

BEST BUY CO INC

FORM 10-Q (Quarterly Report)

Filed 12/05/12 for the Period Ending 11/03/12

Address	7601 PENN AVE SOUTH RICHFIELD, MN 55423
Telephone	6122911000
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Industry	Retail (Technology)
Sector	Services
Fiscal Year	02/03

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

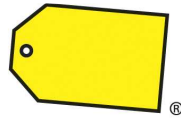
For the quarterly period ended November 3, 2012

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: 1-9595



**BEST BUY®
BEST BUY CO., INC.**

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0907483

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

7601 Penn Avenue South

Richfield, Minnesota

(Address of principal executive offices)

55423

(Zip Code)

(612) 291-1000

(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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**

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the

Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Yes** **No**

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$.10 Par Value — 338,087,851 shares outstanding as of November 30, 2012 .

BEST BUY CO., INC.

FORM 10-Q FOR THE QUARTER ENDED NOVEMBER 3, 2012

INDEX

Part I — Financial Information	3
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
a) <u>Condensed Consolidated Balance Sheets as of November 3, 2012; March 3, 2012; and October 29, 2011 (recast)</u>	3
b) <u>Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and nine months ended November 3, 2012, and October 29, 2011 (recast)</u>	5
c) <u>Consolidated Statements of Changes in Shareholders' Equity for the three months ended November 3, 2012, and October 29, 2011 (recast)</u>	6
d) <u>Consolidated Statements of Cash Flows for the nine months ended November 3, 2012, and October 29, 2011 (recast)</u>	7
e) <u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4. <u>Controls and Procedures</u>	45
Part II — Other Information	46
Item 1. <u>Legal Proceedings</u>	46
Item 6. <u>Exhibits</u>	47
Signatures	48

PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BEST BUY CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

(\$ in millions)

(Unaudited)

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u>
			(recast)
CURRENT ASSETS			
Cash and cash equivalents	\$ 309	\$ 1,199	\$ 2,073
Short-term investments	—	—	20
Receivables	2,250	2,288	1,968
Merchandise inventories	8,156	5,731	7,780
Other current assets	1,131	1,079	1,098
Total current assets	<u>11,846</u>	<u>10,297</u>	<u>12,939</u>
PROPERTY AND EQUIPMENT, NET	3,407	3,471	3,697
GOODWILL	1,344	1,335	2,447
TRADENAMES, NET	131	130	131
CUSTOMER RELATIONSHIPS, NET	213	229	165
EQUITY AND OTHER INVESTMENTS	91	140	279
OTHER ASSETS	<u>524</u>	<u>403</u>	<u>469</u>
TOTAL ASSETS	<u>\$ 17,556</u>	<u>\$ 16,005</u>	<u>\$ 20,127</u>

NOTE: The Consolidated Balance Sheet as of March 3, 2012, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY

(\$ in millions)

(Unaudited)

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u> (recast)
CURRENT LIABILITIES			
Accounts payable	\$ 7,933	\$ 5,364	\$ 7,557
Unredeemed gift card liabilities	392	456	413
Accrued compensation and related expenses	429	539	474
Accrued liabilities	1,531	1,685	1,619
Accrued income taxes	9	288	43
Short-term debt	310	480	163
Current portion of long-term debt	544	43	442
Total current liabilities	<u>11,148</u>	<u>8,855</u>	<u>10,711</u>
LONG-TERM LIABILITIES	1,122	1,099	1,161
LONG-TERM DEBT	1,158	1,685	1,692
EQUITY			
Best Buy Co., Inc. shareholders' equity			
Preferred stock, \$1.00 par value: Authorized — 400,000 shares; Issued and outstanding — none	—	—	—
Common stock, \$0.10 par value: Authorized — 1.0 billion shares; Issued and outstanding — 337,925,000, 341,400,000 and 357,941,000 shares, respectively	34	34	36
Additional paid-in capital	40	—	—
Retained earnings	3,328	3,621	5,676
Accumulated other comprehensive income	105	90	145
Total Best Buy Co., Inc. shareholders' equity	<u>3,507</u>	<u>3,745</u>	<u>5,857</u>
Noncontrolling interests	621	621	706
Total equity	<u>4,128</u>	<u>4,366</u>	<u>6,563</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 17,556</u>	<u>\$ 16,005</u>	<u>\$ 20,127</u>

NOTE: The Consolidated Balance Sheet as of March 3, 2012, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME**

(\$ in millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Revenue	\$ 10,753	\$ 11,145	\$ 32,910	\$ 33,370
Cost of goods sold	8,167	8,292	24,853	24,834
Gross profit	2,586	2,853	8,057	8,536
Selling, general and administrative expenses	2,538	2,472	7,496	7,431
Restructuring charges	36	—	254	4
Operating income	12	381	307	1,101
Other income (expense)				
Investment income and other	13	—	25	25
Interest expense	(31)	(37)	(94)	(98)
Earnings (loss) from continuing operations before income tax (benefit) expense and equity in loss of affiliates	(6)	344	238	1,028
Income tax (benefit) expense	(2)	122	84	364
Equity in loss of affiliates	(1)	(2)	(5)	(3)
Net earnings (loss) from continuing operations	(5)	220	149	661
Gain (loss) from discontinued operations (Note 3), net of tax benefit (expense) of (\$2), \$17, \$2 and \$49	6	(46)	(3)	(137)
Net earnings including noncontrolling interests	1	174	146	524
Net (earnings) loss from continuing operations attributable to noncontrolling interests	(8)	(47)	11	(83)
Net (gain) loss from discontinued operations attributable to noncontrolling interests	(3)	29	3	55
Net earnings (loss) attributable to Best Buy Co., Inc.	\$ (10)	\$ 156	\$ 160	\$ 496
Basic earnings (loss) per share attributable to Best Buy Co., Inc.				
Continuing operations	\$ (0.04)	\$ 0.48	\$ 0.47	\$ 1.53
Discontinued operations	0.01	(0.05)	—	(0.21)
Basic earnings (loss) per share	\$ (0.03)	\$ 0.43	\$ 0.47	\$ 1.32
Diluted earnings (loss) per share attributable to Best Buy Co., Inc.				
Continuing operations	\$ (0.04)	\$ 0.47	\$ 0.47	\$ 1.51
Discontinued operations	0.01	(0.05)	—	(0.21)
Diluted earnings (loss) per share	\$ (0.03)	\$ 0.42	\$ 0.47	\$ 1.30
Dividends declared per common share	\$ 0.17	\$ 0.16	\$ 0.49	\$ 0.46
Weighted-average common shares outstanding (in millions)				
Basic	337.2	363.4	339.3	376.9
Diluted	337.2	372.4	340.4	386.2
Comprehensive income including noncontrolling interests	\$ 34	\$ 6	\$ 191	\$ 511
Comprehensive (income) loss attributable to noncontrolling interests	(25)	14	—	(23)
Comprehensive income attributable to Best Buy Co., Inc.	\$ 9	\$ 20	\$ 191	\$ 488

BEST BUY CO., INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED NOVEMBER 3, 2012, AND OCTOBER 29, 2011**

(\$ and shares in millions)

(Unaudited)

	Best Buy Co., Inc.							
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Best Buy Co., Inc.	Non-controlling Interests	Total
Balances at March 3, 2012	341	\$ 34	\$ —	\$ 3,621	\$ 90	\$ 3,745	\$ 621	\$ 4,366
Adjustment for fiscal year-end change (Note 2)	5	—	—	(108)	(16)	(124)	—	(124)
Balances at January 28, 2012	346	34	—	3,513	74	3,621	621	4,242
Net earnings, nine months ended November 3, 2012	—	—	—	160	—	160	(14)	146
Foreign currency translation adjustments	—	—	—	—	28	28	14	42
Unrealized gains on available-for-sale investments	—	—	—	—	3	3	—	3
Stock-based compensation	—	—	99	—	—	99	—	99
Restricted stock vested and stock options exercised	2	—	2	—	—	2	—	2
Issuance of common stock under employee stock purchase plan	1	—	24	—	—	24	—	24
Tax deficit from stock options canceled or exercised, restricted stock vesting and employee stock purchase plan	—	—	(29)	—	—	(29)	—	(29)
Common stock dividends, \$0.49 per share	—	—	—	(164)	—	(164)	—	(164)
Repurchase and retirement of common stock	(11)	—	(56)	(181)	—	(237)	—	(237)
Balances at November 3, 2012	<u>338</u>	<u>\$ 34</u>	<u>\$ 40</u>	<u>\$ 3,328</u>	<u>\$ 105</u>	<u>\$ 3,507</u>	<u>\$ 621</u>	<u>\$ 4,128</u>
Balances at February 26, 2011	393	\$ 39	\$ 18	\$ 6,372	\$ 173	\$ 6,602	\$ 690	\$ 7,292
Adjustment for fiscal year-end change (Note 2)	—	—	(18)	(115)	(20)	(153)	—	(153)
Balances at January 29, 2011	393	39	—	6,257	153	6,449	690	7,139
Net earnings, nine months ended October 29, 2011	—	—	—	496	—	496	28	524
Foreign currency translation adjustments	—	—	—	—	10	10	(5)	5
Unrealized losses on available-for-sale investments	—	—	—	—	(18)	(18)	—	(18)
Cash flow hedging instruments – unrealized losses	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	—	—	(7)	(7)
Stock-based compensation	—	—	99	—	—	99	—	99
Restricted stock vested and stock options exercised	1	—	28	—	—	28	—	28
Issuance of common stock under employee stock purchase plan	2	—	39	—	—	39	—	39
Tax deficit from stock options canceled or exercised, restricted stock vesting and employee stock purchase plan	—	—	(2)	—	—	(2)	—	(2)
Common stock dividends, \$0.46 per share	—	—	—	(171)	—	(171)	—	(171)
Repurchase and retirement of common stock	(38)	(3)	(164)	(906)	—	(1,073)	—	(1,073)
Balances at October 29, 2011 (recast)	<u>358</u>	<u>\$ 36</u>	<u>\$ —</u>	<u>\$ 5,676</u>	<u>\$ 145</u>	<u>\$ 5,857</u>	<u>\$ 706</u>	<u>\$ 6,563</u>

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)

(Unaudited)

	Nine Months Ended	
	November 3, 2012	October 29, 2011
		(recast)
OPERATING ACTIVITIES		
Net earnings including noncontrolling interests	\$ 146	\$ 524
Adjustments to reconcile net earnings including noncontrolling interests to total cash provided by (used in) operating activities		
Depreciation	657	669
Amortization of definite-lived intangible assets	30	39
Restructuring charges	251	52
Stock-based compensation	95	99
Deferred income taxes	(96)	(53)
Other, net	19	13
Changes in operating assets and liabilities		
Receivables	216	322
Merchandise inventories	(1,330)	(393)
Other assets	(167)	(58)
Accounts payable	967	938
Other liabilities	(541)	(78)
Income taxes	(368)	(174)
Total cash provided by (used in) operating activities	<u>(121)</u>	<u>1,900</u>
INVESTING ACTIVITIES		
Additions to property and equipment	(522)	(580)
Purchases of investments	(13)	(111)
Sales of investments	68	153
Change in restricted assets	59	(17)
Other, net	(4)	—
Total cash used in investing activities	<u>(412)</u>	<u>(555)</u>
FINANCING ACTIVITIES		
Repurchase of common stock	(255)	(1,056)
Borrowings of debt	1,034	2,467
Repayments of debt	(1,234)	(1,886)
Dividends paid	(166)	(172)
Issuance of common stock under employee stock purchase plan and for the exercise of stock options	26	67
Other, net	(12)	(31)
Total cash used in financing activities	<u>(607)</u>	<u>(611)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	48	1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE ADJUSTMENT	(1,092)	735
ADJUSTMENT FOR FISCAL YEAR-END CHANGE (NOTE 2)	202	235
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AFTER ADJUSTMENT	(890)	970

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,199	1,103
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 309</u>	<u>\$ 2,073</u>

See Notes to Condensed Consolidated Financial Statements.

BEST BUY CO., INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(\$ in millions, except per share amounts)

(Unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us,” and “our” in these Notes to Condensed Consolidated Financial Statements refers to Best Buy Co., Inc. and its consolidated subsidiaries.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

Historically, we have realized more of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Europe and Canada than in any other fiscal quarter. Due to the seasonal nature of our business, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012 .

Beginning in the first quarter of fiscal 2013 , we changed our fiscal year-end. As a result of the change in our fiscal year-end, the comparable prior year financial statements have been recast to conform to the new fiscal calendar. The third quarter of fiscal 2013 included 13 weeks and the recast third quarter of 2012 included 13 weeks. The first nine months of fiscal 2013 included 40 weeks and the recast nine months of 2012 included 39 weeks. See Note 2, *Fiscal Year-end Change* , for further information.

In order to align our fiscal reporting periods and comply with statutory filing requirements in certain foreign jurisdictions, we consolidate the financial results of our Europe, China and Mexico operations (“lag entities”) on a one -month lag. Our policy is to accelerate recording the effect of events occurring in the lag period that significantly affect our consolidated financial statements. There were no significant intervening events which would have materially affected our financial condition, results of operations or liquidity had they been recorded during the three months ended November 3, 2012 .

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from November 4, 2012 through the date the financial statements were issued, for material subsequent events requiring recognition or disclosure. Other than the verdict in the trade secrets action, as described in Note 14, *Contingencies* , no such events were identified for this period.

New Accounting Standards

Goodwill Impairment — In September 2011, the Financial Accounting Standards Board (“FASB”) issued new guidance on the testing of goodwill for impairment. Under the new guidance, entities may make a qualitative assessment of the likelihood of goodwill impairment in order to determine whether a detailed quantitative analysis is required. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Accordingly, we adopted the new guidance on March 4, 2012, and determined that it did not have an impact on our consolidated financial position, results of operations, or cash flows.

Comprehensive Income — In June 2011, the FASB issued new guidance on the presentation of comprehensive income. Specifically, the new guidance requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate but consecutive statements. The new guidance eliminated the previous option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changed the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Accordingly, we adopted the new guidance on March 4, 2012, and have presented total comprehensive income in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

Fair Value Measurement — In April 2011, the FASB issued new guidance to converge fair value measurement and disclosure guidance with International Financial Reporting Standards. This new guidance amended current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new

[Table of Contents](#)

guidance is effective for fiscal years and interim periods beginning after December 15, 2011. Accordingly, we adopted the new guidance on March 4, 2012, and determined that it did not have an impact on our consolidated financial position, results of operations, or cash flows.

2. Fiscal Year-end Change

Beginning in the first quarter of fiscal 2013, we changed our fiscal year-end from the Saturday nearest the end of February to the Saturday nearest the end of January. As a result of this change, our fiscal year 2013 is an 11 -month transition period ending on February 2, 2013. As a result of this change, in the first quarter of fiscal 2013, we also began consolidating the results of our Europe, China and Mexico operations on a one -month lag, compared to a two -month lag in fiscal year 2012, to continue to align our fiscal reporting periods with statutory filing requirements.

