security position listings, on December 30, 2006 as provided by the company's transfer agent was 8,623. High and low stock prices and dividends paid per share for the last two fiscal years were:

	2006			2005		
	Stock Price		Dividend	Stock Price		Dividend
Quarter	High	Low	Per Share	High	Low	Per Share
First	$46.25	$40.75	$.29	$39.15	$36.12	$.28
Second	44.79	37.75	.29	38.95	36.34	.28
Third	41.49	37.97	.29	41.68	37.14	.28
Fourth	41.50	38.88	.29	44.15	36.80	.28

Item 6. Selected Financial Data:

The following selected historical financial information has been derived from the company's audited consolidated financial statements. This information should be read in connection with the company's Consolidated Financial Statements and the Notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in Item 7.

Five Year Review of Operations

(dollars in thousands, except shares, per share amounts and store information)	52 Weeks Ended Dec. 30, 2006	53 Weeks Ended Dec. 31, 2005	52 Weeks Ended Dec. 25, 2004	52 Weeks Ended Dec. 27, 2003	52 Weeks Ended Dec. 28, 2002
Net sales	$ 2,244,512	$ 2,222,598	$ 2,097,712	$ 2,042,499	$ 1,999,364
Costs and expenses	2,162,908	2,126,373	2,011,331	1,955,119	1,905,163
Income from operations	81,604	96,225	86,381	87,380	94,201
Investment income	4,484	3,081	1,222	824	485
Income before provision for income taxes	86,088	99,306	87,603	88,204	94,686
Provision for income taxes	30,078	35,885	30,412	33,628	35,537
Net income	56,010	63,421	57,191	54,576	59,149
Retained earnings, beginning of year	735,865	702,714	702,961	678,294	648,522
	791,875	766,135	760,152	732,870	707,671
Cash dividends	31,344	30,270	57,438	29,909	29,377
Retained earnings, end of year	$ 760,531	$ 735,865	$ 702,714	$ 702,961	$ 678,294
	27,027,198	27,033,789	27,098,276	27,186,277	27,202,435

Weighted-average shares outstanding, diluted					
Cash dividends per share	$ 1.16	$ 1.12	$ 2.12	$ 1.10	$ 1.08
Basic and diluted earnings per share	$ 2.07	$ 2.35	$ 2.11	$ 2.01	$ 2.17
Working capital	$ 147,451	$ 170,100	$ 143,440	$ 167,154	$ 119,370
Total assets	$ 814,062	$ 784,128	$ 745,479	$ 740,920	$ 716,699
Shareholders' equity	$ 629,163	$ 603,857	$ 571,700	$ 575,448	$ 552,432
Number of grocery stores	156	158	157	158	160
Number of pet supply stores	31	32	33	33	33

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WEIS MARKETS, INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

Company 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. At the end of 2006, 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 31 SuperPetz pet supply stores in ten states: Alabama, Georgia, Indiana, Maryland, Michigan, North Carolina, Ohio, Pennsylvania, South Carolina and Tennessee.

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's operations are reported as a single reportable segment.

The following analysis should be read in conjunction with Financial Statements included in the 2006 Quarterly Reports on Form 10-Q and 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.

Results of Operations

Total company sales for the 52-week year ending December 30, 2006 of $2.245 billion, increased $21.9 million or 1.0% compared to sales of $2.223 billion generated in fiscal 2005, a 53-week year. The company generated record sales in 2006, despite having one less week compared to 2005. Adjusting for the extra week in 2005, sales increased 2.8% and comparable store sales increased 2.0%. Adjusting for the extra week in 2005, sales increased 4.1% compared to 2004 and comparable store sales increased 4.0%.

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 sales increases in the years presented were driven by growth in store square footage, customer count, sales per customer transaction and inflation. The favorable sales results were heavily impacted by the continuing strong performance of the store perishable departments in all three years. Early in 2006, the company launched its Where Freshness Matters campaign, highlighting the quality and value of its perishable products, resulting in strong customer acceptance and sales growth. Subsequently, the company launched its Weis Steakhouse Angus program, resulting in a 23% sales increase in the beef category. The company's overall strategy will continue to emphasize freshness, service and value.

Although the company experienced some product cost inflation for all three years presented, 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 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.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: (continued)

Results of Operations (continued)

Gross profit dollars generated from sales increased $9.6 million in 2006, or 1.6%, to $597.3 million compared to 2005, which increased $36.8 million compared to 2004. Gross profit as a percentage of sales remained consistent at 26.6%, 26.4% and 26.3% in 2006, 2005 and 2004, respectively. A $3.1 million improvement in store inventory losses ("shrink") in 2006 compared to 2005, accounted for the majority of the increase in the gross profit rate.

The company continues to implement operational initiatives for shrink reduction in its retail units. The first phase of a new exception reporting and performance management application was completed in 2006. When the second phase of this project is completed in 2007, store management will have full access to this rules-based exception-monitoring tool which is expected to further improve shrink control and gross profit results. As a result of higher fuel prices, the company's diesel fuel costs increased 16.0% compared to 2005. 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.

Operating, general and administrative expenses in 2006 increased $24.2 million to $515.7 million or as a percentage of sales, increased to 23.0% compared to 22.1% in both 2005 and 2004. 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 increased 3.0% in 2006 compared to 2005. Adjusting for the additional week in 2005, the company experienced a 4.8% increase in employee-related costs, which were significantly affected by additional staffing requirements for fourteen remodels including five expansions, two new stores and one replacement unit. A significant spike in energy prices had a major impact on the company's heating and cooling costs, increasing 7.3%. The cost of petroleum-based store supplies (such as plastic shopping bags) also increased an estimated 15% compared to last year. Interchange fees for accepting credit/debit cards increased 11.4%. The company remains extremely concerned about the continuing rise in interchange fees for accepting credit/debit card transactions. Consequently, the company is working with a wide variety of corporations and associations to reduce interchange rates, through legislative and regulatory initiatives. The company increased its advertising programs by $1.5 million. It also expensed an additional $1.1 million in depreciation due to its accelerated capital expenditure spending. In addition, the company incurred a pre-tax impairment loss of $1.7 million on two closed store facilities and expensed $417,000 for the environmental remediation on a non-store property. Earnings were further impacted by a $1.4 million adjustment to liabilities for future expenses on closed stores.

In 2006, the company's investment income increased $1.4 million or 45.5%, to $4.5 million. The company realized a long-term gain of $431,000 on the sale of equities from its investment portfolio in 2006, compared to a gain of $422,000 in the previous year. The company benefited from rising interest rates on its investments in money market funds and by shifting a significant portion of its portfolio to higher yielding, tax-free municipal bonds during the year. In 2005, the company's investment income of $3.1 million increased $1.9 million, or 152.1%, compared to 2004.

The company's combined federal and state effective tax rate was 34.9% in 2006, 36.1% in 2005 and 34.7% in 2004. 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.

Net income in 2006 was $56.0 million or 2.5% of sales compared to $63.4 million or 2.9% of sales in 2005 and $57.2 million or 2.7% of sales in 2004. Basic and diluted earnings per share of $2.07 in 2006 compared to $2.35 in 2005 and $2.11 in 2004.

