

PUBLIX SUPER MARKETS INC  
Form 10-Q  
November 05, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 26, 2009

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 0-00981

**PUBLIX SUPER MARKETS, INC.**

(Exact name of Registrant as specified in its charter)

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**Florida**  
(State of incorporation)

**59-0324412**  
(I.R.S. Employer Identification No.)

**3300 Publix Corporate Parkway**

**Lakeland, Florida**  
(Address of principal executive offices)

**33811**  
(Zip code)

**Registrant's telephone number, including area code: (863) 688-1188**

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The number of shares outstanding of the Registrant's common stock, \$1.00 par value, as of October 23, 2009 was 784,667,000.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## PUBLIX SUPER MARKETS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts are in thousands, except par value)

|  | September 26, 2009  | December 27, 2008<br>(Unaudited) |
|--|---------------------|----------------------------------|
| <b>ASSETS</b>                            |                     |                                  |
| Current assets:                          |                     |                                  |
| Cash and cash equivalents                | \$ 442,899          | 201,813                          |
| Short-term investments                   | 62,168              | 26,495                           |
| Trade receivables                        | 406,501             | 366,418                          |
| Merchandise inventories                  | 1,278,601           | 1,387,575                        |
| Deferred tax assets                      | 55,078              | 44,628                           |
| Prepaid expenses                         | 28,223              | 23,727                           |
| <b>Total current assets</b>              | <b>2,273,470</b>    | <b>2,050,656</b>                 |
| Long-term investments                    | 2,022,573           | 1,810,048                        |
| Other noncurrent assets                  | 148,502             | 154,639                          |
| Property, plant and equipment            | 7,853,714           | 7,427,405                        |
| Accumulated depreciation                 | (3,607,570)         | (3,353,076)                      |
| <b>Net property, plant and equipment</b> | <b>4,246,144</b>    | <b>4,074,329</b>                 |
|  | <b>\$ 8,690,689</b> | <b>8,089,672</b>                 |

**LIABILITIES AND STOCKHOLDERS EQUITY**

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Current liabilities:                |                  |                  |
| Accounts payable                    | \$ 938,684       | 1,039,858        |
| Accrued expenses:                   |                  |                  |
| Contribution to retirement plans    | 280,983          | 335,245          |
| Self-insurance reserves             | 135,282          | 132,275          |
| Salaries and wages                  | 199,582          | 92,484           |
| Other                               | 329,991          | 217,985          |
| Federal and state income taxes      | 19,483           |                  |
| <b>Total current liabilities</b>    | <b>1,904,005</b> | <b>1,817,847</b> |
| Deferred tax liabilities            | 174,802          | 131,433          |
| Self-insurance reserves             | 225,832          | 231,070          |
| Accrued postretirement benefit cost | 80,122           | 79,478           |
| Other noncurrent liabilities        | 221,843          | 186,546          |
| Stockholders' equity:               |                  |                  |

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|  |              |           |
|--|--------------|-----------|
| Common stock of \$1 par value. Authorized 1,000,000 shares; issued 797,495 shares in 2009 and 793,966 shares in 2008 | 797,495      | 793,966   |
| Additional paid-in capital   | 837,848      | 806,526   |
| Retained earnings  | 4,607,419    | 4,055,432 |
|  | 6,242,762    | 5,655,924 |
| Treasury stock at cost, 12,693 shares in 2009  | (201,495)    |           |
| Accumulated other comprehensive earnings (losses)  | 42,818       | (12,626)  |
| Total stockholders' equity   | 6,084,085    | 5,643,298 |
|  | \$ 8,690,689 | 8,089,672 |

See accompanying notes to condensed consolidated financial statements.

## PUBLIX SUPER MARKETS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts are in thousands, except per share amounts)

|   | Three Months Ended |                                   |
|---|--------------------|-----------------------------------|
|   | September 26, 2009 | September 27, 2008<br>(Unaudited) |
| <b>Revenues:</b>                            |                    |                                   |
| Sales                                       | \$ 5,832,254       | 5,799,923                         |
| Other operating income                      | 46,462             | 42,966                            |
| <b>Total revenues</b>                       | <b>5,878,716</b>   | <b>5,842,889</b>                  |
| <b>Costs and expenses:</b>                  |                    |                                   |
| Cost of merchandise sold                    | 4,223,258          | 4,294,750                         |
| Operating and administrative expenses       | 1,298,480          | 1,255,274                         |
| <b>Total costs and expenses</b>             | <b>5,521,738</b>   | <b>5,550,024</b>                  |
| <b>Operating profit</b>                     | <b>356,978</b>     | <b>292,865</b>                    |
| Investment income                           | 21,882             | 26,581                            |
| Other-than-temporary impairment losses      |                    | (18,885)                          |
| <b>Investment income, net</b>               | <b>21,882</b>      | <b>7,696</b>                      |
| <b>Other income, net</b>                    | <b>5,184</b>       | <b>4,612</b>                      |
| <b>Earnings before income tax expense</b>   | <b>384,044</b>     | <b>305,173</b>                    |
| <b>Income tax expense</b>                   | <b>129,110</b>     | <b>103,344</b>                    |
| <b>Net earnings</b>                         | <b>\$ 254,934</b>  | <b>201,829</b>                    |
| <b>Weighted average shares outstanding</b>  | <b>788,004</b>     | <b>817,180</b>                    |
| <b>Basic and diluted earnings per share</b> | <b>\$ 0.32</b>     | <b>0.25</b>                       |
| <b>Cash dividends paid per common share</b> | <b>\$</b>          |                                   |