In order to allow an immediate transition to our new fiscal calendar and to maintain transparency and comparability of financial information included in our quarterly Form 10-Q filings, we are presenting such quarterly information on a three - and nine -month basis for both the current and prior fiscal years, in both instances based on the new fiscal calendar. Following the change to our fiscal calendar, the third quarter of fiscal 2013 is the three months ended November 3, 2012. Therefore, the Condensed Consolidated Statements of Earnings and Comprehensive Income, Consolidated Statements of Changes in Shareholders' Equity, and Consolidated Statements of Cash Flows reflect results for the three and nine month periods ended November 3, 2012. The results for the nine months ended November 3, 2012 include our fiscal month ended March 3, 2012 ("February 2012") for operations that are not reported on a lag (primarily our Domestic segment and Canadian operations), which were also included in our results for the fiscal year ended March 3, 2012, included in our fiscal 2012 Form 10-K. The change in fiscal calendar does not impact our quarterly financial statements for our lag entities because the reduction in the lag period from two months to one month occurred concurrent with the change in our fiscal calendar.

The following table shows the fiscal months included in the third quarters of fiscal 2013 and 2012 under our new fiscal calendar, as well as the fiscal months included in the third quarter of fiscal 2012 under our previous fiscal calendar:

New Fiscal Calendar ⁽¹⁾		Previous Fiscal Calendar ⁽¹⁾
2013	2012	2012
August 2012 - October 2012	August 2011 - October 2011	September 2011 - November 2011

⁽¹⁾ For entities reported on a lag, the fiscal months included in the third quarters of fiscal 2013 and 2012 were July through September under both the new and previous fiscal calendars.

The Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Earnings and Comprehensive Income, Consolidated Statements of Changes in Shareholders' Equity, Consolidated Statements of Cash Flows, and corresponding Notes are presented based on the new fiscal calendar (November 3, 2012 for fiscal 2013 and October 29, 2011 for fiscal 2012) and the most recent audited fiscal year (March 3, 2012).

Results for February 2012 and February 2011

As a result of the overlap of February 2012 between the fourth quarter of fiscal 2012 (previous fiscal calendar) and the first quarter of fiscal 2013 (new fiscal calendar), \$3,908 of revenue from February 2012 is included in our Condensed Consolidated Statements of Earnings and Comprehensive Income for the nine months ended November 3, 2012, which was also included in our results for the fiscal year ended March 3, 2012, included in our fiscal 2012 Form 10-K.

The following table provides a summary of the adjustment to Retained earnings within the Consolidated Statements of Changes in Shareholders' Equity as a result of the overlap of February 2012 between the fourth quarter of fiscal 2012 (previous fiscal calendar) and the first quarter of fiscal 2013 (new fiscal calendar), as well as the equivalent overlap in the prior-year period. The primary components of the net reconciling item to Retained earnings include the net earnings from the Domestic segment and Canadian operations, offset by the impact of share repurchases which reduced Retained earnings upon their retirement.

	February 2012	February 2011
Net earnings	\$ 206	\$ 115
Impact of share repurchases ⁽¹⁾	(98)	—
Net reconciling item to Retained earnings	<u>\$ 108</u>	<u>\$ 115</u>

⁽¹⁾ Share repurchases reduced Retained earnings after the Additional paid-in capital balance was reduced to zero during February 2012.

[Table of Contents](#)

In addition, the Consolidated Statements of Cash Flows includes a net reconciling item (adjustment) for the cash flows as a result of the overlap described above. The total adjustment for the overlap of February 2012 was \$202, primarily due to \$135 of cash used in financing activities and \$46 of cash used in investing activities. The total adjustment for February 2011 was \$235, due almost entirely to \$228 of cash used in operating activities. The adjustments for both periods included the effect of exchange rate changes on our cash balances.

3. Discontinued Operations

Discontinued operations comprise: (i) Napster operations within our Domestic segment; (ii) large-format Best Buy branded store operations in China, Turkey, and the United Kingdom ("U.K.") within our International segment; and (iii) The Phone House stores in Belgium within our International Segment. The presentation of discontinued operations has been retrospectively applied to all prior periods presented.

The financial results of discontinued operations for the three and nine months ended November 3, 2012 and October 29, 2011, were as follows (\$ in millions):

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Revenue	\$ —	\$ 95	\$ 8	\$ 312
Restructuring charges ⁽¹⁾	(8)	19	(3)	48
Earnings (loss) from discontinued operations before income tax benefit (expense)	8	(63)	(5)	(190)
Income tax benefit (expense)	(2)	17	2	49
Gain on sale of discontinued operations	—	—	—	4
Net gain (loss) from discontinued operations, including noncontrolling interests	6	(46)	(3)	(137)
Net (gain) loss from discontinued operations attributable to noncontrolling interests	(3)	29	3	55
Net gain (loss) from discontinued operations attributable to Best Buy Co., Inc.	\$ 3	\$ (17)	\$ —	\$ (82)

⁽¹⁾ See Note 7, *Restructuring Charges*, for further discussion of the restructuring charges associated with discontinued operations.

4. Investments

Investments were comprised of the following:

	November 3, 2012	March 3, 2012	October 29, 2011
			(recast)
Short-term investments			
U.S. Treasury bills	\$ —	\$ —	\$ 20
Equity and other investments			
Debt securities (auction rate securities)	21	82	84
Marketable equity securities	3	3	131
Other investments	67	55	64
Total equity and other investments	\$ 91	\$ 140	\$ 279

Debt Securities

Our debt securities are comprised of auction rate securities ("ARS"). ARS were intended to behave like short-term debt instruments because their interest rates reset periodically through an auction process, most commonly at intervals of 7, 28, and 35 days. The auction process had historically provided a means by which we could roll over the investment or sell these

[Table of Contents](#)

securities at par in order to provide us with liquidity, as needed. As a result, we classify our investments in ARS as available-for-sale and carry them at fair value.

In February 2008, auctions began to fail due to insufficient buyers, as the amount of securities submitted for sale in auctions exceeded the aggregate amount of the bids. For each failed auction, the interest rate on the security moves to a maximum rate specified for each security, and generally resets at a level higher than specified short-term interest rate benchmarks. To date, we have collected all interest due on our ARS and expect to continue to do so in the future. Due to persistent failed auctions and the uncertainty of when these investments could be liquidated at par, we have classified all of our investments in ARS as non-current assets within Equity and Other Investments in our Condensed Consolidated Balance Sheet as of November 3, 2012 and October 29, 2011 .

We sold \$1 of ARS at par during the third quarter of fiscal 2013 . However, at November 3, 2012 , our entire remaining ARS portfolio, consisting of six investments in ARS with an aggregate value at par of \$23 , was subject to failed auctions.

Our ARS portfolio consisted of the following, at fair value:

<u>Description</u>	<u>Nature of collateral or guarantee</u>	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u>
				(recast)
Student loan bonds	Student loans guaranteed 95% to 100% by the U.S. government	\$ 19	\$ 80	\$ 82
Municipal revenue bonds	100% insured by AA/Aa-rated bond insurers at November 3, 2012	2	2	2
Total fair value plus accrued interest ⁽¹⁾		\$ 21	\$ 82	\$ 84

⁽¹⁾ The par value and weighted-average interest rates (taxable equivalent) of our ARS were \$23 , \$88 and \$89 , and 0.81% , 0.50% and 0.51% , respectively, at November 3, 2012 , March 3, 2012 and October 29, 2011 , respectively.

At November 3, 2012 , our ARS portfolio was 37% AAA/Aaa-rated, 30% AA/Aa-rated, and 33% A/A-rated.

The investment principal associated with failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities, or final payments are due according to the contractual maturities of the debt issuances, which range from 10 to 29 years. We do not intend to sell our remaining ARS until we can recover the full principal amount through one of the means described above. In addition, we do not believe it is more likely than not that we would be required to sell our remaining ARS until we can recover the full principal amount based on our other sources of liquidity.

We evaluated our entire ARS portfolio of \$23 (par value) for impairment at November 3, 2012 , based primarily on the methodology described in Note 5, *Fair Value Measurements* . As a result of this review, we determined that the fair value of our ARS portfolio at November 3, 2012 was \$21 . Accordingly, a \$2 pre-tax unrealized loss is recognized in accumulated other comprehensive income. This unrealized loss reflects a temporary impairment on all of our investments in ARS. The estimated fair value of our ARS portfolio could change significantly based on future market conditions. We will continue to assess the fair value of our ARS portfolio for substantive changes in relevant market conditions, changes in our financial condition, or other changes that may alter our estimates described above.

We may be required to record an additional unrealized holding loss or an impairment charge to earnings if we determine that our ARS portfolio has incurred a further decline in fair value that is temporary or other-than-temporary, respectively. Factors that we consider when assessing our ARS portfolio for other-than-temporary impairment include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period, the nature of the collateral or guarantees in place, and our intent and ability to hold an investment.

We had \$(1) , \$(3) and \$(3) of unrealized loss, net of tax, recorded in accumulated other comprehensive income at November 3, 2012 , March 3, 2012 and October 29, 2011 , respectively, related to our investments in debt securities.

Marketable Equity Securities

We invest in marketable equity securities and classify them as available-for-sale. Investments in marketable equity securities are classified as non-current assets within Equity and Other Investments in our Condensed Consolidated Balance Sheets and are reported at fair value based on quoted market prices.

[Table of Contents](#)

Our investments in marketable equity securities were as follows:

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u> (recast)
Common stock of TalkTalk Telecom Group PLC	\$ —	\$ —	\$ 74
Common stock of Carphone Warehouse Group plc	—	—	56
Other	3	3	1
Total	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 131</u>

We review all investments for other-than-temporary impairment at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in fair value, as well as the intent and ability to hold the investment to allow for a recovery in the market value of the investment. In addition, we consider qualitative factors that include, but are not limited to: (i) the financial condition and business plans of the investee, including its future earnings potential, (ii) the investee's credit rating, and (iii) the current and expected market and industry conditions in which the investee operates. If a decline in the fair value of an investment is deemed by management to be other-than-temporary, the cost basis of the investment is written down to fair value, and the amount of the write-down is included in net earnings.

All unrealized holding gains or losses related to our investments in marketable equity securities are reflected net of tax in accumulated other comprehensive income in shareholders' equity. The total unrealized gain, net of tax, included in accumulated other comprehensive income was \$1, \$0 and \$62 at November 3, 2012, March 3, 2012 and October 29, 2011, respectively.

Other Investments

The aggregate carrying values of investments accounted for using either the cost method or the equity method at November 3, 2012, March 3, 2012 and October 29, 2011 were \$67, \$55 and \$64, respectively.

5. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 — Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 — Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables set forth by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis at November 3, 2012, March 3, 2012 and October 29, 2011, according to the valuation techniques we used to determine their fair values.

[Table of Contents](#)

	Fair Value at November 3, 2012	Fair Value Measurements Using Inputs Considered as		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Other current assets				
Foreign currency derivative instruments	\$ 2	\$ —	\$ 2	\$ —
Equity and other investments				
Auction rate securities	21	—	—	21
Marketable equity securities	3	3	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	1	—	1	—

	Fair Value at March 3, 2012	Fair Value Measurements Using Inputs Considered as		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	\$ 272	\$ 272	\$ —	\$ —
Other current assets				
Money market funds (restricted cash)	119	119	—	—
U.S. Treasury bills (restricted cash)	30	30	—	—
Foreign currency derivative instruments	1	—	1	—
Equity and other investments				
Auction rate securities	82	—	—	82
Marketable equity securities	3	3	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	2	—	2	—

[Table of Contents](#)

	Fair Value Measurements Using Inputs Considered as			
	Fair Value at October 29, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(recast)	(recast)	(recast)	(recast)
ASSETS				
Cash and cash equivalents				
Money market funds	\$ 796	\$ 796	\$ —	\$ —
Short-term investments				
U.S. Treasury bills	20	20	—	—
Other current assets				
Money market funds (restricted assets)	163	163	—	—
U.S. Treasury bills (restricted assets)	20	20	—	—
Foreign currency derivative instruments	1	—	1	—
Equity and other investments				
Auction rate securities	84	—	—	84
Marketable equity securities	131	131	—	—

The following tables provide a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) for the three and eight months ended November 3, 2012 and October 29, 2011 .

	Debt securities- Auction rate securities only		
	Student loan bonds	Municipal revenue bonds	Total
Balances at August 4, 2012	\$ 20	\$ 2	\$ 22
Changes in unrealized losses included in other comprehensive income	—	—	—
Sales	(1)	—	(1)
Balances at November 3, 2012	\$ 19	\$ 2	\$ 21

	Debt securities- Auction rate securities only		
	Student loan bonds	Municipal revenue bonds	Total
Balances at March 3, 2012	\$ 80	\$ 2	\$ 82
Changes in unrealized losses included in other comprehensive income	4	—	4
Sales	(65)	—	(65)
Balances at November 3, 2012	\$ 19	\$ 2	\$ 21

	Debt securities- Auction rate securities only		
	Student loan bonds	Municipal revenue bonds	Total
Balances at July 30, 2011	\$ 89	\$ 2	\$ 91
Changes in unrealized losses included in other comprehensive income	(3)	—	(3)
Sales	(4)	—	(4)
Balances at October 29, 2011 (recast)	\$ 82	\$ 2	\$ 84

	Debt securities- Auction rate securities only		
	Student loan bonds	Municipal revenue bonds	Total
Balances at February 26, 2011	\$ 108	\$ 2	\$ 110
Changes in unrealized losses included in other comprehensive income	—	—	—
Sales	(26)	—	(26)
Balances at October 29, 2011 (recast)	<u>\$ 82</u>	<u>\$ 2</u>	<u>\$ 84</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money Market Funds. Our money market fund investments that are traded in an active market were measured at fair value using quoted market prices and, therefore, were classified as Level 1.

U.S. Treasury Bills. Our U.S. Treasury bills were classified as Level 1 as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Foreign Currency Derivative Instruments. Comprised primarily of foreign currency forward contracts and foreign currency swap contracts, our foreign currency derivative instruments were measured at fair value using readily observable market inputs, such as quotations on forward foreign exchange points and foreign interest rates. Our foreign currency derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in active markets.

Auction Rate Securities. Our investments in ARS were classified as Level 3 as quoted prices were unavailable due to events described in Note 4, *Investments*. Due to limited market information, we utilized a discounted cash flow (“DCF”) model to derive an estimate of fair value. The unobservable inputs and assumptions we used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk associated with ARS. Changes in these unobservable inputs are not likely to have a significant impact on the fair value measurement of our ARS.