Liquidity and Capital Resources

Net cash provided by operating activities was $99.3 million in 2006 compared with $104.3 million in 2005 and $118.2 million in 2004. Working capital decreased 13.3% in 2006, increased 18.6% in 2005, and decreased 14.2% in 2004. The considerable decline in working capital in 2006 was primarily due to the company's increased investment in property and equipment. A special one dollar per share dividend paid to shareholders in September of 2004 reduced working capital from the prior year.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: (continued)

Liquidity and Capital Resources (continued)

Net cash used in investing activities was $108.5 million in 2006 compared to $62.4 million in 2005, and $72.1 million in 2004. These funds were used primarily for the purchases of new securities and property and equipment. Property and equipment purchases during 2006 totaled $100.0 million compared to $55.5 million in 2005 and $82.8 million in 2004. As a percentage of sales, capital expenditures were 4.5%, 2.5% and 3.9% in 2006, 2005 and 2004, respectively.

The company's capital expansion program includes the 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 the company's processing and distribution facilities. Company management estimates that its current development plans will require an investment of approximately $72.5 million in 2007.

Net cash used in financing activities during 2006 was $32.5 million compared to $30.8 million in 2005 and $61.3 million in 2004. At December 30, 2006, the company had outstanding letters of credit of $26.3 million.

Total cash dividend payments on common stock, on a per share basis, amounted to $1.16 in 2006 compared to $1.12 in 2005 and $2.12 in 2004. On September 3, 2004, the company paid a special one dollar per share dividend totaling $27.1 million to its shareholders. Treasury stock purchases amounted to $1.4 million in 2006, compared to $715,000 in 2005 and $4.0 million in 2004. The Board of Directors 2004 resolution authorizing the repurchase of up to one million shares of the company's common stock has a remaining balance of 858,292 shares.

The company has no other commitment of capital resources as of December 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 its $72.5 million capital expansion program through internally generated cash flows from operations.

The company's earnings and cash flows are subject to fluctuations due to changes in interest rates as they relate to available-for-sale securities and any future long-term debt borrowings. The company's marketable securities currently consist of Pennsylvania tax-free state and municipal bonds, equity securities and other short-term investments. Other short-term investments are classified as cash equivalents on the Consolidated Balance Sheets.

By their nature, these financial instruments inherently expose the holders to market risk. The extent of the company's interest rate and other market risk is not quantifiable or predictable with precision due to the variability of future interest rates and other changes in market conditions. However, the company believes that its exposure in this area is not material.

Under its current policies, the company invests primarily in high-grade marketable securities and does not use interest rate derivative instruments to manage exposure to interest rate fluctuations. Historically, the company's principal investment strategy of obtaining marketable securities with maturity dates between one and five years helps to minimize market risk and to maintain a balance between risk and return. The equity securities owned by the company consist primarily of stock held in large capitalized companies trading on public security exchange markets. The company's management continually monitors the risk associated with its marketable securities. A quantitative tabular presentation of risk exposure is located in Item 7a.

Contractual Obligations

The following table represents scheduled maturities of the company's long-term contractual obligations as of December 30, 2006.

	Payments due by period				
(dollars in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases	$243,335	$ 28,551	$ 54,666	$ 40,662	$ 119,456
Total	$243,335	$ 28,551	$ 54,666	$ 40,662	$ 119,456

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WEIS MARKETS, INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: (continued)

Critical Accounting Estimates

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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that the company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The company evaluates these estimates and assumptions on an ongoing basis and may retain outside consultants, lawyers and actuaries to assist in its evaluation. The company believes the following accounting policies are the most critical because they involve the most significant judgments and estimates used in preparation of its consolidated financial statements.

Vendor Allowances

Vendor allowances that relate to the company's buying and merchandising activities are recorded as a reduction of cost of sales as they are earned, in accordance with its underlying agreement. Off-invoice and bill-back allowances are used to reduce direct product costs upon the receipt of goods. Promotional rebates and credits are accounted for as a reduction in the cost of inventory and recognized when the related inventory is sold. Volume incentive discounts are realized as a reduction of cost of sales at the time it is deemed probable and reasonably estimable that the incentive target will be reached. Long-term contract incentives, which require an exclusive vendor relationship, are allocated over the life of the contract. Promotional allowance funds for specific vendor-sponsored programs are recognized as a reduction of cost of sales as the program occurs and the funds are earned per the agreement. Cash discounts for prompt payment of invoices are realized in cost of sales as invoices are paid. Warehouse and back-haul allowances provided by suppliers for distributing their product through our distribution system are recorded in cost of sales as the required performance is completed. Warehouse rack and slotting allowances are recorded in cost of sales when new items are initially set up in the company's distribution system, which is when the related expenses are incurred and performance under the agreement is complete. Swell allowances for damaged goods are realized in cost of sales as provided by the supplier, helping to offset product shrink losses also recorded in cost of sales.

Store Closing Costs

The company provides for closed store liabilities relating to the estimated post-closing lease liabilities and related other exit costs associated with the store closing commitments. The closed store liabilities are usually paid over the lease terms associated with the closed stores having remaining terms ranging from one to five years. At December 30, 2006, closed store lease liabilities totaled $1.9 million. The company estimates the lease liabilities, net of estimated sublease income, using the undiscounted rent payments of closed stores. Other exit costs include estimated real estate taxes, common area maintenance, insurance and utility costs to be incurred after the store closes over the remaining lease term. Store closings are generally completed within one year after the decision to close. Adjustments to closed store liabilities and other exit costs primarily relate to changes in subtenants and actual exit costs differing from original estimates. Adjustments are made for changes in estimates in the period in which changes become known. Any excess store closing liability remaining upon settlement of the obligation is reversed to income in the period that such settlement is determined. Inventory write-downs, if any, in connection with store closings, are classified in cost of sales. Costs to transfer inventory and equipment from closed stores are expensed as incurred. Store closing liabilities are reviewed quarterly to ensure that any accrued amount that is no longer needed for its originally intended purpose is reversed to income in the proper period.

Self-Insurance

The company is self-insured for a majority of its workers' compensation, general liability, vehicle accident and associate medical benefit claims. The self-insurance liability for most of the workers' compensation claims is determined based on historical data and an estimate of claims incurred but not reported. The other self-insurance liabilities are determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. The company is liable for associate health claims up to a lifetime aggregate of $1,000,000 per member and for workers compensation claims up to $2,000,000 per claim. Property and casualty insurance coverage is maintained with outside carriers at deductible or retention levels ranging from $250,000 to $2,000,000. Significant assumptions used in the development of the actuarial estimates include reliance on the company's historical claims data including average monthly claims and average lag time between incurrence and reporting of the claim.

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WEIS MARKETS, INC.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations: (continued)

Forward-Looking Statements

In addition to historical information, this Annual 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.

Certifications

As required under Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the company submitted a Chief Executive Officer Certification to the New York Stock Exchange with no qualifications on May 1, 2006. The company filed with the Securities and Exchange Commission the Chief Executive Officer and Chief Financial Officer certifications as required under Section 302 of the Sarbanes-Oxley Act in the prior years as an Exhibit to Form 10-K.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk:

(dollars in thousands)			Expected Maturity Dates					Fair Value
December 30, 2006	2007	2008	2009	2010	2011	Thereafter	Total	Dec. 30, 2006
Rate sensitive assets:								
Fixed interest rate securities	$ 13,690	$ 1,200	$ 2,020	$ 6,135	$ 2,040	$ ---	$ 25,085	$ 25,764
Average interest rate	3.76%	2.97%	3.16%	3.48%	4.11%	---	3.63%	

Other Relevant Market Risks

The company's equity securities at December 30, 2006 had a cost basis of $1,935,000 and a fair value of $12,398,000. The dividend yield realized on these equity investments was 6.27% in 2006. Market risk, as it relates to equities owned by the company, is discussed within the "Liquidity and Capital Resources" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained within this report.