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(Amounts are in thousands)

Three Months Ended  
September 26, 2009      September 27, 2008  
(Unaudited)

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|  |            |          |
|--|------------|----------|
| Net earnings   | \$ 254,934 | 201,829  |
| Other comprehensive earnings (losses):   |            |          |
| Unrealized gain (loss) on investment securities available-for-sale (AFS), net of tax effect of \$11,589 and (\$14,010) in 2009 and 2008, respectively            | 18,404     | (22,248) |
| Reclassification adjustment for net realized (gain) loss on investment securities AFS, net of tax effect of (\$1,816) and \$8,789 in 2009 and 2008, respectively | (2,884)    | 13,956   |
| Comprehensive earnings   | \$ 270,454 | 193,537  |

See accompanying notes to condensed consolidated financial statements.

**PUBLIX SUPER MARKETS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

(Amounts are in thousands, except per share amounts)

|  | Nine Months Ended  |                                   |
|--|--------------------|-----------------------------------|
|  | September 26, 2009 | September 27, 2008<br>(Unaudited) |
| <b>Revenues:</b>                         |                    |                                   |
| Sales                                    | \$ 18,208,267      | 17,880,869                        |
| Other operating income                   | 143,073            | 133,202                           |
| <br>Total revenues                       | <br>18,351,340     | <br>18,014,071                    |
| <b>Costs and expenses:</b>               |                    |                                   |
| Cost of merchandise sold                 | 13,136,916         | 13,047,825                        |
| Operating and administrative expenses    | 3,939,646          | 3,778,952                         |
| <br>Total costs and expenses             | <br>17,076,562     | <br>16,826,777                    |
| <br>Operating profit                     | <br>1,274,778      | <br>1,187,294                     |
| Investment income                        | 66,012             | 105,323                           |
| Other-than-temporary impairment losses   | (19,283)           | (23,281)                          |
| <br>Investment income, net               | <br>46,729         | <br>82,042                        |
| <br>Other income, net                    | <br>16,495         | <br>15,416                        |
| <br>Earnings before income tax expense   | <br>1,338,002      | <br>1,284,752                     |
| Income tax expense                       | 460,720            | 444,009                           |
| <br>Net earnings                         | <br>\$ 877,282     | <br>840,743                       |
| <br>Weighted average shares outstanding  | <br>790,536        | <br>823,919                       |
| <br>Basic and diluted earnings per share | <br>\$ 1.11        | <br>1.02                          |
| <br>Cash dividends paid per common share | <br>\$ 0.41        | <br>0.44                          |

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**

(Amounts are in thousands)

**Nine Months Ended**  
**September 26, 2009      September 27, 2008**  
**(Unaudited)**

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|   |            |          |
|---|------------|----------|
| Net earnings  | \$ 877,282 | 840,743  |
| Other comprehensive earnings (losses):  |            |          |
| Unrealized gain (loss) on investment securities AFS net of tax effect of \$30,197 and (\$15,964) in 2009 and 2008, respectively                         | 47,951     | (25,350) |
| Reclassification adjustment for net realized loss on investment securities AFS, net of tax effect of \$4,718 and \$7,055 in 2009 and 2008, respectively | 7,493      | 11,204   |
| Comprehensive earnings  | \$ 932,726 | 826,597  |

See accompanying notes to condensed consolidated financial statements.