Marketable Equity Securities. Our marketable equity securities were measured at fair value using quoted market prices. They were classified as Level 1 as they trade in active markets for which closing stock prices are readily available.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our tangible fixed assets, goodwill and other intangible assets, which are remeasured when the derived fair value is below carrying value on our Condensed Consolidated Balance Sheets. For these assets, we do not periodically adjust carrying value to fair value except in the event of impairment. When we determine that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded within Operating Income in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

With the exception of fixed asset impairments associated with our restructuring activities described in Note 7, *Restructuring Charges*, we had no significant remeasurements of such assets or liabilities to fair value during the nine months ended November 3, 2012 and October 29, 2011.

[Table of Contents](#)

The following table summarizes the fair value remeasurements recorded during the nine months ended November 3, 2012 and October 29, 2011 :

	Nine Months Ended November 3, 2012		Nine Months Ended October 29, 2011	
	Impairments	Remaining Net Carrying Value	Impairments (recast)	Remaining Net Carrying Value (recast)
Continuing operations				
Property and equipment	\$ 29	\$ —	\$ —	\$ —
Discontinued operations ⁽¹⁾				
Property and equipment	—	—	15	—
Tradename	—	—	3	—
Total	\$ —	\$ —	\$ 18	\$ —

⁽¹⁾ Fixed asset and tradename impairments associated with discontinued operations are recorded within Loss from discontinued operations in our Consolidated Statement of Earnings and Comprehensive Income.

The fair value remeasurements included in the table above were based on significant unobservable inputs (Level 3). Fixed asset fair values were derived using a DCF model to estimate the present value of net cash flows that the asset or asset group was expected to generate. The key inputs to the DCF model generally included our forecasts of net cash generated from revenue, expenses and other significant cash outflows, such as capital expenditures, as well as an appropriate discount rate. In the case of these specific assets, for which their impairment was the result of restructuring activities, no future cash flows have been assumed as the assets will cease to be used and expected sale values are nominal.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments, accounts payable, other payables, and short- and long-term debt. The fair values of cash, receivables, accounts payable, other payables, and short-term debt approximated carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. Fair values for other investments held at cost are not readily available, but we estimate that the carrying values for these investments approximate fair value. See Note 8, *Debt*, for information about the fair value of our long-term debt.

6. Goodwill and Intangible Assets

The changes in the carrying values of goodwill and indefinite-lived tradenames by segment were as follows in the eight months ended November 3, 2012 and October 29, 2011 :

	Goodwill			Indefinite-lived Tradenames		
	Domestic	International	Total	Domestic	International	Total
Balances at March 3, 2012	\$ 516	\$ 819	\$ 1,335	\$ 19	\$ 111	\$ 130
Changes in foreign currency exchange rates	—	(5)	(5)	—	—	—
Acquisitions	14	—	14	—	—	—
Balances at November 3, 2012	\$ 530	\$ 814	\$ 1,344	\$ 19	\$ 111	\$ 130

	Goodwill			Indefinite-lived Tradenames		
	Domestic	International	Total	Domestic	International	Total
Balances at February 26, 2011	\$ 422	\$ 2,032	\$ 2,454	\$ 21	\$ 84	\$ 105
Sale of business	—	—	—	(3)	—	(3)
Changes in foreign currency exchange rates	—	(7)	(7)	—	1	1
Other ⁽¹⁾	—	—	—	—	28	28
Balances at October 29, 2011 (recast)	\$ 422	\$ 2,025	\$ 2,447	\$ 18	\$ 113	\$ 131

- ⁽¹⁾ Represents the transfer of certain definite-lived tradenames (at their net book value) to indefinite-lived tradenames following our decision not to phase out certain tradenames. We believe these tradenames will continue to contribute to our future cash flows indefinitely.

[Table of Contents](#)

The following table provides the gross carrying amount of goodwill and cumulative goodwill impairment losses:

	November 3, 2012		March 3, 2012		October 29, 2011	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
					(recast)	(recast)
Goodwill	\$ 2,605	\$ (1,261)	\$ 2,596	\$ (1,261)	\$ 2,511	\$ (64)

The following table provides the gross carrying values and related accumulated amortization of definite-lived intangible assets:

	November 3, 2012		March 3, 2012		October 29, 2011	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
					(recast)	(recast)
Customer relationships	\$ 475	\$ (262)	\$ 453	\$ (224)	\$ 382	\$ (217)

Total amortization expense for the three months ended November 3, 2012 and October 29, 2011, was \$10 and \$9, respectively, and was \$30 and \$39 for the nine months then ended, respectively. The estimated future amortization expense for identifiable intangible assets is as follows:

Fiscal Year	
Remainder of fiscal 2013	\$ 11
2014	42
2015	42
2016	42
2017	24
Thereafter	52

7. Restructuring Charges

Summary

Restructuring charges incurred in the nine months ended November 3, 2012 and October 29, 2011 for our fiscal 2013, fiscal 2012 and fiscal 2011 restructuring activities were as follows:

	Nine Months Ended	
	November 3, 2012	October 29, 2011
		(recast)
Continuing operations		
Fiscal 2013 Europe restructuring	\$ 2	\$ —
Fiscal 2013 U.S. restructuring	258	—
Fiscal 2012 restructuring	6	—
Fiscal 2011 restructuring	(12)	4
Total	254	4
Discontinued operations		
Fiscal 2012 restructuring	(5)	—
Fiscal 2011 restructuring	2	48
Total (Note 3)	(3)	48
Total	\$ 251	\$ 52

[Table of Contents](#)*Fiscal 2013 Europe Restructuring*

In the third quarter of fiscal 2013, we initiated a series of actions to restructure our Best Buy Europe operations in our International segment intended to improve operating performance. We preliminarily expect to incur pre-tax restructuring charges (primarily employee termination benefits, facility closure costs and property and equipment impairments) of between \$40 and \$60 related to this plan. We expect to substantially complete these restructuring activities in fiscal 2014. We incurred \$2 of restructuring charges related to Europe termination benefits in the third quarter of fiscal 2013.

Fiscal 2013 U.S. Restructuring

In the first quarter of fiscal 2013, we initiated a series of actions to restructure operations in our Domestic segment intended to improve operating performance. The actions include closure of approximately 50 large-format Best Buy branded stores in the U.S. and changes to the store and corporate operating models. The costs of implementing the changes primarily consist of facility closure costs, employee termination benefits and property and equipment (primarily store fixtures) impairments.

We incurred \$34 of charges related to the fiscal 2013 U.S. restructuring in the third quarter of fiscal 2013, consisting primarily of facility closure and other costs related to our closure of six stores. In the first nine months of fiscal 2013, we incurred \$258 of restructuring charges related to the fiscal 2013 U.S. restructuring consisting primarily of facility closure and other costs, termination benefits and property and equipment impairments.

We do not expect to incur further material restructuring charges related to our fiscal 2013 U.S. restructuring activities, with the exception of lease payments for vacated stores which will continue until the lease expires or we otherwise terminate the lease.

The majority of restructuring charges related to our fiscal 2013 restructuring activities are from continuing operations and are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings and Comprehensive Income. The composition of the restructuring charges we incurred in the nine months ended November 3, 2012 for our fiscal 2013 restructuring activities in the Domestic segment was as follows:

	Nine Months Ended November 3, 2012
Continuing operations	
Property and equipment impairments	\$ 28
Termination benefits	83
Facility closure and other costs, net	147
Total	\$ 258

The following table summarizes our restructuring accrual activity during the eight months ended November 3, 2012 related to termination benefits and facility closure and other costs associated with our 2013 U.S. restructuring activities:

	Termination Benefits	Facility Closure and Other Costs	Total
Balance at March 3, 2012	\$ —	\$ —	\$ —
Charges	109	145	254
Cash payments	(65)	(18)	(83)
Adjustments	(31)	(3)	(34)
Balance at November 3, 2012	\$ 13	\$ 124	\$ 137

Fiscal 2012 Restructuring

In the third quarter of fiscal 2012, we implemented a series of actions to restructure operations in our Domestic and International segments. The actions within our Domestic segment included a decision to modify our strategy for certain mobile broadband offerings, and in our International segment we closed our large-format Best Buy branded stores in the U.K. to refocus our Best Buy Europe strategy on our small-format stores. In addition, we impaired certain information technology ("IT") assets supporting the restructured activities in our International segment. We view these restructuring activities as necessary to meet our long-term financial performance objectives by refocusing our investments on areas that provide profitable growth opportunities and meet our overall return expectations. All restructuring charges directly related to the large-

[Table of Contents](#)

format Best Buy branded stores in the U.K. are reported within (Gain) loss from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. Refer to Note 3, *Discontinued Operations* .

We incurred \$1 of charges related to the fiscal 2012 restructuring in the first nine months of fiscal 2013. Of the total charges, \$6 related to our Domestic segment and consisted primarily of other costs resulting from the modified strategy for certain mobile broadband offerings. The offsetting \$(5) gain in our International segment was primarily due to adjustments to estimated facility closure costs associated with the closure of our Best Buy branded stores in the U.K.

We do not expect to incur further material restructuring charges related to our fiscal 2012 restructuring activities in either our Domestic or International segments, as we have substantially completed these restructuring activities.

All restructuring charges from continuing operations related to our fiscal 2012 restructuring activities are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings and Comprehensive Income, whereas all restructuring charges from discontinued operations related to our fiscal 2012 restructuring activities are presented in Gain (loss) from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

The composition of the restructuring charges we incurred in the nine months ended November 3, 2012 , as well as the cumulative amount incurred through November 3, 2012 , for our fiscal 2012 restructuring activities for both the Domestic and International segments was as follows:

	Domestic		International		Total	
	Nine Months Ended November 3, 2012	Cumulative Amount through November 3, 2012	Nine Months Ended November 3, 2012	Cumulative Amount through November 3, 2012	Nine Months Ended November 3, 2012	Cumulative Amount through November 3, 2012
Continuing operations						
Property and equipment impairments	\$ 1	\$ 17	\$ —	\$ 15	\$ 1	\$ 32
Termination benefits	—	1	—	—	—	1
Facility closure and other costs, net	5	5	—	—	5	5
Total	6	23	—	15	6	38
Discontinued operations						
Inventory write-downs	—	—	—	11	—	11
Property and equipment impairments	—	—	—	96	—	96
Termination benefits	—	—	1	17	1	17
Facility closure and other costs, net	—	—	(6)	76	(6)	76
Total	—	—	(5)	200	(5)	200
Total	\$ 6	\$ 23	\$ (5)	\$ 215	\$ 1	\$ 238

[Table of Contents](#)

The following table summarizes our restructuring accrual activity during the eight months ended November 3, 2012 related to termination benefits and facility closure and other costs associated with our 2012 restructuring activities:

	Termination Benefits	Facility Closure and Other Costs ⁽¹⁾	Total
Balance at March 3, 2012	\$ 17	\$ 85	\$ 102
Charges	1	2	3
Cash payments	(17)	(81)	(98)
Adjustments	—	25	25
Changes in foreign currency exchange rates	—	3	3
Balance at November 3, 2012	<u>\$ 1</u>	<u>\$ 34</u>	<u>\$ 35</u>

⁽¹⁾ Included within the adjustments to facility closure and other costs is \$34 from the first quarter of fiscal 2013, representing an adjustment to exclude non-cash charges or benefits, which had no impact on our Condensed Consolidated Statements of Earnings and Comprehensive Income in the first quarter of fiscal 2013.

Fiscal 2011 Restructuring

In the fourth quarter of fiscal 2011, we implemented a series of actions to restructure operations in our Domestic and International segments in order to improve performance and enhance customer service. The restructuring actions included plans to improve supply chain and operational efficiencies in our Domestic segment's operations, primarily focused on modifications to our distribution channels and exit from certain digital delivery services within our entertainment product category. The actions also included plans to exit the Turkey market and restructure the Best Buy branded stores in China. As part of the international restructuring, we also impaired certain IT assets supporting the restructured activities in our International segment. We view these restructuring activities as necessary to meet our long-term growth goals by investing in businesses that have the potential to meet our internal rate of return expectations. All restructuring charges directly related to Turkey and China, as well as the Domestic charges directly related to our exit from certain digital delivery services within our entertainment product category, are reported within (Gain) loss from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. Refer to Note 3, *Discontinued Operations*.

During the first nine months of fiscal 2013, we recorded a net reduction to restructuring charges of \$(10), which related primarily to our Domestic segment. The net reduction was largely the result of a gain recorded on the sale of a previously impaired distribution facility and equipment during the first quarter of fiscal 2013 (previously impaired through restructuring charges), partially offset by charges associated with the exit from certain digital delivery services within our entertainment product category.

We incurred \$52 of charges related to the fiscal 2011 restructuring in the first nine months of fiscal 2012. Of the total charges, \$27 related to our Domestic segment and consisted primarily of property and equipment impairments and facility closure costs associated with supply chain and operational improvements. Within our International segment, we incurred \$25 of charges consisting primarily of termination benefits and facility closure costs related to actions taken to exit the Turkey market and restructure our Best Buy branded stores in China.

We do not expect to incur further material restructuring charges related to our fiscal 2011 restructuring activities in either our Domestic or International segments.

For continuing operations, the cumulative inventory write-downs related to our fiscal 2011 restructuring activities were presented in Restructuring charges — cost of goods sold in our Condensed Consolidated Statements of Earnings and Comprehensive Income in the periods in which the charges occurred. The remainder of the restructuring charges are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings and Comprehensive Income. However, all restructuring charges from discontinued operations related to our fiscal 2011 restructuring activities are presented in Gain (loss) from discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

[Table of Contents](#)

The composition of the restructuring charges we incurred in the nine months ended November 3, 2012 and October 29, 2011, as well as the cumulative amount incurred through November 3, 2012, for our fiscal 2011 restructuring activities for both the Domestic and International segments was as follows:

	Domestic			International			Total		
	Nine Months Ended		Cumulative Amount through November 3, 2012	Nine Months Ended		Cumulative Amount through November 3, 2012	Nine Months Ended		Cumulative Amount through November 3, 2012
	November 3, 2012	October 29, 2011 (recast)		November 3, 2012	October 29, 2011 (recast)		November 3, 2012	October 29, 2011 (recast)	
Continuing operations									
Inventory write-downs	\$ —	\$ —	\$ 28	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28
Property and equipment impairments ⁽¹⁾	(12)	1	3	—	(1)	107	(12)	—	110
Termination benefits	—	(1)	14	—	—	—	—	(1)	14
Facility closure and other costs, net	—	5	4	—	—	—	—	5	4
Total	(12)	5	49	—	(1)	107	(12)	4	156
Discontinued operations									
Inventory write-downs	—	—	—	—	—	15	—	—	15
Property and equipment impairments	—	15	15	—	—	25	—	15	40
Intangible asset impairments	—	3	13	—	—	—	—	3	13
Termination benefits	—	4	4	—	20	19	—	24	23
Facility closure and other costs, net	3	—	3	(1)	6	4	2	6	7
Total	3	22	35	(1)	26	63	2	48	98
Total	\$ (9)	\$ 27	\$ 84	\$ (1)	\$ 25	\$ 170	\$ (10)	\$ 52	\$ 254

⁽¹⁾ Included within the property and equipment impairments is a gain on sale of previously impaired property and equipment.