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Item 8. Financial Statements and Supplementary Data:

WEIS MARKETS, INC.
CONSOLIDATED BALANCE SHEETS

(dollars in thousands)
December 30, 2006 and December 31, 2005

	2006	2005
Assets		
Current:		
Cash and cash equivalents	$ 27,545	$ 69,300
Marketable securities	38,163	23,210
Accounts receivable, net	41,885	38,376
Inventories	189,468	179,382
Prepaid expenses	3,932	6,076
Total current assets	300,993	316,344
Property and equipment, net	492,543	446,517
Goodwill	15,722	15,731
Intangible and other assets, net	4,804	5,536
Total assets	$ 814,062	$ 784,128
Liabilities		
Current:		
Accounts payable	$ 105,859	$ 100,895
Accrued expenses	22,307	20,079
Accrued self-insurance	22,778	21,553
Payable to employee benefit plans	1,435	1,427
Income taxes payable	865	2,020
Deferred income taxes	298	270
Total current liabilities	153,542	146,244
Postretirement benefit obligations	12,912	11,060
Deferred income taxes	18,445	22,967
Total liabilities	184,899	180,271
Shareholders' Equity		
Common stock, no par value, 100,800,000 shares authorized, 33,009,046 and 33,002,357 shares issued, respectively	8,595	8,371
Retained earnings	760,531	735,865
Accumulated other comprehensive income, net	6,084	4,296
	775,210	748,532
Treasury stock at cost, 6,016,291 and 5,982,461 shares, respectively	(146,047)	(144,675)
Total shareholders' equity	629,163	603,857
Total liabilities and shareholders' equity	$ 814,062	$ 784,128

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except shares and per share amounts) *For the Fiscal Years Ended December 30, 2006, December 31, 2005 and December 25, 2004*	2006 (52 Weeks)	2005 (53 Weeks)	2004 (52 Weeks)
Net sales	$ 2,244,512	$ 2,222,598	$ 2,097,712
Cost of sales, including warehousing and distribution expenses	1,647,233	1,634,874	1,546,783
Gross profit on sales	597,279	587,724	550,929
Operating, general and administrative expenses	515,675	491,499	464,548
Income from operations	81,604	96,225	86,381
Investment income	4,484	3,081	1,222
Income before provision for income taxes	86,088	99,306	87,603
Provision for income taxes	30,078	35,885	30,412
Net income	$ 56,010	$ 63,421	$ 57,191
Weighted-average shares outstanding, basic	27,016,877	27,026,748	27,098,000
Weighted-average shares outstanding, diluted	27,027,198	27,033,789	27,098,276
Cash dividends per share	$ 1.16	$ 1.12	$ 2.12
Basic and diluted earnings per share	$ 2.07	$ 2.35	$ 2.11

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(dollars in thousands, except shares)
For the Fiscal Years Ended December 30, 2006,
December 31, 2005 and December 25, 2004

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity
Balance at December 27, 2003	32,989,507	$ 7,971	$ 702,961	$ 4,428	5,849,589	$ (139,912)	$ 575,448
Net income	---	---	57,191	---	---	---	57,191
Other comprehensive income, net of reclassification adjustments and tax	---	---	---	319	---	---	319
Comprehensive income							57,510
Shares issued for options	7,650	228	---	---	---	---	228
Treasury stock purchased	---	---	---	---	114,741	(4,048)	(4,048)
Dividends paid	---	---	(57,438)	---	---	---	(57,438)
Balance at December 25, 2004	32,997,157	8,199	702,714	4,747	5,964,330	(143,960)	571,700
Net income	---	---	63,421	---	---	---	63,421
Other comprehensive loss, net of reclassification adjustments and tax	---	---	---	(451)	---	---	(451)
Comprehensive income							62,970
Shares issued for options	5,200	172	---	---	---	---	172
Treasury stock purchased	---	---	---	---	18,131	(715)	(715)
Dividends paid	---	---	(30,270)	---	---	---	(30,270)
Balance at December 31, 2005	33,002,357	8,371	735,865	4,296	5,982,461	(144,675)	603,857
Net income	---	---	56,010	---	---	---	56,010
Other comprehensive income, net of reclassification adjustments and tax	---	---	---	1,788	---	---	1,788
							57,798

Comprehensive income							
Shares issued for options	6,689	224	---	---	3,498	(154)	70
Treasury stock purchased	---	---	---	---	30,332	(1,218)	(1,218)
Dividends paid	---	---	(31,344)	---	---	---	(31,344)
Balance at December 30, 2006	33,009,046	$ 8,595	$ 760,531	$ 6,084	6,016,291	$ (146,047)	$ 629,163

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands) *For the Fiscal Years Ended December 30, 2006, December 31, 2005 and December 25, 2004*	2006 (52 Weeks)	2005 (53 Weeks)	2004 (52 Weeks)
Cash flows from operating activities:			
Net income	$ 56,010	$ 63,421	$ 57,191
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	45,000	43,875	40,614
Amortization	6,020	6,231	5,721
Loss on impairment / disposition of fixed assets	974	519	1,438
Gain on sale of marketable securities	(431)	(422)	(52)
Changes in operating assets and liabilities:			
Inventories	(10,086)	(14,338)	8,508
Accounts receivable and prepaid expenses	(1,365)	(3,424)	(2,930)
Income taxes recoverable	---	1,729	(1,729)
Accounts payable and other liabilities	10,277	7,636	4,648
Income taxes payable	(1,155)	2,020	(1,955)
Deferred income taxes	(5,762)	(2,845)	6,786
Other	(201)	(98)	6
Net cash provided by operating activities	99,281	104,304	118,246
Cash flows from investing activities:			
Purchase of property and equipment	(99,975)	(55,468)	(82,766)
Proceeds from the sale of property and equipment	2,696	291	9,086
Purchase of marketable securities	(33,020)	(8,248)	(24,850)
Proceeds from maturities of marketable securities	15,745	---	26,350
Proceeds from sale of marketable securities	6,010	1,000	86
Net cash used in investing activities	(108,544)	(62,425)	(72,094)
Cash flows from financing activities:			
Proceeds from issuance of common stock	224	172	228
Dividends paid	(31,344)	(30,270)	(57,438)
Purchase of treasury stock	(1,372)	(715)	(4,048)
Net cash used in financing activities	(32,492)	(30,813)	(61,258)
Net (decrease) increase in cash and cash equivalents	(41,755)	11,066	(15,106)
Cash and cash equivalents at beginning of year	69,300	58,234	73,340
Cash and cash equivalents at end of year	$ 27,545	$ 69,300	$ 58,234

See accompanying notes to consolidated financial statements.

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WEIS MARKETS, INC.

Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies utilized in preparing the company's consolidated financial statements:

(a) Description of Business

Weis Markets, Inc. is a Pennsylvania business corporation formed in 1924. The company is engaged principally in the retail sale of food in Pennsylvania and surrounding states. There was no material change in the nature of the company's business during fiscal 2006.