## PUBLIX SUPER MARKETS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts are in thousands)

|   | Nine Months Ended  |                    |
|---|--------------------|--------------------|
|   | September 26, 2009 | September 27, 2008 |
|   | (Unaudited)        |                    |
| Cash flows from operating activities:                       |                    |                    |
| Cash received from customers                                | \$ 18,203,109      | 17,891,173         |
| Cash paid to employees and suppliers                        | (16,055,296)       | (15,922,209)       |
| Income taxes paid   | (438,672)          | (506,191)          |
| Payment for self-insured claims                             | (204,112)          | (199,284)          |
| Dividends and interest received                             | 55,705             | 103,125            |
| Other operating cash receipts                               | 135,694            | 125,414            |
| Other operating cash payments                               | (6,891)            | (6,357)            |
| <b>Net cash provided by operating activities</b>            | <b>1,689,537</b>   | <b>1,485,671</b>   |
| Cash flows from investing activities:                       |                    |                    |
| Payment for property, plant and equipment                   | (549,765)          | (1,044,286)        |
| Proceeds from sale of property, plant and equipment         | 3,416              | 9,642              |
| Payment for investments                                     | (803,382)          | (299,415)          |
| Proceeds from sale and maturity of investments              | 623,932            | 753,347            |
| <b>Net cash used in investing activities</b>                | <b>(725,799)</b>   | <b>(580,712)</b>   |
| Cash flows from financing activities:                       |                    |                    |
| Payment for acquisition of common stock                     | (524,392)          | (753,903)          |
| Proceeds from sale of common stock                          | 116,043            | 116,000            |
| Dividends paid  | (325,295)          | (364,583)          |
| Other, net  | 10,992             | 28,378             |
| <b>Net cash used in financing activities</b>                | <b>(722,652)</b>   | <b>(974,108)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>241,086</b>     | <b>(69,149)</b>    |
| <b>Cash and cash equivalents at beginning of period</b>     | <b>201,813</b>     | <b>182,867</b>     |
| <b>Cash and cash equivalents at end of period</b>           | <b>\$ 442,899</b>  | <b>113,718</b>     |

See accompanying notes to condensed consolidated financial statements.

(Continued)

## PUBLIX SUPER MARKETS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts are in thousands)

|   | Nine Months Ended  |                    |
|---|--------------------|--------------------|
|   | September 26, 2009 | September 27, 2008 |
|   | (Unaudited)        |                    |
| Reconciliation of net earnings to net cash provided by operating activities:        |                    |                    |
| Net earnings  | \$ 877,282         | 840,743            |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                    |                    |
| Depreciation and amortization   | 372,841            | 322,675            |
| Retirement contributions paid or payable in common stock                            | 187,443            | 186,911            |
| Deferred income taxes   | (1,996)            | (17,191)           |
| Loss on disposal and impairment of property, plant and equipment and goodwill       | 19,060             | 14,496             |
| Loss on sale and impairment of investments  | 12,211             | 18,259             |
| Net amortization of investments   | 8,763              | 7,308              |
| Changes in operating assets and liabilities providing (requiring) cash:             |                    |                    |
| Trade receivables   | (40,083)           | (14,451)           |
| Merchandise inventories   | 108,974            | 31,512             |
| Prepaid expenses and other noncurrent assets  | (10,844)           | (5,597)            |
| Accounts payable and accrued expenses   | 117,930            | 123,599            |
| Self-insurance reserves   | (2,231)            | 21,716             |
| Federal and state income taxes  | 24,094             | (45,007)           |
| Other noncurrent liabilities  | 16,093             | 698                |
| Total adjustments   | 812,255            | 644,928            |
| Net cash provided by operating activities   | \$ 1,689,537       | 1,485,671          |

See accompanying notes to condensed consolidated financial statements.

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**PUBLIX SUPER MARKETS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Publix Super Markets, Inc. and subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial reporting. Accordingly, the accompanying statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, these statements include all adjustments that are of a normal and recurring nature necessary to present fairly the Company's financial position, results of operations and cash flows. Due to the seasonal nature of the Company's business, the results of operations for the three and nine months ended September 26, 2009 are not necessarily indicative of the results for the entire 2009 fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 27, 2008.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(2) New Accounting Standards**

*Recently Adopted Standards*

In June 2009, the Financial Accounting Standards Board (FASB) issued a new standard that changes the referencing and organization of accounting guidance and establishes the FASB Accounting Standards Codification as the single source of authoritative nongovernmental GAAP. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. Due to the adoption of this standard during the quarter ended September 26, 2009, the Company's financial statements will no longer cite specific GAAP references. The adoption of this standard did not have an effect on the Company's financial condition, results of operations or cash flows.

In May 2009, the FASB issued a new standard that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this standard during the quarter ended June 27, 2009 did not have an effect on the Company's financial condition, results of operations or cash flows.

In April 2009, the FASB issued three amendments to the standards of accounting for the fair value measurement and impairment of securities. These amendments provide guidance for determining fair value measurements when the volume and level of activity of an asset or liability have significantly decreased from normal market activity. The amendments also provide guidance on determining whether a debt security is other-than-temporarily impaired, expand the disclosures of other-than-temporarily impaired debt and equity securities, and require interim reporting of fair value disclosures. The adoption of these amendments during the quarter ended June 27, 2009 did not have an effect on the Company's financial condition, results of operations or cash flows. As a result, certain 2008 amounts have been reclassified to conform with the 2009 presentation in the condensed consolidated statements of earnings.

In March 2008, the FASB issued a new standard that requires enhanced disclosures about an entity's derivative and hedging activities. The Company does not currently have derivatives or enter into hedging activities; therefore, the adoption of this standard during the quarter ended March 28, 2009 did not have an effect on the Company's financial condition, results of operations or cash flows.