The following tables summarize our restructuring accrual activity during the eight months ended November 3, 2012 and October 29, 2011, related to termination benefits and facility closure and other costs associated with our 2011 restructuring activities:

	Termination Benefits	Facility Closure and Other Costs ⁽¹⁾	Total
Balance at February 26, 2011	\$ 28	\$ 13	\$ 41
Charges	11	—	11
Cash payments	(27)	(12)	(39)
Adjustments	(3)	4	1
Changes in foreign currency exchange rates	—	1	1
Balance at October 29, 2011 (recast)	\$ 9	\$ 6	\$ 15

⁽¹⁾ Included within the adjustments to facility closure and other costs is \$10 from the first quarter of fiscal 2012, representing an adjustment to exclude non-cash charges or benefits, which had no impact on our Condensed Consolidated Statements of Earnings and Comprehensive Income in the first quarter of fiscal 2012.

	Termination Benefits	Facility Closure and Other Costs	Total
Balance at March 3, 2012	\$ 3	\$ 9	\$ 12
Charges	—	—	—
Cash payments	(2)	(3)	(5)
Adjustments	(1)	(1)	(2)
Balance at November 3, 2012	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 5</u>

8. Debt*Short-Term Debt*

Short-term debt consisted of the following:

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u> (recast)
U.S. revolving credit facility – 364-Day	\$ —	\$ —	\$ —
U.S. revolving credit facility – Five-Year	—	—	—
Europe revolving credit facility	310	480	—
Europe receivables financing facility	—	—	155
Canada revolving demand facility	—	—	—
China revolving demand facilities	—	—	8
Total short-term debt	<u>\$ 310</u>	<u>\$ 480</u>	<u>\$ 163</u>

U.S. Revolving Credit Facility

On August 31, 2012, Best Buy Co., Inc. entered into a \$1,000 364-day senior unsecured revolving credit facility agreement (the "364-Day Facility Agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent, and a syndicate of banks. The 364-Day Facility Agreement terminates in August 2013 (subject to a one-year term-out option). The 364-Day Facility Agreement replaced the previously existing \$1,000 364-day senior unsecured revolving credit facility with a syndicate of banks, including JPMorgan acting as administrative agent, which was originally scheduled to expire in October 2012.

The interest rate under the 364-Day Facility Agreement is variable and is determined at our option as: (i) the sum of (a) the greatest of JPMorgan's prime rate, the federal funds rate plus 0.5%, or the one-month London Interbank Offered Rate ("LIBOR") plus 1%, and (b) a margin (the "ABR Margin"); or (ii) the LIBOR plus a margin (the "LIBOR Margin"). In addition, a facility fee is assessed on the commitment amount. The ABR Margin, LIBOR Margin and the facility fee are based upon our current senior unsecured debt rating. Under the 364-Day Facility Agreement, the ABR Margin ranges from 0.0% to 0.525%, the LIBOR Margin ranges from 0.925% to 1.525%, and the facility fee ranges from 0.075% to 0.225%.

The 364-Day Facility Agreement is guaranteed by specified subsidiaries of Best Buy Co., Inc. and contains customary affirmative and negative covenants. Among other things, these covenants restrict Best Buy Co., Inc. or its subsidiaries' ability to incur certain types or amounts of indebtedness, incur liens on certain assets, make material changes in corporate structure or the nature of its business, dispose of material assets, engage in a change in control transaction, make certain foreign investments, enter into certain restrictive agreements, or engage in certain transactions with affiliates. The 364-Day Facility Agreement also contains covenants that require us to maintain a maximum quarterly cash flow leverage ratio and a minimum quarterly interest coverage ratio. The 364-Day Facility Agreement contains customary default provisions including, but not limited to, failure to pay interest or principal when due and failure to comply with covenants. We were in compliance with all such covenants at November 3, 2012.

Long-Term Debt

Long-term debt consisted of the following:

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u> (recast)
2013 Notes	\$ 500	\$ 500	\$ 500
2016 Notes	349	349	349
2021 Notes	648	648	648
Convertible debentures	—	—	402
Financing lease obligations	130	149	156
Capital lease obligations	74	81	78
Other debt	1	1	1
Total long-term debt	<u>1,702</u>	<u>1,728</u>	<u>2,134</u>
Less: current portion ⁽¹⁾	<u>(544)</u>	<u>(43)</u>	<u>(442)</u>
Total long-term debt, less current portion	<u>\$ 1,158</u>	<u>\$ 1,685</u>	<u>\$ 1,692</u>

⁽¹⁾ Our 2013 Notes due July 15, 2013, are classified in the current portion of long-term debt as of November 3, 2012. Since holders of our convertible debentures could have required us to purchase all or a portion of the debentures on January 15, 2012, we classified the \$402 for such debentures in the current portion of long-term debt at October 29, 2011.

The fair value of long-term debt approximated \$1,635, \$1,756 and \$2,164 at November 3, 2012, March 3, 2012 and October 29, 2011, respectively, based primarily on the market prices quoted from external sources, compared with carrying values of \$1,702, \$1,728 and \$2,134, respectively. If long-term debt was measured at fair value in the financial statements, it would be classified primarily as Level 1 in the fair value hierarchy.

See Note 8, *Debt*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for additional information regarding the terms of our debt facilities, debt instruments and other obligations.

9. Derivative Instruments

We manage our economic and transaction exposure to certain market-based risks through the use of foreign currency derivative instruments. Our objective in holding derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We record all foreign currency derivative instruments in our Condensed Consolidated Balance Sheets at fair value and evaluate hedge effectiveness prospectively and retrospectively when electing to apply hedge accounting treatment. We formally document all hedging relationships at inception for all derivative hedges and the underlying hedged items, as well as the risk, management objectives, and strategies for undertaking the hedge transactions. In addition, we have derivatives which are not designated as hedging instruments. We have no derivatives that have credit risk-related contingent features, and we mitigate our credit risk by engaging with major financial institutions as our counterparties.

Cash Flow Hedges

We enter into foreign exchange forward contracts to hedge against the effect of exchange rate fluctuations on certain revenue streams denominated in non-functional currencies. The contracts generally have terms of up to two years. We report the effective portion of the gain or loss on a cash flow hedge as a component of other comprehensive income, and it is subsequently reclassified into net earnings in the period in which the hedged transaction affects net earnings or the forecast transaction is no longer probable of occurring. We report the ineffective portion, if any, of the gain or loss in net earnings. We did not have any cash flow hedges outstanding in the first nine months of fiscal 2013.

Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments include foreign exchange forward contracts used to manage the impact of fluctuations in foreign currency exchange rates relative to recognized receivable and payable balances denominated in non-functional currencies, and on certain forecast inventory purchases denominated in non-functional currencies. The contracts

[Table of Contents](#)

generally have terms of up to six months. These derivative instruments are not designated in hedging relationships and, therefore, we record gains and losses on these contracts directly in net earnings.

Summary of Derivative Balances

The following table presents the gross fair values for derivative instruments and the corresponding classification at November 3, 2012, March 3, 2012 and October 29, 2011 :

Contract Type	November 3, 2012		March 3, 2012		October 29, 2011	
	Assets	Liabilities	Assets	Liabilities	Assets (recast)	Liabilities (recast)
No hedge designation (foreign exchange forward contracts)	\$ 2	\$ (1)	\$ 1	\$ (2)	\$ 1	\$ —

The following tables present the effects of derivative instruments on other comprehensive income (“OCI”) and on our Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and nine months ended November 3, 2012 and October 29, 2011 :

Contract Type	Three Months Ended November 3, 2012		Nine Months Ended November 3, 2012	
	Pre-tax Gain (Loss) Recognized in OCI ⁽¹⁾	Gain (Loss) Reclassified from Accumulated OCI to Earnings (Effective Portion) ⁽²⁾	Pre-tax Gain (Loss) Recognized in OCI ⁽¹⁾	(Loss) Reclassified from Accumulated OCI to Earnings (Effective Portion) ⁽²⁾
Cash flow hedges (foreign exchange forward contracts)	\$ —	\$ —	\$ —	\$ (1)

Contract Type	Three Months Ended October 29, 2011		Nine Months Ended October 29, 2011	
	Pre-tax (Loss) Recognized in OCI ⁽¹⁾ (recast)	Gain Reclassified from Accumulated OCI to Earnings (Effective Portion) ⁽²⁾ (recast)	Pre-tax Gain Recognized in OCI ⁽¹⁾ (recast)	Gain Reclassified from Accumulated OCI to Earnings (Effective Portion) ⁽²⁾ (recast)
Cash flow hedges (foreign exchange forward contracts)	\$ (5)	\$ 1	\$ 8	\$ 8

⁽¹⁾ Reflects the amount recognized in OCI prior to the reclassification of 50% to noncontrolling interests for the cash flow hedges.

⁽²⁾ Gain reclassified from accumulated OCI is included within selling, general and administrative expenses (“SG&A”) in our Condensed Consolidated Statements of Earnings and Comprehensive Income.

The following table presents the effects of derivatives not designated as hedging instruments on our Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and nine months ended November 3, 2012 and October 29, 2011 :

Contract Type	Gain (Loss) Recognized within SG&A			
	Three Months Ended November 3, 2012	Nine Months Ended November 3, 2012	Three Months Ended October 29, 2011 (recast)	Nine Months Ended October 29, 2011 (recast)
No hedge designation (foreign exchange forward contracts)	\$ (1)	\$ 2	\$ 19	\$ 7

[Table of Contents](#)

The following table presents the notional amounts of our foreign currency exchange contracts at November 3, 2012, March 3, 2012 and October 29, 2011:

Contract Type	Notional Amount		
	November 3, 2012	March 3, 2012	October 29, 2011 (recast)
Derivatives designated as cash flow hedging instruments	\$ —	\$ —	\$ 228
Derivatives not designated as hedging instruments	323	238	152
Total	\$ 323	\$ 238	\$ 380

10. Earnings per Share

We compute our basic earnings per share based on the weighted-average number of common shares outstanding and our diluted earnings per share based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had potentially dilutive common shares been issued. Potentially dilutive securities include stock options, nonvested share awards and shares issuable under our employee stock purchase plan, as well as common shares that would have resulted from the assumed conversion of our convertible debentures. Since the potentially dilutive shares related to the convertible debentures are included in the computation, the related interest expense, net of tax, is added back to net earnings, as the interest would not have been paid if the convertible debentures had been converted to common stock. In February 2012, we repurchased and redeemed all of the remaining outstanding convertible debentures. Nonvested market-based share awards and nonvested performance-based share awards are included in the average diluted shares outstanding for each period if established market or performance criteria have been met at the end of the respective periods.

The following table presents a reconciliation of the numerators and denominators of basic and diluted earnings per share attributable to Best Buy Co., Inc. (shares in millions):

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011 (recast)	November 3, 2012	October 29, 2011 (recast)
Numerator				
Net earnings (loss) from continuing operations	\$ (5)	\$ 220	\$ 149	\$ 661
Net (earnings) loss from continuing operations attributable to noncontrolling interests	(8)	(47)	11	(83)
Net earnings (loss) from continuing operations attributable to Best Buy Co., Inc., basic	(13)	173	160	578
Adjustment for assumed dilution:				
Interest on convertible debentures, net of tax	—	1	—	4
Net earnings (loss) from continuing operations attributable to Best Buy Co., Inc., diluted	<u>\$ (13)</u>	<u>\$ 174</u>	<u>\$ 160</u>	<u>\$ 582</u>
Denominator				
Weighted-average common shares outstanding	337.2	363.4	339.3	376.9
Effect of potentially dilutive securities:				
Shares from assumed conversion of convertible debentures	—	8.8	—	8.8
Stock options and other	—	0.2	1.1	0.5
Weighted-average common shares outstanding, assuming dilution	<u>337.2</u>	<u>372.4</u>	<u>340.4</u>	<u>386.2</u>
Net earnings (loss) per share from continuing operations attributable to Best Buy Co., Inc.				
Basic	\$ (0.04)	\$ 0.48	\$ 0.47	\$ 1.53
Diluted	\$ (0.04)	\$ 0.47	\$ 0.47	\$ 1.51

The computation of weighted-average common shares outstanding, assuming dilution, excluded options to purchase 30.7 million and 34.1 million shares of our common stock for the three months ended November 3, 2012 and October 29, 2011, respectively, and options to purchase 28.6 million and 30.2 million shares of our common stock for the nine months ended

[Table of Contents](#)

November 3, 2012 and October 29, 2011, respectively. These amounts were excluded as the options' exercise prices were greater than the average market price of our common stock for the periods presented and, therefore, the effect would be anti-dilutive (i.e., including such options would result in higher earnings per share). The calculation of the diluted (loss) per share for the three months ended November 3, 2012 does not include potentially dilutive securities because their inclusion would be anti-dilutive (i.e. reduce the net loss per share).

11. Comprehensive Income

The components of accumulated other comprehensive income, net of tax, attributable to Best Buy Co., Inc. were as follows:

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u>
			(recast)
Foreign currency translation	\$ 105	\$ 93	\$ 86
Unrealized losses on available-for-sale investments	—	(3)	—
Unrealized gains on derivative instruments (cash flow hedges)	—	—	59
Total	<u>\$ 105</u>	<u>\$ 90</u>	<u>\$ 145</u>

12. Repurchase of Common Stock

In June 2011, our Board of Directors authorized a new \$5,000 share repurchase program. The June 2011 program terminated and replaced our prior \$5,500 share repurchase program authorized in June 2007. There is no expiration date governing the period over which we can repurchase shares under the June 2011 share repurchase program.

The following table shows the amount and cost of shares we repurchased and retired for the three and nine months ended November 3, 2012 and October 29, 2011, under the June 2011 program and the June 2007 program.

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>November 3, 2012</u>	<u>October 29, 2011</u>	<u>November 3, 2012</u>	<u>October 29, 2011</u>
		(recast)		(recast)
June 2011 Program				
Number of shares repurchased	—	13.0	10.9	17.6
Cost of shares repurchased	\$ —	\$ 323	\$ 237	\$ 462
June 2007 Program				
Number of shares repurchased	—	—	—	20.1
Cost of shares repurchased	\$ —	\$ —	\$ —	\$ 611

At November 3, 2012, \$3,989 remained available for additional purchases under the June 2011 share repurchase program. Repurchased shares have been retired and constitute authorized but unissued shares.