(b) Definition of Fiscal Year

The company's fiscal year ends on the last Saturday in December. Fiscal 2006, 2005 and 2004 were comprised of 52 weeks, 53 weeks and 52 weeks, respectively.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(d) Use of Estimates

Management of the company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(e) Reclassifications

The company reclassified "Other income" as originally reported for the fiscal years ended December 31, 2005 and December 25, 2004 in the amount of $16.3 million and $13.8 million, respectively. Prior to the reclassification, "Other income" included net rental income, coupon-handling fees, store service commissions, cardboard salvage, gain or loss on the disposition of fixed assets and interest expense. The majority of items were reclassified as reductions of "Operating, general and administrative expenses." Items which related to distribution were reclassified as "Cost of sales, including warehousing and distribution expenses." An immaterial amount of interest expense was netted with "Investment income."

The following table summarizes the changes to originally reported amounts and subtotals in the 2005 and 2004 Consolidated Statements of Income:

(dollars in thousands)	**As Originally Reported 2005**	**As Reclassified 2005**	**As Originally Reported 2004**	**As Reclassified 2004**
Net sales (not reclassified, for presentation only)	$ 2,222,598	$ 2,222,598	$ 2,097,712	$ 2,097,712
Cost of sales, including warehousing and distribution expenses	1,636,137	1,634,874	1,548,210	1,546,783
Gross profit on sales	586,461	587,724	549,502	550,929
Operating, general and administrative expenses	506,900	491,499	477,317	464,548
Income from operations	79,561	96,225	72,185	86,381
Investment income	3,408	3,081	1,617	1,222
Other income, net	16,337	---	13,801	---
Income before provision for income taxes (not reclassified, for presentation only)	$ 99,306	$ 99,306	$ 87,603	$ 87,603

The company reclassified liabilities related to certain retirement plans and related deferred income tax assets as of December 31, 2005. The retirement plans were originally reported as "Payable to employee benefit plans," a current liability, rather than "Postretirement benefit obligations," a long-term liability. The effect of this reclassification changed amounts originally reported on the 2005 Consolidated Balance Sheet.

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WEIS MARKETS, INC.

Note 1 Summary of Significant Accounting Policies (continued)

(e) Reclassifications (continued)

The following table summarizes the changes to originally reported amounts in the 2005 Consolidated Balance Sheet:

(dollars in thousands)	As Originally Reported 2005	As Reclassified 2005
Deferred income taxes (current asset)	$ 4,359	$ ---
Payable to employee benefit plans	12,487	1,427
Deferred income taxes (current liability)	---	270
Postretirement benefit obligations	---	11,060
Deferred income taxes (long-term liability)	27,596	22,967

(f) Cash and Cash Equivalents

The company considers investments with an original maturity of three months or less to be cash equivalents. Investment amounts classified as cash equivalents as of December 30, 2006 and December 31, 2005 totaled $23.5 million and $64.7 million, respectively.

(g) Marketable Securities

Marketable securities consist of Pennsylvania tax-free state and municipal bonds and equity securities. By policy, the company invests primarily in high-grade marketable securities. The company classifies all of its marketable securities as available-for-sale.

Available-for-sale securities are recorded at fair value as determined by quoted market price based on national markets. Unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of shareholders' equity until realized. A decline in the fair value below cost that is deemed other than temporary results in a charge to earnings and the establishment of a new cost basis for the security. Dividend and interest income is recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities.

(h) Accounts Receivable

Accounts receivable are stated net of an allowance for uncollectible accounts of $1.1 million and $1.2 million as of December 30, 2006 and December 31, 2005, respectively. The reserve balance relates to amounts due from pharmacy third party providers and customer returned checks. The company maintains an allowance for the amount of receivables deemed to be uncollectible and calculates this amount based upon historical collection activity adjusted for current conditions. Customer electronic payments accepted at the point of sale are classified as accounts receivable until collected.

(i) Inventories

Inventories are valued at the lower of cost or market, using both the last-in, first-out (LIFO) and average cost methods. The company evaluates inventory shortages throughout the year based on actual physical counts in its facilities. Allowances for inventory shortages are recorded based on the results of these counts and to provide for estimated shortages from the last physical count to the financial statement date. See additional disclosures regarding inventories in Note 3.

(j) Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the cost of buildings and improvements and equipment principally using accelerated methods. Leasehold improvements are amortized using the straight line method over the terms of the leases or the useful lives of the assets, whichever is shorter.

Maintenance and repairs are expensed and renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the assets and accumulated depreciation are removed from the respective accounts and any profit or loss on the disposition is credited or charged to "Operating, general and administrative expenses."

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WEIS MARKETS, INC.

Note 1 Summary of Significant Accounting Policies (continued)

(k) Goodwill and Intangible Assets

The company follows Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which establishes that intangible assets with an indefinite useful life shall not be amortized until their useful life is determined to be no longer indefinite and should be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. SFAS 142 states that goodwill should not be amortized but tested for impairment for each reporting unit, on an annual basis and between annual tests in certain circumstances. Intangible assets with a definite useful life are generally amortized over periods ranging from 15 to 20 years. As of December 30, 2006, the company has no intangible assets, other than goodwill, with indefinite lives.

(l) Impairment of Long-Lived Assets

In accordance with FASB Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the company periodically evaluates the period of depreciation or amortization for long-lived assets to determine whether current circumstances warrant revised estimates of useful lives. The company reviews its property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the net undiscounted cash flows expected to be generated by the asset. An impairment loss would be recorded for the excess of net book value over the fair value of the asset impaired. The fair value is estimated based on expected discounted future cash flows.

With respect to owned property and equipment associated with closed stores, the value of the property and equipment is adjusted to reflect recoverable values based on the company's prior history of disposing of similar assets and current economic conditions.

The results of impairment tests are subject to management's estimates and assumptions of projected cash flows and operating results. The company believes that, based on current conditions, materially different reported results are not likely to result from long-lived asset impairments. However, a change in assumptions or market conditions could result in a change in estimated future cash flows and the likelihood of materially different reported results.

(m) Store Closing Costs

In accordance with FASB Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"), the company provides for closed store liabilities relating to the estimated post-closing lease liabilities and related other exit costs associated with the store closing commitments. The closed store liabilities are usually paid over the lease terms associated with the closed stores having remaining terms ranging from one to five years. At December 30, 2006, closed store lease liabilities totaled $1.9 million. The company estimates the lease liabilities, net of estimated sublease income, using the undiscounted rent payments of closed stores.

(n) Self-Insurance

The company is self-insured for a majority of its workers' compensation, general liability, vehicle accident and associate medical benefit claims. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The company is liable for associate health claims up to a lifetime aggregate of $1,000,000 per member and for workers' compensation claims up to $2,000,000 per claim. Property and casualty insurance coverage is maintained with outside carriers at deductible or retention levels ranging from $250,000 to $2,000,000.

(o) Stock Option Plan

As of December 31, 2004, no awards may be granted under the company's 1995 Stock Option Plan. The last options granted under the Plan in 2002 will expire in 2012. The proforma impact of adopting FASB Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") as amended by FASB Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," is immaterial. See additional disclosures regarding remaining outstanding options in Note 7.

(p) Income Taxes

Under the asset and liability method of FASB Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

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WEIS MARKETS, INC.

Note 1 Summary of Significant Accounting Policies (continued)

(q) Earnings Per Share

Earnings per share are based on the weighted-average number of common shares outstanding. Diluted earnings per share are based on the weighted-average number of common shares outstanding, plus the incremental shares that would have been outstanding upon the assumed exercise of all dilutive stock options, subject to antidilution limitations. Basic and diluted earnings per share are the same amounts for each period presented. For 2004, options to purchase 32,850 shares at an exercise price of $37.94, were not included in the computation of diluted earnings per share because their inclusion under the treasury stock method would have been antidilutive.