**PUBLIX SUPER MARKETS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In December 2007, the FASB issued a new standard that requires the noncontrolling interest in a subsidiary be reported as a separate component of stockholders' equity in the consolidated financial statements. The standard also requires net income attributable to the noncontrolling interest in a subsidiary be reported separately on the face of the consolidated statements of earnings. Changes in ownership interest are to be accounted for as equity transactions and, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary is to be measured at fair value with any gain or loss recognized in earnings. The adoption of this standard during the quarter ended March 28, 2009 did not have a material effect on the Company's financial condition, results of operations or cash flows.

In December 2007, the FASB issued a new standard that changes the accounting treatment for business combinations on a prospective basis. It requires that all assets, liabilities, contingent considerations and contingencies of an acquired business be recorded at fair value at the acquisition date. The standard also requires that acquisition costs be expensed as incurred and restructuring costs be expensed in periods after the acquisition date. The Company had no business combinations during the current reporting periods; therefore, the adoption of this standard during the quarter ended March 28, 2009 did not have an effect on the Company's financial condition, results of operations or cash flows.

In September 2006, the FASB issued a new standard that defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements, but does not require any new fair value measurements. The adoption of this standard during the quarter ended March 29, 2008 did not have an effect on the Company's financial condition, results of operations or cash flows.

***Recently Issued Standards But Not Yet Adopted***

In June 2009, the FASB issued a new standard that eliminates the previously allowed exceptions of consolidating qualifying special purpose entities, contains new criteria for determining the primary beneficiary and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. The adoption of this standard, which is effective for fiscal years beginning after November 15, 2009, is not expected to have a material effect on the Company's financial condition, results of operations or cash flows.

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**PUBLIX SUPER MARKETS, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(3) Fair Value of Financial Instruments**

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

**Cash and cash equivalents:** The carrying amount for cash and cash equivalents approximates fair value.

**Investment securities:** The fair values for debt and equity securities are based on Level 1 and Level 2 market prices as described in Note 4.

The carrying amount of the Company's other financial instruments as of September 26, 2009 and December 27, 2008 approximates their respective fair values. Other investments are accounted for using the equity method. The carrying amount of other investments approximates fair value.

**(4) Investments**

All of the Company's debt and equity investments are classified as available-for-sale (AFS) and are carried at fair value. The Company evaluates quarterly whether AFS securities are other-than-temporarily impaired (OTTI) based on criteria that include the extent to which cost exceeds market value, the duration of the market decline, the credit rating of the issuer or security, the failure of the issuer to make scheduled principal or interest payments, and the financial health and prospects of the issuer or security.

Declines in the value of AFS securities determined to be OTTI are recognized in earnings and included in other-than-temporary impairment losses. Debt securities with unrealized losses are considered OTTI if the Company intends to sell the security or if the Company will be required to sell the security prior to any anticipated recovery. If the Company determines that a debt security is OTTI under these circumstances, the impairment recognized in earnings is measured as the difference between the amortized cost and the current fair value. A debt security is also determined to be OTTI if the Company does not expect to recover the amortized cost of the security. However, in this circumstance, if the Company does not intend to sell the security and will not be required to sell the security, the impairment recognized in earnings equals the estimated credit loss as measured by the difference between the present value of expected cash flows and the amortized cost of the security. Expected cash flows are discounted using the security's effective interest rate. An equity security is determined to be OTTI if the Company does not expect to recover the cost of the security. Declines in the value of AFS securities determined to be temporary are reported, net of tax, as other comprehensive earnings (losses) and included as a component of stockholders' equity.

Interest and dividend income, amortization of premiums, accretion of discounts and realized gains and losses on AFS securities are included in investment income. Interest income is accrued as earned. Dividend income is recognized as income on the ex-dividend date of the stock. The cost of securities sold is based on the specific identification method.

The Company also holds other investments in joint ventures, partnerships or other equity investments for which evaluation of the existence and quantification of other-than-temporary declines in value may be required. Realized gains and losses on other investments are included in investment income. Declines in the value of other investments determined to be other-than-temporary are included in other-than-temporary impairment losses.

## PUBLIX SUPER MARKETS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Following is a summary of investments as of September 26, 2009 and December 27, 2008:

|                            | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|----------------------------|-------------------|------------------------------|-------------------------------|---------------|
| (Amounts are in thousands) |                   |                              |                               |               |
| <u>September 26, 2009</u>  |                   |                              |                               |               |
| Available-for-sale:        |                   |                              |                               |               |
| Tax exempt bonds           | \$ 1,039,642      | 17,810                       | 148                           | 1,057,304     |
| Taxable bonds              | 755,994           | 15,352                       | 2,888                         | 768,458       |
| Equity securities          | 147,276           | 47,273                       | 1,693                         | 192,856       |
|                            | 1,942,912         | 80,435                       | 4,729                         | 2,018,618     |
| Other investments          | 66,123            |                              |                               | 66,123        |
|                            | \$ 2,009,035      | 80,435                       | 4,729                         | 2,084,741     |
| <u>December 27, 2008</u>   |                   |                              |                               |               |
| Available-for-sale:        |                   |                              |                               |               |
| Tax exempt bonds           | \$ 390,526        | 8,277                        | 334                           | 398,469       |
| Taxable bonds              | 1,236,777         | 6,556                        | 10,662                        | 1,232,671     |
| Equity securities          | 158,499           | 3,424                        | 21,913                        | 140,010       |
|                            | 1,785,802         | 18,257                       | 32,909                        | 1,771,150     |
| Other investments          | 65,393            |                              |                               | 65,393        |
|                            | \$ 1,851,195      | 18,257                       | 32,909                        | 1,836,543     |