13. Segments

Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our business is organized into two segments: Domestic (which is comprised of all operations within the United States and its territories) and International (which is comprised of all operations outside the United States and its territories). Our CODM has ultimate responsibility for enterprise decisions. Our CODM determines, in particular, resource allocation for, and monitors performance of, the consolidated enterprise, the Domestic segment and the International segment. Segment managers for the Domestic segment and the International segment have full responsibility for setting strategy, making operating decisions, allocating resources and assessing performance within their respective segments. Our CODM does not make operating or other decisions below the segment levels. Our CODM relies on internal management reporting that analyzes enterprise and segment results to the operating income level.

We do not aggregate our operating segments, so our operating segments also represent our reportable segments. The accounting policies of the segments are the same as those described in Note 1, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012.

[Table of Contents](#)

Revenue by reportable segment was as follows:

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Domestic	\$ 7,673	\$ 8,055	\$ 24,298	\$ 24,424
International	3,080	3,090	8,612	8,946
Total	\$ 10,753	\$ 11,145	\$ 32,910	\$ 33,370

Operating income (loss) by reportable segment and the reconciliation to earnings (loss) from continuing operations before income tax (benefit) expense and equity in loss of affiliates were as follows:

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Domestic	\$ 16	\$ 249	\$ 394	\$ 854
International	(4)	132	(87)	247
Total operating income	12	381	307	1,101
Other income (expense)				
Investment income and other	13	—	25	25
Interest expense	(31)	(37)	(94)	(98)
Earnings (loss) from continuing operations before income tax (benefit) expense and equity in loss of affiliates	\$ (6)	\$ 344	\$ 238	\$ 1,028

Assets by reportable segment were as follows:

	November 3, 2012	March 3, 2012	October 29, 2011
			(recast)
Domestic	\$ 11,291	\$ 9,592	\$ 11,743
International	6,265	6,413	8,384
Total	\$ 17,556	\$ 16,005	\$ 20,127

14. Contingencies

Securities Actions

In February 2011, a purported class action lawsuit captioned, *IBEW Local 98 Pension Fund, individually and on behalf of all others similarly situated v. Best Buy Co., Inc., et al.*, was filed against us and certain of our executive officers in the U.S. District Court for the District of Minnesota. This federal court action alleges, among other things, that we and the officers named in the complaint violated Sections 10(b) and 20A of the Exchange Act and Rule 10b-5 under the Exchange Act in connection with press releases and other statements relating to our fiscal 2011 earnings guidance that had been made available to the public. Additionally, in March 2011, a similar purported class action was filed by a single shareholder, Rene LeBlanc, against us and certain of our executive officers in the same court. In July 2011, after consolidation of the IBEW Local 98 Pension Fund and Rene LeBlanc actions, a consolidated complaint captioned, *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.*, was filed and served. We filed a motion to dismiss the consolidated complaint in September 2011, and in March 2012, subsequent to the end of fiscal 2012, the court issued a decision dismissing the action with prejudice. In April 2012, the plaintiffs filed a motion to alter or amend the court's decision on our motion to dismiss. In October 2012, the court granted plaintiff's motion to alter or amend the court's decision on our motion to dismiss in part by vacating such decision and giving plaintiff leave to file an amended complaint, which plaintiff did on October 29, 2012. We filed a motion to dismiss the amended complaint in November 2012 and expect all responsive pleadings to be filed in December 2012. The court's decision will be rendered thereafter.

In June 2011, a purported shareholder derivative action captioned, *Salvatore M. Talluto, Derivatively and on Behalf of Best Buy Co., Inc. v. Richard M. Schulze, et al., as Defendants and Best Buy Co., Inc. as Nominal Defendant*, was filed against both present and former members of our Board of Directors serving during the relevant periods in fiscal 2011 and us as a nominal defendant in the U.S. District Court for the State of Minnesota. The lawsuit alleges that the director defendants breached their

[Table of Contents](#)

fiduciary duty, among other claims, including violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in failing to correct public misrepresentations and material misstatements and/or omissions regarding our fiscal 2011 earnings projections and, for certain directors, selling stock while in possession of material adverse non-public information. Additionally, in July 2011, a similar purported class action was filed by a single shareholder, Daniel Himmel, against us and certain of our executive officers in the same court. In November 2011, the respective lawsuits of Salvatore M. Talluto and Daniel Himmel were consolidated into a new action captioned, *In Re: Best Buy Co., Inc. Shareholder Derivative Litigation*, and a stay ordered until after a final resolution of the motion to dismiss in the consolidated *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.* case.

The plaintiffs in the above securities actions seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incurred in the lawsuits. We believe the allegations in the above securities actions are without merit, and we intend to defend these actions vigorously. Based on our assessment of the facts underlying the claims in the above securities actions, their respective procedural litigation history, and the degree to which we intend to defend our company in these matters, the amount or range of reasonably possible losses, if any, cannot be estimated.

Trade Secrets Action

In February 2011, a lawsuit captioned *Techforward, Inc. v. Best Buy Co., Inc., et al.* was filed against us in the U.S. District Court, Central District of California. The case alleges that we implemented our “Buy Back Plan” in February 2011 using trade secrets misappropriated from plaintiff's buyback plan that were disclosed to us during business relationship discussions and also breached both an agreement for a limited marketing test of plaintiff's buyback plan and a non-disclosure agreement related to the business discussions. In November 2012, a jury found we were unjustly enriched through misappropriation of trade secrets and awarded plaintiff \$ 22 . The jury also found that although we breached the subject contracts, plaintiff suffered no resulting damage. In December 2012, the court further awarded the plaintiff \$ 5 in exemplary damages. Also in December 2012, plaintiff submitted its motion for attorney fees and costs which the court may also award. We believe that the jury verdict and court award is inconsistent with the law and the evidence offered at trial. As such, we believe meritorious bases exist to appeal the resulting judgment and award and intend to vigorously contest these decisions. While we cannot predict the ultimate outcome of this lawsuit, we do not believe it will have a material effect on our consolidated financial position or results of operations.

Other Legal Proceedings

We are involved in various other legal proceedings arising in the normal course of conducting business. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the variable treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations or cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, the use of the terms "Best Buy," "we," "us" and "our" in the following refers to Best Buy Co., Inc. and its consolidated subsidiaries.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Unless otherwise noted, transactions, trends and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. In addition, unless expressly stated otherwise, the comparisons presented in this MD&A refer to the same period in the prior year. Our MD&A is presented in six sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance-Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates
- New Accounting Standards

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, as well as our reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

We are a multi-national, e-commerce and physical retailer of consumer electronics, including computers, mobile phones, televisions, entertainment products, large and small appliances and related accessories. We also offer consumers technology services - including repair, troubleshooting and installation - under the Geek Squad brand.

Best Buy operates as two reportable segments: Domestic and International. The Domestic segment is comprised of all operations within the U.S. and its territories. The International segment is comprised of all operations outside the U.S. and its territories.

Our business, like that of many retailers, is seasonal. Historically, we have realized more of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Europe, and Canada.

While consumers view some of the products and services we offer as essential, others are viewed as discretionary purchases. Consequently, our financial results are susceptible to changes in consumer confidence and other macroeconomic factors, including unemployment, consumer credit availability, and the condition of the housing market. Consumer confidence and macroeconomic trends continue to be uncertain, making customer traffic and spending patterns difficult to predict. Additionally, there are other factors that directly impact our performance, such as product life-cycles (including the introduction and pace of adoption of new technology) and the competitive retail environment. As a result of these factors, predicting our future revenue and net earnings is difficult. However, we remain confident that our differentiated value proposition continues to be valued by the consumer. Our proposition is to offer: (1) the latest devices and services, all in one place; (2) knowledgeable, impartial advice; (3) competitive prices; (4) the consumer's ability to shop Best Buy wherever and whenever they like; and (5) technical and warranty support for the life of the product.

Revenue growth, along with disciplined capital allocation and expense control, remain key priorities for us as we navigate through the current environment and work to grow our Return on Invested Capital.

Throughout this MD&A, we refer to comparable store sales. Comparable store sales is a commonly used metric in the retail industry, which compares revenue for a particular period with the corresponding period in the prior year, excluding the impact of sales from new stores opened. Our comparable store sales is comprised of revenue from stores operating for at least 14 full months, as well as revenue related to call centers, web sites, and our other comparable sales channels. Revenue we earn from sales of merchandise to wholesalers or dealers is not included within our comparable store sales calculation. Relocated stores, as well as remodeled, expanded, and downsized stores closed more than 14 days, are excluded from the comparable store sales calculation until at least 14 full months after reopening. Acquired stores are included in the comparable store sales calculation beginning with the first full quarter following the first anniversary of the date of the acquisition. The calculation of comparable store sales excludes the impact of the extra week of revenue in the first quarter of fiscal 2013, as well as revenue from discontinued operations. The portion of our calculation of the comparable store sales percentage change attributable to our

Table of Contents

International segment excludes the effect of fluctuations in foreign currency exchange rates. The method of calculating comparable store sales varies across the retail industry. As a result, our method of calculating comparable store sales may not be the same as other retailers' methods.

In our discussions of the operating results of our consolidated business and our International segment, we sometimes refer to the impact of changes in foreign currency exchange rates or the impact of foreign currency exchange rate fluctuations, which are references to the differences between the foreign currency exchange rates we use to convert the International segment's operating results from local currencies into U.S. dollars for reporting purposes. The impact of foreign currency exchange rate fluctuations is typically calculated as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior-year period's currency exchange rates. We use this method to calculate the impact of changes in foreign currency exchange rates for all countries where the functional currency is not the U.S. dollar.

In our discussions of the operating results below, we sometimes refer to the impact of net store changes on our results of operations. The key factors that dictate the impact that the net store changes have on our operating results include: (i) store opening and closing decisions; (ii) the size and format of new stores, as we operate stores ranging from approximately 1,000 square feet to approximately 50,000 square feet; (iii) the length of time the stores were open during the period; and (iv) the overall success of new store launches.

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), as well as certain non-GAAP financial measures such as adjusted operating income, adjusted net earnings from continuing operations, adjusted diluted earnings per share ("EPS") from continuing operations and adjusted debt to earnings before goodwill impairment, interest, income taxes, depreciation, amortization and rent ("EBITDAR") ratio. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position, or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

We believe that the non-GAAP measures described above provide meaningful information to assist shareholders in understanding our financial results and assessing our prospects for future performance. Management believes adjusted operating income, adjusted net earnings from continuing operations, and adjusted diluted EPS from continuing operations are important indicators of our operations because they exclude items that may not be indicative of or are unrelated to our core operating results and provide a baseline for analyzing trends in our underlying businesses. To measure adjusted operating income, we remove the impact of restructuring charges from our calculation of operating income. Adjusted net earnings from continuing operations is calculated by removing the after-tax impact of restructuring charges from our calculation of net earnings. To measure adjusted diluted EPS from continuing operations, we exclude the per share impact of restructuring charges from our calculation of diluted EPS. Management believes our adjusted debt to EBITDAR ratio is an important indicator of our creditworthiness. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These non-GAAP financial measures are an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the reconciliations to corresponding GAAP financial measures within our discussion of consolidated performance, below, provide a more complete understanding of our business. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

Results of Operations

Beginning in the first quarter of fiscal 2013, we changed our fiscal year-end from the Saturday nearest the end of February to the Saturday nearest the end of January. As a result of this change, our fiscal year 2013 is an 11 -month transition period ending on February 2, 2013 . In the first quarter of fiscal 2013, we also began consolidating the results of our Europe, China, and Mexico operations on a one -month lag as a result of this change, compared to a two -month lag in fiscal year 2012, to continue to align our fiscal reporting periods with statutory filing requirements in certain foreign jurisdictions. Consistent with such consolidation, the financial and non-financial information presented in our MD&A relative to these operations is also presented on a one-month lag. There were no significant intervening events which would have materially affected our financial condition, results of operations, liquidity, or other factors had they been recorded during the three months ended November 3, 2012 .

In order to allow an immediate transition to our new fiscal calendar and to maintain transparency and comparability of financial information included in our quarterly Form 10-Q filings, we are presenting such quarterly information on a three- and nine -month basis for both the current and prior fiscal years, in both instances based on the new fiscal calendar. Following the change to our fiscal calendar, the third quarter of fiscal 2013 is the three and nine months ended November 3, 2012 , and these periods,

[Table of Contents](#)

together with the comparable periods in the prior fiscal year, the three and nine months ended October 29, 2011, form the basis for the results discussed in our MD&A. See Note 2, *Fiscal Year-end Change*, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further information regarding the fiscal year change.

Discontinued Operations Presentation

The results of our large-format Best Buy branded stores in China, Turkey, and the United Kingdom ("U.K."), The Phone House retail stores in Belgium, and Napster are presented as discontinued operations in our Condensed Consolidated Statements of Earnings and Comprehensive Income. Unless otherwise stated, financial results discussed herein refer to continuing operations.

Consolidated Performance Summary

In the third quarter of fiscal 2013, we experienced comparable store sales declines in gaming, notebooks and televisions. These declines were partially offset by gains in mobile phones. The decline in gross profit rate reflects mix shifts, a price competitive environment and growth in the lower-margin wholesale business in Europe. A modest increase in SG&A largely reflected increased compensation and training costs for store associates and costs associated with executive transitions.

The following table presents selected consolidated financial data (\$ in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Revenue	\$ 10,753	\$ 11,145	\$ 32,910	\$ 33,370
Revenue % growth (decline)	(3.5)%	1.5 %	(1.4)%	0.5 %
Comparable store sales % decline	(4.3)%	(0.7)%	(4.3)%	(2.5)%
Gross profit	\$ 2,586	\$ 2,853	\$ 8,057	\$ 8,536
Gross profit as a % of revenue ⁽¹⁾	24.0 %	25.6 %	24.5 %	25.6 %
SG&A	\$ 2,538	\$ 2,472	\$ 7,496	\$ 7,431
SG&A as a % of revenue ⁽¹⁾	23.6 %	22.2 %	22.8 %	22.3 %
Restructuring charges	\$ 36	\$ —	\$ 254	\$ 4
Operating income	\$ 12	\$ 381	\$ 307	\$ 1,101
Operating income as % of revenue	0.1 %	3.4 %	0.9 %	3.3 %
Net earnings (loss) from continuing operations ⁽²⁾	\$ (13)	\$ 173	\$ 160	\$ 578
Gain (loss) from discontinued operations ⁽³⁾	\$ 3	\$ (17)	\$ —	\$ (82)
Net earnings (loss) attributable to Best Buy Co., Inc.	\$ (10)	\$ 156	\$ 160	\$ 496
Diluted earnings (loss) per share from continuing operations	\$ (0.04)	\$ 0.47	\$ 0.47	\$ 1.51
Diluted earnings (loss) per share	\$ (0.03)	\$ 0.42	\$ 0.47	\$ 1.30

⁽¹⁾ Because retailers vary in how they record certain costs between cost of goods sold and selling, general and administrative expenses ("SG&A"), our gross profit rate and SG&A rate may not be comparable to other retailers' corresponding rates. For additional information regarding costs classified in cost of goods sold and SG&A, refer to Note 1, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012.