(r) Revenue Recognition

Revenue from the sale of products to the company's customers is recognized at the point of sale. Discounts provided to customers at the point of sale through the Weis Club Preferred Shopper loyalty program are recognized as a reduction in sales as products are sold. Periodically, the company will run a point based sales incentive program that rewards customers with future sales discounts. The company makes reasonable and reliable estimates of the amount of future discounts based upon historical experience and its customer data tracking software. Sales are reduced by these estimates over the life of the program. Discounts to customers at the point of sale provided by vendors, usually in the form of paper coupons, are not recognized as a reduction in sales provided the discounts are redeemable at any retailer that accepts those discounts. The company does not recognize revenue when it sells gift cards, but rather revenue is recognized at the time of customer redemption for products. Return activity is immaterial to revenues.

(s) Cost of Sales, Including Warehousing and Distribution Expenses

"Cost of sales, including warehousing and distribution expenses" consists of direct product costs (net of discounts and allowances), warehouse costs, transportation costs and manufacturing facility costs.

(t) Vendor Allowances

Vendor allowances that relate to the company's buying and merchandising activities are recorded as a reduction of cost of sales as they are earned, in accordance with its underlying agreement. Off-invoice and bill-back allowances are used to reduce direct product costs upon the receipt of goods. Promotional rebates and credits are accounted for as a reduction in the cost of inventory and recognized when the related inventory is sold. Volume incentive discounts are realized as a reduction of cost of sales at the time it is deemed probable and reasonably estimable that the incentive target will be reached. Long-term contract incentives, which require an exclusive vendor relationship, are allocated over the life of the contract. Promotional allowance funds for specific vendor-sponsored programs are recognized as a reduction of cost of sales as the program occurs and the funds are earned per the agreement. Cash discounts for prompt payment of invoices are realized in cost of sales as invoices are paid. Warehouse and back-haul allowances provided by suppliers for distributing their product through our distribution system are recorded in cost of sales as the required performance is completed. Warehouse rack and slotting allowances are recorded in cost of sales when new items are initially set up in the company's distribution system, which is when the related expenses are incurred and performance under the agreement is complete. Swell allowances for damaged goods are realized in cost of sales as provided by the supplier, helping to offset product shrink losses also recorded in cost of sales.

Vendor allowances recorded as credits in cost of sales totaled $42.6 million in 2006, $40.7 million in 2005, and $42.9 million in 2004. Vendor paid cooperative advertising credits totaled $16.5 million in 2006, $16.8 million in 2005, and $17.5 million in 2004. These credits were netted against advertising costs within "Operating, general and administrative expenses." The company had accounts receivable due from vendors of $600,000 and $800,000 for earned advertising credits and $7.2 million and $3.9 million for earned promotional discounts as of December 30, 2006 and December 31, 2005, respectively. The company had $1.5 million and $1.8 million in unearned revenue included in accrued liabilities for unearned vendor programs under long-term contracts for display and shelf space allocation as of December 30, 2006 and December 31, 2005, respectively.

(u) Operating, General and Administrative Expenses

Business operating costs including expenses generated from administration and purchasing functions, are recorded in "Operating, general and administrative expenses" in the Consolidated Statements of Income. Business operating costs include items such as wages, benefits, utilities, repairs and maintenance, advertising costs and credits, rent, insurance, equipment depreciation, leasehold amortization and costs for outside provided services.

(v) Advertising Costs

The company expenses advertising costs as incurred. The company recorded advertising expense, before vendor paid cooperative advertising credits, of $26.1 million in 2006, $24.6 million in 2005, and $23.9 million in 2004 in "Operating, general and administrative expenses."

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WEIS MARKETS, INC.

Note 1 Summary of Significant Accounting Policies (continued)

(w) Rental Income

The company leases or subleases space to tenants in owned, vacated and open store facilities. Rental income is recorded when earned as a component of "Operating, general and administrative expenses." All leases are operating leases, as disclosed in Note 5, and do not contain up front considerations.

(x) Current Relevant Accounting Standards

In October 2005, the FASB issued FASB Staff Position 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 FSP FAS 13-1 is permitted but not required. Management 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 ratified the consensus reached by the Emerging Issues Tax Force in Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)" ("EITF 06-3"). The scope of EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing activity between a seller and a customer and may include, but is not limited to, sales, use, value added, and some excise taxes. EITF 06-3 also concluded that the presentation of taxes within its scope on either a gross (included in revenues and costs) or net (excluded from revenues) basis is an accounting policy decision subject to appropriate disclosure. EITF 06-3 is effective for periods beginning after December 15, 2006. The company will continue to use the net basis for presentation.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48, which clarifies SFAS 109, establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the company's financial statements. On initial application, FIN 48 will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the more-likely-than-not recognition threshold at the adoption date will be recognized or continue to be recognized. The cumulative effect of applying FIN 48 will be reported as an adjustment to retained earnings at the beginning of the period in which it is adopted. FIN 48 is effective for fiscal years beginning after December 15, 2006, and will be adopted by the company on December 31, 2006. The company currently does not believe that the adoption of FIN 48 will have a significant effect on its 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"). SFAS 158 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 adoption of SFAS 158 did not have a material effect on the company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 was issued to provide consistency in 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.

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WEIS MARKETS, INC.

Note 1 Summary of Significant Accounting Policies (continued)

(x) 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. The company uses the dual approach method for quantifying identified financial statement misstatements.

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.

The company applied SAB 108 using the cumulative effect transition method in connection with the preparation of its consolidated financial statements for the year ending December 30, 2006. The adoption of SAB 108 did not result in any adjustments to the company's consolidated financial statements.

Note 2 Marketable Securities
Marketable securities, as of December 30, 2006 and December 31, 2005, consisted of:

(dollars in thousands) *December 30, 2006*	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Pennsylvania state and municipal bonds	$ 25,830	$ 14	$ 79	$ 25,765
Equity securities	1,935	10,464	1	12,398
	$ 27,765	$ 10,478	$ 80	$ 38,163

(dollars in thousands) *December 31, 2005*	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Pennsylvania state and municipal bonds	$ 13,353	$ ---	$ 42	$ 13,311
Equity securities	2,514	7,388	3	9,899
	$ 15,867	$ 7,388	$ 45	$ 23,210

Maturities of marketable securities classified as available-for-sale at December 30, 2006, were as follows:

	Amortized	Fair

(dollars in thousands)		Cost		Value
Available-for-sale:				
Due within one year	$	14,029	$	14,031
Due within one year through five years		11,801		11,733
Equity securities		1,935		12,399
	$	27,765	$	38,163

See additional disclosures regarding marketable securities in Notes 1(g) and 11.

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WEIS MARKETS, INC.

Note 3 Inventories
Merchandise inventories, as of December 30, 2006 and December 31, 2005, were valued as follows:

(dollars in thousands)	2006	2005
LIFO	$ 150,397	$ 141,359
Average cost	39,071	38,023
	$ 189,468	$ 179,382

Management believes the use of the LIFO method for valuing certain inventories represents the most appropriate matching of costs and revenues in the company's circumstances. If all inventories were valued on the average cost method, which approximates current cost, total inventories would have been $47,314,000 and $43,134,000 higher than as reported on the above methods as of December 30, 2006 and December 31, 2005, respectively. During 2005 and 2004, the company had certain decrements in its LIFO pools, which had an insignificant impact on the cost of sales.