Realized gains on sales of AFS securities totaled \$5,123,000 and \$3,440,000 for the three months ended September 26, 2009 and September 27, 2008, respectively, and \$15,444,000 and \$18,502,000 for the nine months ended September 26, 2009 and September 27, 2008, respectively. Realized losses on sales and OTTI of AFS securities totaled \$423,000 and \$26,185,000 for the three months ended September 26, 2009 and September 27, 2008, respectively, and \$27,655,000 and \$36,761,000 for the nine months ended September 26, 2009 and September 27, 2008, respectively. There were no OTTI losses on equity securities for the three months ended September 26, 2009. The Company recorded OTTI losses on equity securities of \$17,190,000 for the three months ended September 27, 2008 and \$19,283,000 and \$21,586,000 for the nine months ended September 26, 2009 and September 27, 2008, respectively. There were no OTTI losses on debt securities for the three and nine months ended September 26, 2009. During the three months ended September 27, 2008, the issuer of one of the debt securities held by the Company ceased to exist. As a result, the Company recorded OTTI losses on debt securities of \$1,695,000 for the three and nine months ended September 27, 2008.

## PUBLIX SUPER MARKETS, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The amortized cost and estimated fair value of debt and equity securities classified as AFS and other investments as of September 26, 2009 and December 27, 2008, by expected maturity, are as follows:

|  | September 26, 2009         |            | December 27, 2008 |            |
|--|----------------------------|------------|-------------------|------------|
|  | Amortized Cost             | Fair Value | Amortized Cost    | Fair Value |
|  | (Amounts are in thousands) |            |                   |            |
| Due in one year or less                | \$ 61,731                  | 62,168     | 26,241            | 26,495     |
| Due after one year through five years  | 737,289                    | 750,206    | 279,778           | 283,940    |
| Due after five years through ten years | 133,902                    | 135,576    | 56,597            | 56,472     |
| Due after ten years                    | 862,714                    | 877,812    | 1,264,687         | 1,264,233  |
|  | 1,795,636                  | 1,825,762  | 1,627,303         | 1,631,140  |
| Equity securities                      | 147,276                    | 192,856    | 158,499           | 140,010    |
| Other investments                      | 66,123                     | 66,123     | 65,393            | 65,393     |
|  | \$ 2,009,035               | 2,084,741  | 1,851,195         | 1,836,543  |

Following is a summary of temporarily impaired investments by the time period impaired as of September 26, 2009 and December 27, 2008:

|  | Less Than<br>12 Months     |                   | 12 Months<br>or Longer |                   | Total      |                   |
|--|----------------------------|-------------------|------------------------|-------------------|------------|-------------------|
|  | Fair Value                 | Unrealized Losses | Fair Value             | Unrealized Losses | Fair Value | Unrealized Losses |
|  | (Amounts are in thousands) |                   |                        |                   |            |                   |
| <u>September 26, 2009</u>              |                            |                   |                        |                   |            |                   |
| Tax exempt bonds                       | \$ 84,102                  | 148               |                        |                   | 84,102     | 148               |
| Taxable bonds                          | 41,540                     | 318               | 11,141                 | 2,570             | 52,681     | 2,888             |
| Equity securities                      | 15,317                     | 1,670             | 822                    | 23                | 16,139     | 1,693             |
| Total temporarily impaired investments | \$ 140,959                 | 2,136             | 11,963                 | 2,593             | 152,922    | 4,729             |
| <u>December 27, 2008</u>               |                            |                   |                        |                   |            |                   |
| Tax exempt bonds                       | \$ 18,531                  | 334               |                        |                   | 18,531     | 334               |
| Taxable bonds                          | 172,202                    | 6,387             | 256,381                | 4,275             | 428,583    | 10,662            |
| Equity securities                      | 58,186                     | 21,348            | 1,718                  | 565               | 59,904     | 21,913            |
| Total temporarily impaired investments | \$ 248,919                 | 28,069            | 258,099                | 4,840             | 507,018    | 32,909            |

There are 92 investment issues contributing to the total unrealized loss of \$4,729,000 as of September 26, 2009. Unrealized losses related to debt securities are primarily driven by market volatility impacting the market value of certain bonds. The Company continues to receive scheduled principal and interest payments on these investments. Unrealized losses related to the equity securities are primarily driven by stock market volatility.





**PUBLIX SUPER MARKETS, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Following are descriptions of the fair value measurement categories used as of the reporting date.