⁽²⁾ Includes both net earnings (loss) from continuing operations and net (earnings) loss from continuing operations attributable to noncontrolling interests.

⁽³⁾ Includes both net gain (loss) from discontinued operations and net (gain) loss from discontinued operations attributable to noncontrolling interests.

The components of the 3.5% and 1.4% revenue decreases for the third quarter and first nine months of fiscal 2013, respectively, were as follows:

	Three Months Ended	Nine Months Ended
	November 3, 2012	November 3, 2012
Comparable store sales impact	(4.0)%	(4.0)%
Net store changes	(0.6)%	0.1 %
Non-comparable store sales channels ⁽¹⁾	0.6 %	0.4 %
Impact of foreign currency exchange rate fluctuations	0.5 %	(0.1)%
Extra week of revenue ⁽²⁾	— %	2.2 %
Total revenue decrease	(3.5)%	(1.4)%

Table of Contents

- (1) Non-comparable store sales channels primarily reflects the impact from revenue we earn from sales of merchandise to wholesalers and dealers, as well as other non-comparable sales channels not included within our comparable store sales calculation.
- (2) Represents the estimated incremental revenue associated with stores in our Domestic segment and Canada in the first nine months of fiscal 2013 , which had 40 weeks of activity, compared to 39 weeks in the first nine months of fiscal 2012 .

The gross profit rate decreased by 1.6% of revenue in the third quarter of fiscal 2013 . Gross profit rate declines in our Domestic and International segments each accounted for a decrease of 0.8% of revenue. For the first nine months of fiscal 2013 , the gross profit rate decreased by 1.1% of revenue. Gross profit rate declines in our Domestic and International segments accounted for decreases of 0.6% of revenue and 0.5% of revenue, respectively. For further discussion of each segment's gross profit rate changes, see *Segment Performance Summary* below.

The SG&A rate increased by 1.4% of revenue in the third quarter of fiscal 2013 . Our Domestic and International segments contributed a rate increase of 1.0% of revenue and 0.4% of revenue, respectively. For the first nine months of fiscal 2013 , the SG&A rate increased by 0.5% of revenue, which was due entirely to a rate increase in our International segment. For further discussion of each segment's SG&A rate changes, see *Segment Performance Summary* below.

We recorded restructuring charges of \$ 36 million and \$ 254 million in the third quarter and first nine months of fiscal 2013 , respectively, related primarily to our Domestic segment. We recorded no restructuring charges in the third quarter of fiscal 2012 . In the first nine months of fiscal 2012 , we recorded \$ 4 million of restructuring charges related primarily to our Domestic segment. These restructuring charges resulted in a decrease in our operating income in the third quarter and first nine months of fiscal 2013 of 0.3% of revenue and 0.8% of revenue, respectively. The restructuring charges recorded in the first nine months of fiscal 2012 had no impact on our operating income rate. For further discussion of each segment's restructuring charges, see *Segment Performance Summary* below.

Operating income decreased \$ 369 million , or 96.9% , and our operating income rate decreased to 0.1% of revenue in the third quarter of fiscal 2013 , compared to 3.4% of revenue in the third quarter of fiscal 2012 . For the first nine months of fiscal 2013 , operating income decreased 72.1% to \$307 million or, as a percentage of revenue, to 0.9% . The decrease in operating income and operating income rate was driven by operating losses from our International segment, compared to operating income in the prior-year periods and decreases in operating income from our Domestic segment compared to the prior-year periods. The operating income decreases in the current year periods were primarily due to lower revenue, a decrease in the gross profit rate and an increase in restructuring charges.

Other Income (Expense)

Investment income and other in the third quarter and first nine months of fiscal 2013 was \$ 13 million and \$ 25 million , respectively, compared to less than \$1 million and \$ 25 million , respectively, in the prior-year periods. The increase in the third quarter was primarily due to a gain on deferred compensation assets in fiscal 2013 compared to a loss in the prior-year period. The increase in deferred compensation assets during the first nine months of fiscal 2013 was fully offset by a decrease in investments and a realized gain on the sale of an investment in the prior-year period, which did not recur in fiscal 2013 .

Interest expense in the third quarter and first nine months of fiscal 2013 decreased to \$ 31 million and \$ 94 million , respectively, compared to \$ 37 million and \$ 98 million , respectively, in the prior-year periods. The reduction in interest expense from the repayment of our convertible debt in January 2012 , as well as the acceleration of amortization costs from the early cancellation of our receivables credit facility in Europe in July 2011, was partially offset by an increase in interest expense on our \$1 billion of long-term debt securities that remained outstanding for the first three quarters of fiscal 2013 , compared to two of the three quarters of fiscal 2012 .

Income Tax Expense

We had an income tax benefit of \$ 2 million in the third quarter of fiscal 2013 and income tax expense of \$ 84 million in the first nine months of fiscal 2013 , compared to \$ 122 million and \$ 364 million of expense in the prior-year periods, respectively. The decrease was primarily a result of a decrease in pre-tax earnings in both current year periods.

Our effective income tax rate in the third quarter of fiscal 2013 was 34.7%, compared to a rate of 35.6% in the third quarter of fiscal 2012. The decrease in the effective income tax rate was primarily due to the favorable resolution of certain state tax items, which was partially offset by a lower mix of forecast taxable income from foreign operations in fiscal 2013. Our effective income tax rate for the first nine months of fiscal 2013 and fiscal 2012 was flat at 35.4%, as the resolution of foreign and state tax matters was offset by a lower mix of forecast taxable income from foreign operations.

[Table of Contents](#)

Our consolidated effective tax rate is impacted by the statutory income tax rates applicable to each of the jurisdictions in which we operate. As our foreign earnings are generally taxed at lower statutory rates than the 35% U.S. federal statutory rate, changes in the proportion of our consolidated taxable earnings originating in foreign jurisdictions impact our consolidated effective rate. Our foreign earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax.

Discontinued Operations

Discontinued operations include our large-format Best Buy branded stores in China, Turkey, and the U.K., and The Phone House retail stores in Belgium in our International segment, as well as Napster in our Domestic segment.

The decrease in loss from discontinued operations in the third quarter and first nine months of fiscal 2013 compared to the third quarter and first nine months of fiscal 2012 was the result of all of the above listed operations having been largely inactive during the current year period, whereas we were still operating our U.K. and Belgium stores, as well as Napster, during the prior-year period. In addition, we recognized a benefit from positive adjustments to estimated facility closure costs associated with the closure of our Best Buy branded stores in the U.K. in the third quarter of fiscal 2013.

Net Earnings from Continuing Operations Attributable to Noncontrolling Interests

The decrease in net earnings from continuing operations attributable to noncontrolling interests in the third quarter and first nine months of fiscal 2013 compared to the same periods in fiscal 2012 was due to our purchase of CPW's interest in the Best Buy Mobile profit share agreement (the "Mobile buy-out") in the fourth quarter of fiscal 2012. As a result of the Mobile buy-out, CPW is no longer entitled to a portion of the profit share payments to Best Buy Europe Distributions Limited ("Best Buy Europe"), our subsidiary in which CPW holds a 50% noncontrolling interest. In addition, net earnings from continuing operations attributable to noncontrolling interests also decreased due to a decline in net earnings of Best Buy Europe.

Non-GAAP Financial Measures

The following table reconciles operating income, net earnings, and diluted EPS for the periods presented from continuing operations (GAAP financial measures) to adjusted operating income, adjusted net earnings, and adjusted diluted EPS from continuing operations (non-GAAP financial measures) for the periods presented.

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Operating income	\$ 12	\$ 381	\$ 307	\$ 1,101
Restructuring charges	36	—	254	4
Adjusted operating income	<u>\$ 48</u>	<u>\$ 381</u>	<u>\$ 561</u>	<u>\$ 1,105</u>
Net earnings (loss) from continuing operations	\$ (13)	\$ 173	\$ 160	\$ 578
After-tax impact of restructuring charges	23	—	164	3
Adjusted net earnings from continuing operations	<u>\$ 10</u>	<u>\$ 173</u>	<u>\$ 324</u>	<u>\$ 581</u>
Diluted EPS from continuing operations	\$ (0.04)	\$ 0.47	\$ 0.47	\$ 1.51
Per share impact of restructuring charges	0.07	—	0.48	—
Adjusted diluted EPS from continuing operations	<u>\$ 0.03</u>	<u>\$ 0.47</u>	<u>\$ 0.95</u>	<u>\$ 1.51</u>

Adjusted operating income decreased \$333 million and \$544 million in the third quarter and first nine months of fiscal 2013, respectively, compared to the prior-year periods. The decreases in operating income in both current year periods were driven by lower gross profit, primarily due to decreases in the gross profit rate in both segments, and modest increases in SG&A. These operating income decreases resulted in declines in adjusted net earnings and adjusted diluted EPS in the third quarter and first nine months of fiscal 2013 compared to the prior-year periods.

[Table of Contents](#)

Segment Performance Summary

Domestic

In the third quarter of fiscal 2013, we experienced sales growth in mobile phones and e-Readers, with consumer demand for these products as new technology is introduced. In addition, we continued to experience sales growth in appliances in the third quarter of fiscal 2013, as a result of operating model improvements and promotional strategies for appliances surrounding the secondary holidays. However, these increases were more than offset by decreases in other product categories, such as notebooks, gaming and televisions. Certain other products (in particular, compact cameras and camcorders) have faced declining demand due in part to the inclusion of their key features in new products, such as smartphones and tablets. In addition, the net impact from the closure of 49 large-format stores throughout the first nine months of fiscal 2013 contributed to the overall revenue decline.

The following table presents selected financial data for the Domestic segment (\$ in millions):

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Revenue	\$ 7,673	\$ 8,055	\$ 24,298	\$ 24,424
Revenue % growth (decline)	(4.7)%	1.5%	(0.5)%	(0.9)%
Comparable store sales % gain (decline)	(4.0)%	0.1%	(3.1)%	(2.6)%
Gross profit	\$ 1,855	\$ 2,033	\$ 5,984	\$ 6,206
Gross profit as % of revenue	24.2 %	25.2%	24.6 %	25.4 %
SG&A	\$ 1,805	\$ 1,784	\$ 5,338	\$ 5,347
SG&A as % of revenue	23.5 %	22.1%	22.0 %	21.9 %
Restructuring charges	\$ 34	\$ —	\$ 252	\$ 5
Operating income	\$ 16	\$ 249	\$ 394	\$ 854
Operating income as % of revenue	0.2 %	3.1%	1.6 %	3.5 %

The components of our Domestic segment's 4.7% and 0.5% revenue decreases for the third quarter and first nine months of fiscal 2013, respectively, were as follows:

	Three Months Ended	Nine Months Ended
	November 3, 2012	November 3, 2012
Comparable store sales impact	(3.8)%	(3.0)%
Net store changes	(1.4)%	(0.6)%
Non-comparable store sales channels ⁽¹⁾	0.5 %	0.4 %
Extra week of revenue ⁽²⁾	— %	2.7 %
Total revenue decrease	(4.7)%	(0.5)%

⁽¹⁾ Non-comparable store sales channels reflects the impact from revenue we earn from sales channels not yet included within our comparable store sales calculation.

⁽²⁾ Represents the estimated incremental revenue associated with stores in our Domestic segment in the first nine months of fiscal 2013, which had 40 weeks of activity, compared to 39 weeks in the first nine months of fiscal 2012.

The following table reconciles the number of Domestic stores open at the beginning and end of the third quarters of fiscal 2013 and 2012:

	Fiscal 2013				Fiscal 2012 (recast)			
	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter
Best Buy	1,062	—	(6)	1,056	1,105	—	(1)	1,104
Best Buy Mobile stand-alone	359	34	(1)	392	210	49	—	259
Pacific Sales stand-alone	34	—	—	34	35	—	—	35
Magnolia Audio Video stand-alone	5	—	(1)	4	5	—	—	5
Total Domestic segment stores	1,460	34	(8)	1,486	1,355	49	(1)	1,403

[Table of Contents](#)

The impact of net store changes on our revenue is a result of store opening and closing activity during the past 12 months, as well as stores opened in the prior year that are not included in comparable store sales due to the timing of their opening. The net decrease in large-format Best Buy branded stores contributed to the majority of the total decrease in revenue associated with net store changes in the third quarter of fiscal 2013 compared to the prior-year period. The addition of small-format Best Buy Mobile stand-alone stores partially offset the decrease, as the proportion contributed to revenue is smaller due to their smaller square footage and limited category focus compared to our large-format stores.

The following table presents the Domestic segment's revenue mix percentages and comparable store sales percentage changes by revenue category in the third quarters of fiscal 2013 and 2012 :

	Revenue Mix		Comparable Store Sales	
	Three Months Ended		Three Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Consumer Electronics	31%	33%	(8.4)%	(5.1)%
Computing and Mobile Phones	45%	43%	0.9 %	5.9 %
Entertainment	9%	10%	(18.5)%	(12.0)%
Appliances	7%	6%	10.8 %	14.9 %
Services	7%	7%	(4.6)%	0.5 %
Other	1%	1%	n/a	n/a
Total	100%	100%	(4.0)%	0.1 %

The following is a description of the notable comparable store sales changes in our Domestic segment by revenue category:

- **Consumer Electronics:** The 8.4% comparable store sales decline was driven primarily by a decrease in the sales of digital imaging products, particularly compact cameras and camcorders, partially due to convergence with smartphones. In addition, we experienced a decrease in television revenue due primarily to a decrease in average selling price from an increased sales mix of small and mid-sized televisions, as units sold increased. The declines were partially offset by the increased sales of e-Readers, which continued to experience gains.
- **Computing and Mobile Phones:** The 0.9% comparable store sales gain resulted primarily from increased sales of mobile phones due to an increased mix of higher-priced smartphones and new product launches. The growth in mobile phones was partially offset by a decline in sales of notebooks and desktop computers. We believe that slower consumer purchasing in anticipation of product launches had a negative impact on tablet and notebook comparable store sales.
- **Entertainment:** The 18.5% comparable store sales decline was driven by a decline in gaming partially due to the absence of new gaming platforms and fewer new software releases.
- **Appliances:** The 10.8% comparable store sales gain is a result of continued improvement in promotional effectiveness and implementation of operational improvements, including the addition of more Pacific Kitchen & Home store-within-a-store concepts.
- **Services:** The 4.6% comparable store sales decline was primarily due to decreases in the sales of notebooks and larger-sized televisions, which contributed to fewer service product sales opportunities.

Our Domestic segment experienced a decrease in gross profit of \$178 million , or 8.8% , in the third quarter of fiscal 2013 compared to the third quarter of fiscal 2012 , driven by lower sales volumes. The 1.0% of revenue decline in the gross profit rate resulted primarily from the following factors:

- an increased mix of smartphones with higher average selling prices but a lower margin rate;
- promotions taken in advance of product transitions; and
- price compression and an increased mix of lower-margin small and mid-sized televisions;
- partially offset by an improvement in sales mix due to increased sales of mobile phones and decreased sales of notebooks and desktop computers.