Note 4 Property and Equipment
Property and equipment, as of December 30, 2006 and December 31, 2005, consisted of:

(dollars in thousands)	Useful Life (in years)	2006	2005
Land		$ 84,094	$ 68,181
Buildings and improvements	10-60	391,357	367,549
Equipment	3-12	585,213	555,377
Leasehold improvements	5-20	121,263	110,739
Total, at cost		1,181,927	1,101,846
Less accumulated depreciation and amortization		689,384	655,329
		$ 492,543	$ 446,517

Note 5 Lease Commitments
At December 30, 2006, the company leased approximately 55% of its open store facilities under operating leases that expire at various dates through 2026. These leases generally provide for fixed annual rentals; however, several provide for minimum annual rentals plus contingent rentals as a percentage of annual sales and a number of leases require the company to pay for all or a portion of insurance, real estate taxes, water and sewer rentals, and repairs, the cost of which is charged to the related expense category rather than being accounted for as rent expense. Most of the leases contain multiple renewal options, under which the company may extend the lease terms from 5 to 20 years. Rents on operating leases, including agreements with step rents, are charged to expense on a straight-line basis over the minimum lease term. The company does not have any leases that include capital improvement funding or other lease concessions.

Rent expense and income on all leases consisted of:

(dollars in thousands)	2006	2005	2004
Minimum annual rentals	$ 30,147	$ 29,752	$ 29,233
Contingent rentals	333	303	266
Lease or sublease income	(6,757)	(7,820)	(7,780)
	$ 23,723	$ 22,235	$ 21,719

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WEIS MARKETS, INC.

Note 5 Lease Commitments (continued)

The following is a schedule by years of future minimum rental payments required under operating leases and total minimum sublease and lease rental income to be received that have initial or remaining noncancelable lease terms in excess of one year as of December 30, 2006.

(dollars in thousands)	**Leases**	**Subleases**
2007	$ 28,551	$ (4,680)
2008	28,395	(4,247)
2009	26,271	(3,098)
2010	22,272	(2,457)
2011	18,390	(1,463)
Thereafter	119,456	(2,624)
	$ 243,335	$ (18,569)

The company has $1,688,000 accrued as of December 30, 2006, for future minimum rental payments due on previously closed stores, reduced by the estimated sublease income to be received. The future minimum rental payments required under operating leases and estimated sublease income for these locations are included in the above schedule.

Note 6 Retirement Plans

The company has a contributory retirement savings plan (401(k)) covering substantially all full-time associates, a noncontributory profit-sharing plan covering eligible associates, a noncontributory employee stock bonus plan covering eligible associates and three supplemental retirement plans covering highly compensated employees of the company. An eligible associate as defined in the Weis Markets, Inc. Profit Sharing Plan and the Weis Markets, Inc. Employee Stock Bonus Plan includes certain salaried associates, store management and administrative support personnel. The company's policy is to fund 401(k), profit-sharing and stock bonus costs as accrued, but not supplemental retirement costs. Contributions to the 401(k) plan, the profit-sharing plan and the stock bonus plan are made at the sole discretion of the company.

Retirement plan costs:

(dollars in thousands)	**2006**	**2005**	**2004**
Retirement savings plan	$ 1,006	$ 988	$ 984
Profit-sharing plan	900	896	855
Employee stock bonus plan	40	40	40
Deferred compensation plan	500	516	452
Supplemental retirement plan	965	777	572
Pharmacist deferred compensation plan	46	8	---
	$ 3,457	$ 3,225	$ 2,903

The Weis Markets, Inc. Employee Stock Bonus Plan was terminated as of December 31, 2006 and all contributions under the Weis Markets, Inc. Employee Stock Bonus Plan ceased as of December 31, 2006.

The company maintains a non-qualified deferred compensation plan for the payment of specific amounts of annual retirement benefits to certain officers or their beneficiaries over an actuarially computed normal life expectancy. The benefits are determined through actuarial calculations dependent on the age of the recipient, using an assumed discount rate. The plan is unfunded and accounted for on an accrual basis. The projected benefit obligations are equal to the liability for pension benefits included in "Payable to employee benefit plans" and "Postretirement benefit obligations" in the Consolidated Balance Sheets.

Change in the benefit obligations:

(dollars in thousands)	**2006**	**2005**
Benefit obligations at beginning of year	$ 6,303	$ 6,019
Interest cost	455	434
Benefit payments	(232)	(232)
Actuarial gain	45	82
	$ 6,571	$ 6,303

Weighted-average assumptions used to determine benefit obligations:	**2006**	**2005**
Discount rate	7.50%	7.50%

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WEIS MARKETS, INC.

Note 6 Retirement Plans (continued)

Components of net periodic benefit cost:

(dollars in thousands)	2006	2005	2004
Interest cost	$ 455	$ 434	$ 435
Amount of recognized gain	187	150	214

Estimated future benefit payments:

(dollars in thousands)	Benefits
2007	$ 232
2008	1,107
2009	1,107
2010	1,107
2011	1,107
2012 - 2016	5,537

The company also maintains a non-qualified supplemental executive retirement plan and a non-qualified pharmacist deferred compensation plan for certain of its associates. These plans are designed to provide retirement benefits and salary deferral opportunities because of limitations imposed by the Internal Revenue Code and the Regulations implemented by the Internal Revenue Service. These plans are unfunded and accounted for on an accrual basis. Participants in these plans are excluded from participation in the Profit Sharing and Employee Stock Bonus plans. The Board of Directors annually determines the amount of the allocation to the plans at its sole discretion. The allocation among the various plan participants is made in relationship to their compensation, years of service and job performance. Plan participants are 100% vested in their accounts after seven years of service with the company. Benefits are distributed among participants upon reaching the applicable retirement age. Substantial risk of benefit forfeiture does exist for participants in these plans. The present value of accumulated benefits amounted to $6,572,000 and $4,988,000 at December 30, 2006 and December 31, 2005, respectively, and is included in "Postretirement benefit obligations" in the Consolidated Balance Sheets.

The company has no other postretirement benefit plans.

Note 7 Stock Option Plan

The company has an incentive stock option plan for officers and other key associates. Under the terms of the plan, option exercise prices are 100% of the "fair market value" of the shares on the date granted. Options previously granted are immediately exercisable and expire ten years after date of grant.

Changes during the three years ended December 30, 2006, in options outstanding under the plan were as follows:

	Weighted-Average Exercise Price	**Shares Under Option**
Balance, December 27, 2003	$35.20	108,100
Exercised	$29.84	(7,650)
Expired	$26.50	(700)

Forfeited	$34.35	(1,500)
Balance, December 25, 2004	$35.69	98,250
Exercised	$33.11	(5,200)
Forfeited	$35.97	(900)
Balance, December 31, 2005	$35.83	92,150
Exercised	$33.53	(6,689)
Expired	$31.50	(700)
Balance, December 30, 2006	$36.04	84,761

Exercise prices for options outstanding as of December 30, 2006 ranged from $32.88 to $37.94. The weighted-average remaining contractual life of those options is three years. As of December 30, 2006, all options are exercisable.

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WEIS MARKETS, INC.