Level 1 Fair value is determined by using quoted prices in active markets for identical investments. AFS securities that are included in this category are primarily equity securities.

Level 2 Fair value is determined by using other than quoted prices. By using observable inputs (for example, interest rates), the fair value is determined through the use of models or other valuation methodologies. AFS securities that are included in this category are primarily tax exempt and taxable bonds.

Level 3 Fair value is determined by using other than observable inputs. Fair value is determined by using the best information available in the circumstances and requires significant management judgment or estimation. No AFS securities are currently included in this category.

Following is a summary of fair value measurements for AFS securities as of September 26, 2009 and December 27, 2008:

|                        | <b>Fair<br/>Value</b>             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|------------------------|-----------------------------------|----------------|----------------|----------------|
|                        | <b>(Amounts are in thousands)</b> |                |                |                |
| <b>AFS securities:</b> |                                   |                |                |                |
| September 26, 2009     | \$ 2,018,618                      | 176,246        | 1,842,372      |                |
| December 27, 2008      | 1,771,150                         | 119,668        | 1,651,482      |                |

**(5) Subsequent Events**

The Company evaluated events that occurred subsequent to September 26, 2009 through when this Form 10-Q was filed with the SEC on November 5, 2009 for potential recognition or disclosure in the condensed consolidated financial statements.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**Overview**

The Company is primarily engaged in the retail food industry, operating supermarkets in Florida, Georgia, South Carolina, Alabama and Tennessee. As of September 26, 2009, the Company operated 1,010 supermarkets, 11 convenience stores, 91 liquor stores and 38 Crispers restaurants.

**Liquidity and Capital Resources**

Cash and cash equivalents, short-term investments and long-term investments totaled \$2,527.6 million as of September 26, 2009 as compared with \$2,038.4 million as of December 27, 2008.

***Net cash provided by operating activities***

Net cash provided by operating activities was \$1,689.5 million for the nine months ended September 26, 2009 as compared with \$1,485.7 million for the nine months ended September 27, 2008. Any net cash in excess of the amount needed for current operations is invested in short-term and long-term investments.

***Net cash used in investing activities***

Net cash used in investing activities was \$725.8 million for the nine months ended September 26, 2009 as compared with \$580.7 million for the nine months ended September 27, 2008. For the nine months ended September 26, 2009, the primary use of net cash in investing activities was funding capital expenditures and net increases in investment securities. Capital expenditures totaled \$549.8 million. These expenditures were incurred in connection with the opening of 17 net new supermarkets and remodeling 62 supermarkets. Net new supermarkets included 31 new supermarkets opened (including seven replacement supermarkets) and 14 supermarkets closed. Replacement supermarkets opened during the nine months ended September 26, 2009 replaced six of the 14 supermarkets closed during the same period. Four of the remaining supermarkets closed during the nine months ended September 26, 2009 will be replaced in subsequent periods and the other four will not be replaced. Net new supermarkets added an additional 0.9 million square feet in the nine months ended September 26, 2009, a 1.9% increase. Expenditures were also incurred for the construction of a second data center, expansion of warehouses and new or enhanced information technology hardware and applications. For the same period, the payment for investments, net of the proceeds from the sale and maturity of such investments, was \$179.5 million.

For the nine months ended September 27, 2008, the primary use of net cash in investing activities was funding capital expenditures. Capital expenditures totaled \$1,044.3 million. These expenditures were incurred in connection with the opening of 26 net new supermarkets and remodeling 63 supermarkets. Net new supermarkets included 37 new supermarkets opened (including nine replacement supermarkets) and 11 supermarkets closed. Replacement supermarkets opened during the nine months ended September 27, 2008 replaced one supermarket closed in 2007 and eight of the 11 supermarkets closed during the nine months ended September 27, 2008. The remaining three supermarkets closed during the nine months ended September 27, 2008 opened as replacement supermarkets, two in the fourth quarter of 2008 and one in 2009. Net new supermarkets added an additional 1.2 million square feet in the nine months ended September 27, 2008, a 2.8% increase. Expenditures were also incurred for acquisition of the 49 Albertson's LLC (Albertson's) supermarket locations, construction of a second data center, new or enhanced information technology hardware and applications and emergency backup generators. For the same period, the proceeds from the sale and maturity of investments, net of the payment for such investments, were \$453.9 million.

***Capital expenditure projection***

Capital expenditures for the remainder of 2009 are expected to be approximately \$150 million, primarily consisting of new supermarkets, completion of planned improvements for certain of the supermarket locations acquired from Albertson's in 2008, expansion of warehouses and new or enhanced information technology hardware and applications. This capital program is subject to continuing change and review. In the normal course of operations, the Company replaces supermarkets and closes supermarkets that are not meeting performance expectations. The impact of future supermarket closings is not expected to be material.