For the first nine months of fiscal 2013 , our Domestic segment experienced a decrease in gross profit of \$222 million , or 3.6% , compared to the prior-year period. The decrease in gross profit was mainly a result of a gross profit rate decline of 0.8% of revenue, partially offset by an extra week of operations in the first nine months of fiscal 2013 . The gross profit rate decline resulted from many of the same factors that impacted the third quarter, including a higher mix of smartphones, increased promotional activity in advance of product transitions and price compression, and an increased mix of lower-margin small and mid-sized televisions, which were partially offset by an improvement in sales mix due to increased sales of mobile phones and

[Table of Contents](#)

decreased sales of notebooks and gaming products. In addition, a decline in computer repair revenue and a shift from one-time computer repair services to ongoing support contracts contributed to the gross profit rate decline in the first nine months of fiscal 2013 .

Our Domestic segment's SG&A increased \$21 million , or 1.2% , in the third quarter of fiscal 2013 compared to the prior-year period. The increase in SG&A was driven by increases in training and compensation related costs for sales associates, costs related to executive transitions and the net addition of 133 Best Buy Mobile stand-alone stores in the past 12 months. This increase was partially offset by the elimination of the Best Buy Mobile profit share-based management fee and lower volume-related expenses as a result of large-format store closures. The SG&A rate increased by 1.4% of revenue as a result the deleveraging impact of the revenue decline, as well as from the aforementioned factors.

Our Domestic segment's SG&A decreased \$9 million , or 0.2% , in the first nine months of fiscal 2013 compared to the prior-year period. The decrease in SG&A was driven by the elimination of the Best Buy Mobile profit share-based management fee, decreases in volume-related expenses (including compensation costs) due to operating model changes and large-format store closures, and reduced advertising costs. This decrease was partially offset by the extra week of operations in the first quarter of fiscal 2013, increased retention and incentive related costs, and the net addition of Best Buy Mobile stand-alone stores over the last 12 months. The SG&A rate increased by 0.1% of revenue due to the deleveraging impact of the decrease in revenue from the prior year.

Our Domestic segment recorded \$34 million and \$252 million of restructuring charges in the third quarter and first nine months of fiscal 2013 , respectively. The restructuring charges consisted of facility closure costs, employee termination benefits and property and equipment impairments related to the closure of large-format Best Buy branded stores in the U.S., and changes to the store and corporate operating models. These restructuring charges resulted in a decrease in our operating income in the third quarter and first nine months of fiscal 2013 of 0.4% of revenue and 1.0% of revenue, respectively. Our Domestic segment recorded no restructuring charges in the third quarter and \$5 million of restructuring charges in the first nine months of fiscal 2012 .

Our Domestic segment's operating income in the third quarter and first nine months of fiscal 2013 decreased by \$233 million and \$460 million , respectively, compared to the same period in the prior year. The decreases were due primarily to an increase in restructuring charges and a decrease in the gross profit rate, partially offset by the elimination of the Best Buy Mobile profit share-based management fee. An increase in operating income due to the extra week of operations partially offset the decrease in the first nine months of fiscal 2013 .

International

We experienced differing comparable store sales in the different geographies in our International segment. In Europe, we experienced a comparable store sales gain due to effective promotions and an increase in sales of higher-priced mobile phone handsets. In Canada, comparable store sales declines were the result of trends similar to those seen in the Domestic segment, including strong sales of mobile phones, more than offset by declines in televisions, notebooks and gaming. In China, increased competition from online competitors pressured prices across most product categories, while the end of certain government stimulus programs in December 2011 continued to have a negative impact on appliances. The combination of lower sales in Canada and China, as well as a decrease in the gross profit rate in Europe due to an increased mix of wholesale sales, a price competitive environment for mobile phones and a mix into more expensive handsets, resulted in lower gross profit and operating income in our International segment.

[Table of Contents](#)

The following table presents selected financial data for the International segment (\$ in millions):

	Three Months Ended		Nine Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Revenue	\$ 3,080	\$ 3,090	\$ 8,612	\$ 8,946
Revenue % growth (decline)	(0.3)%	1.5 %	(3.7)%	4.4 %
Comparable store sales % decline	(5.2)%	(3.2)%	(7.9)%	(2.1)%
Gross profit	\$ 731	\$ 820	\$ 2,073	\$ 2,330
Gross profit as % of revenue	23.7 %	26.5 %	24.1 %	26.0 %
SG&A	\$ 733	\$ 688	\$ 2,158	\$ 2,084
SG&A as % of revenue	23.8 %	22.3 %	25.1 %	23.3 %
Restructuring charges	\$ 2	\$ —	\$ 2	\$ (1)
Operating income (loss)	\$ (4)	\$ 132	\$ (87)	\$ 247
Operating income (loss) as % of revenue	(0.1)%	4.3 %	(1.0)%	2.8 %

The components of our International segment's 0.3% and 3.7% revenue decreases for the third quarter and first nine months of fiscal 2013 , respectively, were as follows:

	Three Months Ended	Nine Months Ended
	November 3, 2012	November 3, 2012
Comparable store sales impact	(4.4)%	(6.8)%
Impact of foreign currency exchange rate fluctuations	1.7 %	(0.2)%
Net store changes	1.5 %	2.2 %
Non-comparable sales channels ⁽¹⁾	0.9 %	0.2 %
Extra week of revenue ⁽²⁾	— %	0.9 %
Total revenue decrease	(0.3)%	(3.7)%

⁽¹⁾ Non-comparable store sales channels primarily reflects the impact from revenue we earn from sales of merchandise to wholesalers and dealers as well as other non-comparable sales channels not included within our comparable store sales calculation.

⁽²⁾ Represents the estimated incremental revenue associated with stores in Canada in the first nine months of fiscal 2013 , which had 40 weeks of activity, compared to 39 weeks in the first nine months of fiscal 2012 .

The following table reconciles the number of International stores open at the beginning and end of the third quarter s of fiscal 2013 and 2012 :

	Fiscal 2013				Fiscal 2012 (recast)			
	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter
Best Buy Europe ⁽¹⁾	2,372	55	(34)	2,393	2,355	44	(28)	2,371
Canada								
Future Shop	149	—	—	149	146	4	—	150
Best Buy	77	2	—	79	74	2	—	76
Best Buy Mobile stand-alone	41	6	—	47	19	7	—	26
China								
Five Star	209	4	—	213	178	8	(1)	185
Mexico								
Best Buy	8	4	—	12	6	—	—	6
Total International segment stores	2,856	71	(34)	2,893	2,778	65	(29)	2,814

⁽¹⁾ Represents small-format The Carphone Warehouse and The Phone House stores.

The net addition of 36 large-format stores throughout the International segment during the past 12 months (Best Buy Canada, Five Star and Mexico) contributed the majority of the change in revenue associated with net new stores. The net addition of 43 small-format stores, including 22 net new small-format stores in Europe and 21 new small-format Best Buy Mobile stand-alone stores in Canada, had a significantly smaller

impact on the overall revenue change given their smaller square footage compared to our large-format stores.

[Table of Contents](#)

The following table presents revenue mix percentages and comparable store sales percentage changes for the International segment by revenue category in the third quarters of fiscal 2013 and 2012 :

	Revenue Mix		Comparable Store Sales	
	Three Months Ended		Three Months Ended	
	November 3, 2012	October 29, 2011	November 3, 2012	October 29, 2011
		(recast)		(recast)
Consumer Electronics	16%	19%	(17.5)%	(2.8)%
Computing and Mobile Phones	65%	57%	2.4 %	(3.7)%
Entertainment	3%	4%	(16.6)%	(3.3)%
Appliances	9%	10%	(9.4)%	(7.2)%
Services	7%	10%	(10.8)%	3.7 %
Other	< 1%	< 1%	n/a	n/a
Total	100%	100%	(5.2)%	(3.2)%

The following is a description of the notable comparable store sales changes in our International segment by revenue category:

- **Consumer Electronics:** The 17.5% comparable store sales decline was driven primarily by decreases in the sales of televisions and digital imaging products, primarily in Canada, as a result of industry softness and device convergence similar to that experienced within our Domestic segment.
- **Computing and Mobile Phones :** The 2.4% comparable store sales gain resulted primarily from an increase in sales of mobile phones in Europe and Canada, as well as increased tablet sales in Canada. Partially offsetting this increase was a decline in sales of notebooks and desktop computers.
- **Entertainment:** The 16.6% comparable store sales decline, principally in Canada, reflected decreases in sales of gaming due to fewer new software releases and the absence of new gaming platforms, similar to trends seen in the Domestic segment.
- **Appliances:** The 9.4% comparable store sales decline was primarily due to a decrease in sales of appliances in our Five Star operations due to a slowdown in the housing market and the end of certain government stimulus programs in China in December 2011.
- **Services :** The 10.8% comparable store sales decline was primarily due to the decrease in services in Europe.

Our International segment experienced a gross profit decline of \$89 million , or 10.9% , in the third quarter of fiscal 2013 , driven primarily by revenue declines in Canada and China and a gross profit rate decline in Europe. The 2.8% of revenue decrease in the gross profit rate was driven by Europe with an increased mix of lower-margin wholesale sales, promotions as a result of increased price competition and higher-cost mobile phone handsets. For the first nine months of fiscal 2013 , our International segment experienced a gross profit decline of \$257 million , or 11.0% . The decrease in gross profit was primarily due to a gross profit decline in Europe due to the factors described above.

Our International segment's SG&A increased \$45 million, or 1.5% of revenue, in the third quarter of fiscal 2013 . The increase was driven by the absence of the Best Buy Mobile profit share-based management fee, which accounted for a reduction of \$45 million in the third quarter of fiscal 2012, as SG&A spending was otherwise flat. Our International segment's SG&A increased \$74 million , or 1.8% of revenue, in the first nine months of fiscal 2013 , driven primarily by the absence of the Best Buy Mobile profit share-based management fee, which accounted for a \$109 million reduction to SG&A in the first nine months of fiscal 2012 , and increased spending related to new Five Star stores. Partially offsetting the increase in SG&A was lower spending in Europe and the favorable impact of foreign currency exchange rate fluctuations.

The increase in the SG&A rate in the third quarter and first nine months of fiscal 2013 was driven by the absence of the Best Buy Mobile profit share-based management fee and the deleveraging impact of negative comparable store sales in Five Star and Canada, partially offset by lower spending in Europe.

The International segment experienced an operating loss in the third quarter and first nine months of fiscal 2013 compared to operating income in the prior-year periods primarily due to the decrease in revenue, coupled with the decline in the gross profit rate and the elimination of the Best Buy Mobile profit share-based management fee.

Liquidity and Capital Resources

We closely manage our liquidity and capital resources. Key variables we use to manage our liquidity requirements include the level of investment to support our growth strategies, discretionary SG&A spending, capital expenditures, credit facilities and



[Table of Contents](#)

short-term borrowing arrangements and working capital management. Capital expenditures are a component of our cash flow and capital management strategy which, to a large extent, we can adjust in response to economic and other changes in our business environment. We plan to exercise a disciplined approach to capital allocation, while investing in key areas such as Best Buy Mobile and our online channel, as well as modifying certain existing stores to re-allocate and optimize floor space.

Summary

The following table summarizes our cash and cash equivalents and short-term investments balances at November 3, 2012, March 3, 2012, and October 29, 2011 (\$ in millions):

	<u>November 3, 2012</u>	<u>March 3, 2012</u>	<u>October 29, 2011</u> (recast)
Cash and cash equivalents	\$ 309	\$ 1,199	\$ 2,073
Short-term investments	—	—	20
Total cash and cash equivalents and short-term investments	<u>\$ 309</u>	<u>\$ 1,199</u>	<u>\$ 2,093</u>

The decrease in the balance of our cash and cash equivalents and short-term investments compared with the end of the third quarter of fiscal 2012 was primarily due to the \$1.3 billion Best Buy Mobile buy-out in the fourth quarter of fiscal 2012, \$689 million of capital expenditures, \$549 million of share repurchases, the retirement of our \$402 million convertible debentures and \$222 million of dividends over the past year. The decrease in the balance of our cash and cash equivalents since March 3, 2012 was primarily due to capital expenditures, share repurchases and dividends, and cash used in operations during the first nine months of fiscal 2013.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 1.1 at the end of the third quarter of fiscal 2013, compared with 1.2 at the end of fiscal 2012, and 1.2 at the end of the third quarter of fiscal 2012. The decrease compared to the prior-year period was due primarily to a decrease in cash and cash equivalents resulting from the factors described above.

Our debt to net earnings ratio was (7.9) at the end of the third quarter of fiscal 2013, compared with 6.7 at the end of fiscal 2012, and 1.6 at the end of the third quarter of fiscal 2012, driven primarily by a net loss in the trailing twelve months as a result of the Best Buy Mobile buy-out and goodwill impairment charge in the fourth quarter of fiscal 2012, a decline in the gross profit rate, and an increase in restructuring charges. Our adjusted debt to EBITDAR ratio, which includes capitalized operating lease obligations in its calculation, increased to 3.0 at the end of the third quarter of fiscal 2013, compared with 2.6 at the end of fiscal 2012, and 2.6 at the end of the third quarter of fiscal 2012, primarily due to decreased net earnings.

Our adjusted debt to EBITDAR ratio is considered a non-GAAP financial measure and should be considered in addition to, rather than as a substitute for, the most directly comparable ratio determined in accordance GAAP. We have included this information in our MD&A as we view the adjusted debt to EBITDAR ratio as an important indicator of our creditworthiness. Furthermore, we believe that our adjusted debt to EBITDAR ratio is important for understanding our financial position and provides meaningful additional information about our ability to service our long-term debt and other fixed obligations and to fund our future growth. We also believe our adjusted debt to EBITDAR ratio is relevant because it enables investors to compare our indebtedness to that of retailers who own, rather than lease, their stores. Our decision to own or lease real estate is based on an assessment of our financial liquidity, our capital structure, our desire to own or to lease the location, the owner's desire to own or to lease the location, and the alternative that results in the highest return to our shareholders.

Our adjusted debt to EBITDAR ratio is calculated as follows:

$$\text{Adjusted debt to EBITDAR} = \frac{\text{Adjusted debt}}{\text{EBITDAR}}$$

The most directly comparable GAAP financial measure to our adjusted debt to EBITDAR ratio is our debt to net earnings ratio, which excludes capitalized operating lease obligations from debt in the numerator of the calculation and does not adjust net earnings in the denominator of the calculation.