Note 8 Income Taxes
The provision (benefit) for income taxes consists of:

(dollars in thousands)	**2006**	**2005**	**2004**
Current:			
Federal	$ 33,168	$ 34,991	$ 21,322
State	2,672	3,739	2,304
Deferred:			
Federal	(4,758)	(2,443)	6,727
State	(1,004)	(402)	59
	$ 30,078	$ 35,885	$ 30,412

The reconciliation of income taxes computed at the federal statutory rate (35% in 2006, 2005 and 2004) to the provision for income taxes is:

(dollars in thousands)	**2006**	**2005**	**2004**
Income taxes at federal statutory rate	$ 30,131	$ 34,757	$ 30,661
State income taxes, net of federal income tax benefit	1,084	2,169	1,536
Resolution and accrual of audit contingencies	---	(300)	(1,590)
Other	(1,137)	(741)	(195)
Provision for income taxes (effective tax rate 34.9%, 36.1% and 34.7%, respectively)	$ 30,078	$ 35,885	$ 30,412

The company accrued for probable liabilities resulting from tax assessments by federal and state tax authorities in 2003. During 2003, the Internal Revenue Service completed its routine audit of the company's federal income tax returns for the years 1997 through 2001. Resolution was completed with respect to the various tax issues in the examination in 2004 and adjustments were made to certain previously filed tax returns.

Cash paid for income taxes was $36,844,000, $34,995,000 and $29,446,000 in 2006, 2005 and 2004, respectively.

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities at December 30, 2006 and December 31, 2005, are:

(dollars in thousands)	**2006**	**2005**
Deferred tax assets:		
Accounts receivable	$ 185	$ 221
Compensated absences	484	487
Employee benefit plans	7,136	6,731
General liability insurance	1,323	1,325
Nondeductible accruals and other	1,860	1,899
Postretirement benefit obligations	5,397	4,629
Total deferred tax assets	16,385	15,292
Deferred tax liabilities:		
Inventories	(6,971)	(7,886)
Unrealized gain on marketable securities	(4,315)	(3,047)

Depreciation	(23,842)	(27,596)
Total deferred tax liabilities	(35,128)	(38,529)
Net deferred tax liability	$ (18,743)	$ (23,237)
Current deferred liability - net	$ (298)	$ (270)
Noncurrent deferred liability - net	(18,445)	(22,967)
Net deferred tax liability	$ (18,743)	$ (23,237)

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WEIS MARKETS, INC.

Note 9 Comprehensive Income

(dollars in thousands)	2006	2005	2004
Net income	$ 56,010	$ 63,421	$ 57,191
Other comprehensive income by component, net of tax:			
Unrealized holding gains (losses) arising during period (Net of deferred taxes of $1,447, $144 and $248, respectively)	2,040	(204)	350
Reclassification adjustment for gains included in net income (Net of deferred taxes of $179, $175 and $22, respectively)	(252)	(247)	(31)
Other comprehensive income, net of tax	1,788	(451)	319
Comprehensive income, net of tax	$ 57,798	$ 62,970	$ 57,510

Note 10 Summary of Quarterly Results (Unaudited)

Quarterly financial data for 2006 and 2005 are as follows:

(dollars in thousands,	Thirteen Weeks Ended			
except per share amounts)	Apr. 1, 2006	July 1, 2006	Sep. 30, 2006	Dec. 30, 2006
Net sales	$ 547,786	$ 561,944	$ 557,177	$ 577,605
Gross profit on sales	147,911	151,255	147,973	150,140
Net income	14,937	15,491	11,565	14,017
Basic and diluted earnings per share	.55	.57	.43	.52

(dollars in thousands,	Thirteen Weeks Ended			Fourteen Weeks Ended
except per share amounts)	Mar. 26, 2005	June 25, 2005	Sep. 24, 2005	Dec. 31, 2005
Net sales	$ 549,712	$ 535,734	$ 535,251	$ 601,901
Gross profit on sales	145,373	143,630	142,800	155,921
Net income	16,764	14,625	13,667	18,365
Basic and diluted earnings per share	.62	.54	.51	.68

Note 11 Fair Value Information

The carrying amounts for cash, accounts receivable and accounts payable approximate fair value because of the short maturities of these instruments. The fair values of the company's marketable securities, as disclosed in Note 2, are based on quoted market prices.

Note 12 Contingencies

The company is involved in various legal actions arising out of the normal course of business. The company also accrues for tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated, based on past experience. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the company's consolidated financial position, results of operations or liquidity.

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WEIS MARKETS, INC.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Weis Markets, Inc.

Sunbury, Pennsylvania

We have audited the accompanying consolidated balance sheets of Weis Markets, Inc. as of December 30, 2006 and December 31, 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the fiscal years ended December 30, 2006, December 31, 2005 and December 25, 2004 (52 weeks, 53 weeks and 52 weeks, respectively). We have also audited management's assessment, included in the accompanying Form 10-K, that Weis Markets, Inc. maintained effective internal control over financial reporting as of December 30, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Weis Market, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on management's assessment, and an opinion on the effectiveness of the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation.

Our audits of internal control included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Weis Markets, Inc. as of December 30, 2006 and December 31, 2005, and the consolidated results of their operations and their cash flows for the fiscal years ended December 30, 2006, December 31, 2005 and December 25, 2004 (52 weeks, 53 weeks and 52 weeks, respectively) in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management's assessment that Weis Markets, Inc. maintained effective internal control over financial reporting as of December 30, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Furthermore, in our opinion, Weis Markets, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 30, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Philadelphia, Pennsylvania /S/Grant Thornton LLP
February 19, 2007

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WEIS MARKETS, INC.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure:

None.

Item 9a. Controls and Procedures:

Management's Report on Disclosure 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 the close of the period covered by 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.

Management's Report on Internal Control Over Financial Reporting

The management of the company is responsible for establishing and maintaining adequate internal control over financial reporting. The company's internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements. In making its assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

With the participation of the Chief Executive Officer and the Chief Financial Officer, management concluded that the company's internal control over financial reporting was effective as of December 30, 2006.

Management's assessment of the effectiveness of the company's internal control over financial reporting as of December 30, 2006 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8, page 26 of this annual report on Form 10-K.

There were no changes in the company's internal control over financial reporting during the fiscal quarter ended December 30, 2006, that materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Item 9b. Other Information:

There was no information required on Form 8-K during this quarter that was not reported.

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WEIS MARKETS, INC.

PART III

Item 10. Directors, Executive Officers and Corporate Governance:

"Election of Directors" on pages 2 and 3, "Board Committees and Meeting Attendance, Audit Committee" on page 4, "Corporate Governance Matters" on page 5, "Compensation Tables" on pages 9 and 10 and "Stock Ownership, Section 16(a) Beneficial Ownership Reporting Compliance" on page 16 of the Weis Markets, Inc. definitive proxy statement dated March 9, 2007 are incorporated herein by reference.

Item 11. Executive Compensation:

"Board Committees and Meeting Attendance, Compensation Committee" on page 5, "Executive Compensation, Compensation Discussion and Analysis" on pages 6 through 9, "Compensation Committee Report" on page 9, "Compensation Tables" on pages 9 through 13 and "Other Information Concerning the Board of Directors, Compensation Committee Interlocks and Insider Participation" on page 13 of the Weis Markets, Inc. definitive proxy statement dated March 9, 2007 are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters:

"Stock Ownership" on pages 15 and 16 of the Weis Markets, Inc. definitive proxy statement dated March 9, 2007 is incorporated herein by reference. Equity compensation plan information is included in Part II, Item 8, "Note 7 Stock Option Plan" on page 23 of this annual report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence:

"Other Information Concerning the Board of Directors, Review and Approval of Related Party Transactions" on page 13 and "Independence of Directors" on page 4 of the Weis Markets, Inc. definitive proxy statement dated March 9, 2007 are incorporated herein by reference.