***Net cash used in financing activities***

Net cash used in financing activities was \$722.7 million for the nine months ended September 26, 2009 as compared with \$974.1 million for the nine months ended September 27, 2008. The primary use of net cash in financing activities was funding net common stock repurchases and payment of the annual cash dividend. Net common stock repurchases totaled \$408.3 million for the nine months ended September 26, 2009 as compared with \$637.9 million for the nine months ended September 27, 2008. The Company currently repurchases common stock at the stockholders' request in accordance with the terms of the Company's Employee Stock Purchase Plan (ESPP), 401(k) Plan, Employee Stock Ownership Plan (ESOP) and Non-Employee Directors Stock Purchase Plan (Directors Plan). The amount of common stock offered to the Company for repurchase is not within the control of the Company, but is at the discretion of the stockholders. The Company expects to continue to repurchase its common stock, as offered by its stockholders from time to time, at its then current value for amounts similar to those in prior years. However, such purchases are not required and the Company retains the right to discontinue them at any time.

***Dividends***

The Company paid an annual cash dividend on its common stock of \$0.41 per share or \$325.3 million on June 1, 2009 to stockholders of record as of the close of business on May 1, 2009. In 2008, the Company paid an annual cash dividend on its common stock of \$0.44 per share or \$364.6 million.

***Cash requirements***

In 2009, the cash requirements for current operations, capital expenditures and common stock repurchases are expected to be financed by internally generated funds or liquid assets. Based on the Company's financial position, it is expected that short-term and long-term borrowings would be available to support the Company's liquidity requirements, if needed.

**Results of Operations**

***Sales***

Sales for the three months ended September 26, 2009 were \$5.83 billion as compared with \$5.80 billion for the three months ended September 27, 2008, an increase of \$32.3 million or a 0.6% increase. The Company estimates that its sales increased \$304.9 million or 5.3% from new supermarkets (excluding replacement supermarkets) and decreased \$272.6 million or 4.7% from comparable store sales (supermarkets open for the same weeks in both periods, including replacement supermarkets). Sales for the nine months ended September 26, 2009 were \$18.2 billion as compared with \$17.9 billion for the nine months ended September 27, 2008, an increase of \$327.4 million or a 1.8% increase. The Company estimates that its sales increased \$935.3 million or 5.2% from new supermarkets and decreased \$607.9 million or 3.4% from comparable store sales. Comparable store sales for the three and nine months ended September 26, 2009 were negatively impacted by the economic downturn, deflationary pressures and the large number of supermarkets opened during the fourth quarter of 2008 that are located near existing supermarkets.

***Gross profit***

Gross profit (sales less cost of merchandise sold) as a percentage of sales was 27.6% and 26.0% for the three months ended September 26, 2009 and September 27, 2008, respectively. Gross profit as a percentage of sales was 27.9% and 27.0% for the nine months ended September 26, 2009 and September 27, 2008, respectively. The increase in gross profit as a percentage of sales for the three and nine months ended September 26, 2009 was primarily due to decreases in distribution costs, improvements in buying and merchandising practices and decreases in the LIFO reserve impact as compared to the same periods in the prior year.

***Operating and administrative expenses***

Operating and administrative expenses as a percentage of sales were 22.3% and 21.6% for the three months ended September 26, 2009 and September 27, 2008, respectively. Operating and administrative expenses as a percentage of sales were 21.6% and 21.1% for the nine months ended September 26, 2009 and September 27, 2008, respectively. The increase in operating and administrative expenses as a percentage of sales for the three months ended September 26, 2009 was primarily due to increases in benefits costs. The increase in operating and administrative expenses as a percentage of sales for the nine months ended September 26, 2009 was primarily due to increases in facilities costs.

***Investment income***

Investment income was \$21.9 million and \$26.6 million for the three months ended September 26, 2009 and September 27, 2008, respectively, and \$66.0 million and \$105.3 million for the nine months ended September 26, 2009 and September 27, 2008, respectively. The decrease in investment income for the three and nine months ended September 26, 2009 is primarily due to a decrease in interest income resulting from lower average balances and lower interest rates. There were no OTTI losses on equity securities for the three months ended September 26, 2009. The Company recorded OTTI losses on equity securities of \$17.2 million for the three months ended September 27, 2008 and \$19.3 million and \$21.6 million for the nine months ended September 26, 2009 and September 27, 2008, respectively. There were no OTTI losses on debt securities for the three and nine months ended September 26, 2009. During the quarter ended September 27, 2008, the issuer of one of the debt securities held by the Company ceased to exist. As a result, the Company recorded OTTI losses on debt securities of \$1.7 million for the three and nine months ended September 27, 2008.

***Income taxes***

The effective income tax rates were 33.6% and 33.9% for the three months ended September 26, 2009 and September 27, 2008, respectively. The effective income tax rates were 34.4% and 34.6% for the nine months ended September 26, 2009 and September 27, 2008, respectively. Effective income tax rates for the three and nine months ended September 26, 2009 remained relatively unchanged compared to the three and nine months ended September 27, 2008.

***Net earnings***

Net earnings were \$254.9 million or \$0.32 per share and \$201.8 million or \$0.25 per share for the three months ended September 26, 2009 and September 27, 2008, respectively. Net earnings were \$877.3 million or \$1.11 per share and \$840.7 million or \$1.02 per share for the nine months ended September 26, 2009 and September 27, 2008, respectively.

### **Forward-Looking Statements**

From time to time, certain information provided by the Company, including written or oral statements made by its representatives, may contain forward-looking information as defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking information includes statements about the future performance of the Company, which is based on management's assumptions and beliefs in light of the information currently available to them. When used, the words plan, estimate, project, intend, believe and other similar expressions, as they relate to the Company, are intended to identify such forward-looking statements. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from those statements including, but not limited to: competitive practices and pricing in the food and drug industries generally and particularly in the Company's principal markets; results of programs to control or reduce costs, improve buying practices and control shrink; results of programs to increase sales, including private-label sales, improve perishable departments and improve pricing and promotional efforts; changes in the general economy; changes in consumer spending; changes in population, employment and job growth in the Company's principal markets; and other factors affecting the Company's business in or beyond the Company's control. These factors include changes in the rate of inflation, changes in state and federal legislation or regulation, adverse determinations with respect to litigation or other claims, ability to recruit and retain employees, increases in operating costs including, but not limited to, labor costs, credit card fees and utility costs, particularly electric utility costs, ability to construct new supermarkets or complete remodels as rapidly as planned and stability of product costs. Other factors and assumptions not identified above could also cause the actual results to differ materially from those set forth in the forward-looking statements. The Company assumes no obligation to update publicly these forward-looking statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company does not utilize financial instruments for trading or other speculative purposes, nor does it utilize leveraged financial instruments. There have been no material changes in the market risk factors from those disclosed in the Company's Form 10-K for the year ended December 27, 2008.

### **Item 4. Controls and Procedures**

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer each concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that such information has been accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure. There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation that occurred during the quarter ended September 26, 2009 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

**PUBLIX SUPER MARKETS, INC.****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

As reported in the Company's Form 10-K for the year ended December 27, 2008, the Company is a party in various legal claims and actions considered in the normal course of business. In the opinion of management, the ultimate resolution of these legal proceedings will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

**Item 1A. Risk Factors**

There have been no material changes in the risk factors from those disclosed in the Company's Form 10-K for the year ended December 27, 2008.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

Shares of common stock repurchased by the Company during the three months ended September 26, 2009 were as follows (amounts are in thousands, except per share amounts):

| <b>Period</b>                              | <b>Total<br/>Number<br/>of Shares<br/>Purchased</b> | <b>Average<br/>Price<br/>Paid per<br/>Share</b> | <b>Total Number<br/>of Shares<br/>Purchased as<br/>Part of Publicly<br/>Announced<br/>Plans or<br/>Programs(1)</b> | <b>Approximate<br/>Dollar Value of<br/>Shares<br/>that May Yet Be<br/>Purchased<br/>Under the Plans<br/>or Programs(1)</b> |
|--|---|---|--|--|
| June 28, 2009 through August 1, 2009       | 695   | \$ 15.55  | N/A  | N/A  |
| August 2, 2009 through August 29, 2009     | 5,330   | 16.05   | N/A  | N/A  |
| August 30, 2009 through September 26, 2009 | 1,764   | 16.05   | N/A  | N/A  |
| Total                                      | 7,789   | \$ 16.01  | N/A  | N/A  |

- (1) Common stock is made available for sale only to the Company's current employees through the Company's ESPP and 401(k) Plan. In addition, common stock is made available under the ESOP. Common stock is also made available for sale to members of the Company's Board of Directors through the Directors Plan. The Company currently repurchases common stock subject to certain terms and conditions. The ESPP, 401(k) Plan, ESOP and Directors Plan each contain provisions prohibiting any transfer for value without the owner first offering the common stock to the Company.

The Company's common stock is not traded on any public stock exchange. The amount of common stock offered to the Company for repurchase is not within the control of the Company, but is at the discretion of the stockholders. The Company does not believe that these repurchases of its common stock are within the scope of a publicly announced plan or program (although the terms of the plans discussed above have been communicated to the participants). Thus, the Company does not believe that it has made any repurchases during the three months ended September 26, 2009 required to be disclosed in the last two columns of the table.

**Item 3. Defaults Upon Senior Securities**

Not Applicable.

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

Not Applicable.

**Item 5. Other Information**

Not Applicable.

**Item 6. Exhibits**

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial information from the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 2009, is formatted in Extensible Business Reporting Language: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Earnings, (iii) Condensed Consolidated Statements of Comprehensive Earnings, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements (tagged as blocks of text).

**SIGNATURES**

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

PUBLIX SUPER MARKETS, INC.

Date: November 5, 2009

/s/ John A. Attaway, Jr.  
John A. Attaway, Jr., Secretary

Date: November 5, 2009

/s/ David P. Phillips  
David P. Phillips, Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)