Item 14. Principal Accountant Fees and Services:

"Ratification Of Appointment Of Independent Registered Public Accounting Firm" on page 16 of the Weis Markets, Inc. definitive proxy statement dated March 9, 2007 is incorporated herein by reference.

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WEIS MARKETS, INC.

PART IV

Item 15. Exhibits, Financial Statement Schedules:

(a)(1) The company's 2006 Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firms are included in Item 8 of Part II.

(a)(2) Financial statement schedules required to be filed by Item 8 of this form, and by Item 15(c)(3) below:
Schedule II - Valuation and Qualifying Accounts, page 30 of this annual report on Form 10-K

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) A listing of exhibits filed or incorporated by reference is as follows:

Exhibit No.	**Exhibits**
3-A	Articles of Incorporation, filed as exhibit 4.1 in Form S-8 on September 13, 2002 and incorporated herein by reference.
3-B	By-Laws, filed as exhibit under Part IV, Item 14(c) in the annual report on Form 10-K for the fiscal year ended December 29, 2001 and incorporated herein by reference.
10-A	Profit Sharing Plan, filed as exhibit under Part IV, Item 15(c) in the annual report on Form 10-K for the fiscal year ended December 28, 2002 and incorporated herein by reference.
10-B	Stock Bonus Plan, filed as exhibit under Part IV, Item 15(c) in the annual report on Form 10-K for the fiscal year ended December 28, 2002 and incorporated herein by reference.
10-C	Supplemental Employee Retirement Plan, filed as exhibit under Part IV, Item 14(c) in annual report on Form 10-K for the fiscal year ended December 29, 2001 and incorporated herein by reference.
10-D	Executive Employment Agreement between the Company and Norman S. Rich, President and Chief Executive Officer, signed on March 23, 2006, commencing on January 1, 2006 and continuing thereafter through December 31, 2008, filed on Form 8-K March 24, 2006 and incorporated herein by reference.
10-E	

	Executive Employment Contract - CFO, filed as exhibit under Part IV, Item 15(c) in the annual report on Form 10-K for the fiscal year ended December 28, 2002 and incorporated herein by reference.
10-F	Executive Benefits Agreement between the Company and Robert F. Weis, Chairman of the Board, signed on March 24, 2006, commencing immediately and continuing thereafter through December 31, 2023, filed on Form 8-K March 24, 2006 and incorporated herein by reference.
21	Subsidiaries of the Registrant, filed with this annual report on Form 10-K
23	Consent of Grant Thornton LLP, filed with this annual report on Form 10-K
31.1	Rule 13a-14(a) Certification - CEO, filed with this annual report on Form 10-K
31.2	Rule 13a-14(a) Certification - CFO, filed with this annual report on Form 10-K
32	Certification Pursuant to 18 U.S.C. Section 1350, filed with this annual report on Form 10-K

The company will provide a copy of any exhibit upon receipt of a written request for the particular exhibit or exhibits desired. All requests should be addressed to the company's principal executive offices.

(b) The company files as exhibits to this annual report on Form 10-K, those exhibits listed in Item 15(a)(3) above.

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WEIS MARKETS, INC.

Item 15(c)(3). Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts:

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
WEIS MARKETS, INC.
(dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Accounts Describe	Deductions Describe (1)	Balance at End of Period
Year ended December 30, 2006:					
Deducted from asset accounts:					
Allowance for uncollectible accounts	$ 1,229	$ 1,047	$ ---	$ 1,154	$ 1,122
Year ended December 31, 2005:					
Deducted from asset accounts:					
Allowance for uncollectible accounts	$ 1,693	$ 496	$ ---	$ 960	$ 1,229
Year ended December 25, 2004:					
Deducted from asset accounts:					
Allowance for uncollectible accounts	$ 1,498	$ 1,576	$ ---	$ 1,381	$ 1,693

(1) Deductions are uncollectible accounts written off, net of recoveries.

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WEIS MARKETS, INC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 03/09/2007

/S/Norman S. Rich
Norman S. Rich
President and Chief Executive Officer
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date 03/09/2007

/S/Robert F. Weis
Robert F. Weis
Chairman of the Board of Directors

Date 03/09/2007

/S/Jonathan H. Weis
Jonathan H. Weis
Vice Chairman and Secretary
and Director

Date 03/09/2007

/S/Norman S. Rich
Norman S. Rich
President and Chief Executive Officer
and Director

Date 03/09/2007

/S/William R. Mills
William R. Mills
Senior Vice President, Treasurer
and Chief Financial Officer
and Director

Date 03/09/2007

/S/Richard E. Shulman
Richard E. Shulman
Director

Date 03/09/2007 /S/Michael M. Apfelbaum
Michael M. Apfelbaum
Director

Date 03/09/2007 /S/Steven C. Smith
Steven C. Smith
Director

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EXHIBIT 21

WEIS MARKETS, INC.

SUBSIDIARIES OF THE REGISTRANT

	State of Incorporation	Percent Owned by Registrant
Albany Public Markets, Inc.	New York	100%
Dutch Valley Food Company, Inc.	Pennsylvania	100%
King's Supermarkets, Inc.	Pennsylvania	100%
Martin's Farm Market, Inc.	Pennsylvania	100%
Shamrock Wholesale Distributors, Inc.	Pennsylvania	100%
SuperPetz, LLC	Pennsylvania	100%
Weis Transportation, Inc.	Pennsylvania	100%
WMK Financing, Inc.	Delaware	100%

The consolidated financial statements include the accounts of the company and its subsidiaries.

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EXHIBIT 23

WEIS MARKETS, INC.

Consent of Independent Registered Public Accounting Firm

We have issued our report dated February 19, 2007, accompanying the consolidated financial statements and schedule, and management's assessment of the effectiveness of internal control over financial reporting included in the Annual Report of Weis Markets, Inc. on Form 10-K for the year ended December 30, 2006. We hereby consent to the incorporation by reference of said report in the Registration Statement of Weis Markets, Inc. on Form S-8 (File No. 333-99535, effective September 13, 2002).

Philadelphia, Pennsylvania /S/Grant Thornton LLP
February 19, 2007

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EXHIBIT 31.1

WEIS MARKETS, INC.

CERTIFICATION- CEO

I, Norman S. Rich, President and Chief Executive Officer of Weis Markets, Inc., certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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 annual 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: March 9, 2007

/S/ Norman S. Rich
Norman S. Rich
President and

Chief Executive Officer

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EXHIBIT 31.2

WEIS MARKETS, INC.

CERTIFICATION- CFO

I, William R. Mills, Senior Vice President, Treasurer and Chief Financial Officer of Weis Markets, Inc., certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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 annual 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: March 9, 2007

/S/ William R. Mills
William R. Mills
Senior Vice President,
Treasurer and

Chief Financial Officer

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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 annual report of Weis Markets, Inc. (the "company") on Form 10-K for the year ending December 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Norman S. Rich, President and Chief Executive Officer, and William R. Mills, Senior Vice President, Treasurer and 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 and Chief Executive Officer
03/09/2007

/S/ William R. Mills
William R. Mills
Senior Vice President, Treasurer and Chief Financial Officer
03/09/2007

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.