[Table of Contents](#)

The following table presents a reconciliation of our debt to net earnings ratio and our adjusted debt to EBITDAR ratio (\$ in millions):

	November 3, 2012 ⁽¹⁾	March 3, 2012 ⁽¹⁾	October 29, 2011 ⁽¹⁾ (recast)
Debt (including current portion)	\$ 2,013	\$ 2,208	\$ 2,297
Capitalized operating lease obligations (8 times rental expense) ⁽²⁾	9,453	9,402	9,356
Adjusted debt	<u>\$ 11,466</u>	<u>\$ 11,610</u>	<u>\$ 11,653</u>
Net earnings (loss) including noncontrolling interests ⁽³⁾	\$ (256)	\$ 330	\$ 1,442
Goodwill impairment	1,207	1,207	—
Interest expense, net	79	97	83
Income tax expense	412	709	698
Depreciation and amortization expense ⁽⁴⁾	1,252	968	1,101
Rental expense	1,182	1,175	1,169
EBITDAR	<u>\$ 3,876</u>	<u>\$ 4,486</u>	<u>\$ 4,493</u>
Debt to net earnings (loss) ratio	(7.9)	6.7	1.6
Adjusted debt to EBITDAR ratio	3.0	2.6	2.6

⁽¹⁾ Debt is reflected as of the respective balance sheet dates, while rental expense and the other components of EBITDAR represent activity for the 12 months ended as of each of the respective dates.

⁽²⁾ The multiple of eight times annual rental expense in the calculation of our capitalized operating lease obligations is the multiple used for the retail sector by one of the nationally recognized credit rating agencies that rate our creditworthiness, and we consider it to be an appropriate multiple for our lease portfolio.

⁽³⁾ We utilize net earnings (loss) including noncontrolling interests within our calculation as the earnings and related cash flows attributable to noncontrolling interests are available to service our debt and operating lease commitments.

⁽⁴⁾ Depreciation and amortization expense includes impairments of fixed assets, investments and intangible assets, as well as charges related to our restructuring activities.

Cash Flows

The following table summarizes our cash flows for the first nine months of fiscal 2013 and 2012 (\$ in millions):

	Nine Months Ended	
	November 3, 2012	October 29, 2011 (recast)
Total cash provided by (used in):		
Operating activities	\$ (121)	\$ 1,900
Investing activities	(412)	(555)
Financing activities	(607)	(611)
Effect of exchange rate changes on cash	48	1
Adjustment for fiscal year-end change	202	235
Increase (decrease) in cash and cash equivalents	<u>\$ (890)</u>	<u>\$ 970</u>

The decrease in cash provided by operating activities in the first nine months of fiscal 2013 compared to the prior-year period was primarily due to the following factors:

- higher cash outflows experienced in fiscal 2013 in relation to inventory, due primarily to:
 - unusually low inventory levels at the beginning of fiscal 2012, leading to reduced outflows as inventory levels normalized by the end of the third quarter of fiscal 2012; and
 - increased inventory purchasing during the third quarter of fiscal 2013 due to the timing of the Thanksgiving holiday (one week closer to the end of the third quarter in fiscal 2013 than in fiscal 2012) and the timing of significant product launches in fiscal 2013;

Table of Contents

- lower operating income levels in fiscal 2013;
- higher cash outflows in fiscal 2013 due to payments related to restructuring activities;
- lower levels of transaction taxes payable in fiscal 2013; and
- lower cash inflows from receivables due to timing of bank and credit card settlements.

The reduction in cash used in investing activities in the first nine months of fiscal 2013 was primarily due to a lower level of restricted cash pledged to banks in China.

The decrease in cash used in financing activities in the first nine months of fiscal 2013 was primarily the result of the suspension of share repurchase activity at the end of the second quarter of fiscal 2013. This was almost fully offset by a decrease in borrowings due to the issuance of the \$1.0 billion of long-term securities in the prior-year period.

Share Repurchases and Dividends

In June 2011, our Board of Directors authorized a new \$5.0 billion share repurchase program. The June 2011 program terminated and replaced our prior \$5.5 billion share repurchase program authorized in June 2007. There is no expiration date governing the period over which we can repurchase shares under the June 2011 share repurchase program. We have suspended our share repurchase program for the remainder of fiscal 2013.

In the third quarter of fiscal 2013, we did not repurchase or retire any shares of our common stock. We repurchased and retired 13.1 million shares of our common stock at a cost of \$323 million during the third quarter of fiscal 2012. We have \$4.0 billion available for future repurchases at November 3, 2012, under our June 2011 share repurchase program. Repurchased shares have been retired and constitute authorized but unissued shares.

During the third quarter of fiscal 2013, we declared and paid our regular quarterly cash dividend of \$0.17 per common share, or \$57 million in the aggregate. During the same period one year ago, we declared and paid a regular quarterly cash dividend of \$0.16 per common share, or \$58 million in the aggregate. As announced on December 5, 2012, our Board of Directors authorized payment of our next regular quarterly cash dividend of \$0.17 per common share, payable on December 31, 2012, to shareholders of record as of the close of business on December 11, 2012.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, and our credit facilities are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to sustain operations and to finance anticipated capital investments and strategic initiatives. However, in the event our liquidity is insufficient, we may be required to limit our spending. There can be no assurance that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our existing credit facilities or obtain additional financing, if necessary, on favorable terms.

We have a \$1.0 billion 364-Day senior unsecured revolving credit facility (the "364-Day Facility Agreement") and a \$1.5 billion five-year senior unsecured revolving credit facility (the "Five-Year Facility Agreement") (collectively the "Agreements") with a syndicate of banks. The 364-Day Facility Agreement expires in August 2013 and the Five-Year Facility Agreement expires in October 2016. At November 30, 2012, we had no borrowings outstanding under the Agreements.

We also have \$900 million available under unsecured revolving credit and demand facilities related to our International segment operations, of which \$310 million was outstanding at November 3, 2012.

Our ability to access our facilities is subject to our compliance with the terms and conditions of such facilities, including financial covenants. The financial covenants require us to maintain certain financial ratios. At November 3, 2012, we were in compliance with all such financial covenants. If an event of default were to occur with respect to any of our other debt, it would likely constitute an event of default under our facilities as well.

Our credit ratings and outlooks at November 30, 2012, are summarized below. On November 21, 2012, Moody's Investors Service, Inc. ("Moody's") indicated that there was no change to its Baa2 long-term rating and outlook of Developing. Also on November 21, 2012, Standard & Poor's Ratings Services ("Standard & Poor's") and Fitch Ratings Ltd. ("Fitch") initiated ratings actions. Standard & Poor's lowered its corporate credit rating from BB+ to BB and also changed its outlook from Credit Watch with negative implications to Negative. Fitch lowered its rating from BB+ to BB- and revised its outlook from Credit Watch Negative to Negative.

[Table of Contents](#)

Pending a review by Moody's, the outcome of a Developing outlook could result in (1) a reaffirmation of its most recent rating, or (2) a change in rating and/or outlook.

Rating Agency	Rating	Outlook
Moody's	Baa2	Developing
Standard & Poor's	BB	Negative
Fitch	BB-	Negative

Credit rating agencies review their ratings periodically and, therefore, the credit rating assigned to us by each agency may be subject to revision at any time. Accordingly, we are not able to predict whether our current credit ratings will remain as disclosed above. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, conditions in the retail and consumer electronics industries, our financial position, and changes in our business strategy. If further changes in our credit ratings were to occur, they could impact, among other things, our future borrowing costs, access to capital markets, vendor financing terms and future new-store leasing costs.

Auction Rate Securities and Restricted Cash

At November 3, 2012, and October 29, 2011, we had \$21 million and \$84 million, respectively, invested in auction rate securities ("ARS") recorded at fair value within Short-term investments and Equity and other investments (long-term) in our Condensed Consolidated Balance Sheets. The majority of our ARS portfolio is AA/Aaa-rated and collateralized by student loans, which are guaranteed 95% to 100% by the U.S. government. Due to the auction failures that began in February 2008, we have been unable to liquidate a portion of our ARS. The investment principal associated with our remaining ARS subject to failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities or final payments are due according to the contractual maturities of the debt issues, which range from 10 to 29 years. We do not intend to sell our remaining ARS until we can recover the full principal amount through one of the means described above. In addition, we do not believe it is more likely than not we would be required to sell our remaining ARS until we can recover the full principal amount based on our other sources of liquidity.

Our liquidity also is affected by restricted cash balances that are pledged as collateral or restricted to use for vendor payables, general liability insurance, workers' compensation insurance, and customer warranty and insurance programs. Restricted cash and cash equivalents, which are included in other current assets, were \$375 million, \$459 million and \$520 million at November 3, 2012, March 3, 2012, and October 29, 2011, respectively. The decrease in restricted assets from the third quarter of fiscal 2012 and the end of fiscal 2012 was due primarily to decreased cash reserve amounts within certain of our foreign operations.

Debt and Capital

At November 3, 2012, we had short-term debt outstanding under our various credit and demand facilities of \$310 million, a decrease from \$480 million at March 3, 2012 and an increase from \$163 million at October 29, 2011. The decrease from the end of fiscal 2012 was primarily the result of higher European facility borrowings during the key holiday season at fiscal year-end. The increase from the third quarter of fiscal 2012 was a result of increased borrowings on our Europe facility due to lower cash generated from our European operating activities.

U.S. Revolving Credit Facilities

We have a 364-Day Facility Agreement and a Five-Year Facility Agreement with JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent, and a syndicate of banks. The Agreements permit borrowings up to \$2.5 billion (which may be increased to up to \$3.0 billion at our option under certain circumstances) and a \$300 million letter of credit sublimit. The 364-Day Facility Agreement expires in August 2013 and the Five-Year Facility Agreement expires in October 2016. See Note 8, *Debt*, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further description of the 364-Day Facility Agreement. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the Five-Year Facility Agreement.

Europe Revolving Credit Facility

Best Buy Europe, a venture between Best Buy Co., Inc. and Carphone Warehouse Group plc, has a £400 million (\$646 million based on the exchange rate in effect as of the end of the third quarter of fiscal 2013) unsecured revolving credit facility

[Table of Contents](#)

agreement (the “Europe RCF”) with ING Bank N.V., London Branch, as agent, and a syndicate of banks to finance its working capital needs. The RCF expires in July 2015. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the Europe RCF.

2013 Notes

We have \$500 million principal amount of notes due July 15, 2013 (the “2013 Notes”). Prior to August 6, 2012, the 2013 Notes bore interest at a fixed rate of 6.75% per year. As a result of a credit downgrade, the 2013 Notes bore interest at a fixed rate of 7.00% from August 6, 2012 to November 21, 2012, and currently bear interest at a fixed rate of 7.25%. Interest on the 2013 Notes is payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2009. Net proceeds from the sale of the 2013 Notes were \$496 million, after an initial issuance discount of \$1 million and other transaction costs. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the 2013 Notes.

2016 and 2021 Notes

We have \$350 million principal amount of notes due March 15, 2016 (the “2016 Notes”) and \$650 million principal amount of notes due March 15, 2021 (the “2021 Notes”, and together with the 2016 Notes, the “Notes”). The 2016 Notes bear interest at a fixed rate of 3.75% per year, while the 2021 Notes bear interest at a fixed rate of 5.50% per year. Interest on the Notes is payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2011. The Notes were issued at a slight discount to par, which when coupled with underwriting discounts of \$6 million, resulted in net proceeds from the sale of the Notes of \$990 million. See Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for further description of the 2016 and 2021 Notes.

Off-Balance-Sheet Arrangements and Contractual Obligations

Our liquidity is not dependent on the use of off-balance-sheet financing arrangements other than in connection with our operating leases.

There has been no material change in our contractual obligations other than as set forth above and in the ordinary course of business since the end of fiscal 2012. See our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for additional information regarding our off-balance-sheet arrangements and contractual obligations.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012. We discuss our critical accounting estimates in Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended March 3, 2012. There has been no significant change in our significant accounting policies or critical accounting estimates since the end of fiscal 2012.

New Accounting Standards

See Note 1, *Basis of Presentation*, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a description of recently issued and adopted accounting pronouncements, including the dates of adoption and impacts on our results of operations, financial position, and cash flows.

Safe Harbor Statement Under the Private Securities Litigation Reform Act

Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), provide a “safe harbor” for forward looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward looking statements and may be identified by the use of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “foresee,” “plan,” “project,” “outlook,” and other words and terms of similar meaning. Such statements reflect our current view with respect to future events and are subject to certain risks, uncertainties and assumptions. A variety of factors could cause our future results to differ materially from the anticipated results expressed in such forward looking statements. Readers should review Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended March 3, 2012, for a description of important factors that could cause our actual results to differ materially from those contemplated by the forward looking statements made in this Quarterly Report on Form 10-Q.

[Table of Contents](#)

Among the factors that could cause our actual results and outcomes to differ materially from those contained in such forward looking statements are the following: general economic conditions, changes in consumer preferences, credit market constraints, acquisitions and development of new businesses, divestitures, product availability, sales volumes, pricing actions and promotional activities of competitors, profit margins, weather, natural or man-made disasters, changes in law or regulations, foreign currency fluctuation, availability of suitable real estate locations, our ability to react to a disaster recovery situation, the impact of labor markets and new product introductions on our overall profitability, failure to achieve anticipated benefits of announced transactions, integration challenges relating to new ventures and unanticipated costs associated with previously announced or future restructuring activities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to the risks inherent in our operations, we are exposed to certain market risks, including adverse changes in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to our International segment operations. On a limited basis, we utilize foreign exchange forward contracts to manage foreign currency exposure to certain forecast inventory purchases, revenue streams and recognized receivable and payable balances. Our primary objective in holding derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. Our foreign currency risk management strategy includes cash flow hedges as well as derivatives that are not designated as hedging instruments. The cash flow hedge contracts generally have terms of up to two years, while the derivatives not designated as hedges generally have terms up to six months. The aggregate notional amount and fair value recorded on our Condensed Consolidated Balance Sheets related to our foreign exchange forward and swap contracts outstanding was \$323 million and \$1 million, respectively, at November 3, 2012. The amount recorded in our Condensed Consolidated Statements of Earnings and Comprehensive Income related to all contracts settled and outstanding was a loss of \$1 million in the third quarter of fiscal 2013. See Note 9, *Derivative Instruments*, of Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding our derivative instruments.

The overall strength of the U.S. dollar compared to the British pound, Canadian dollar and Mexican peso since the end of the third quarter of fiscal 2012 has had a negative overall impact on our revenue as the foreign denominations translated into less U.S. dollars. The weakness of the U.S. dollar compared to the Chinese Yuan had a positive impact on revenue. It is not possible to determine the exact impact of foreign currency exchange rate fluctuations; however, the effect on reported revenue and net earnings can be estimated. We estimate that foreign currency exchange rate fluctuations had a negative impact on our revenue of approximately \$52 million and a positive impact on our net earnings of approximately \$1 million in the third quarter of fiscal 2013.

Interest Rate Risk

Short- and long-term debt

At November 3, 2012, our short- and long-term debt was comprised primarily of credit facilities and our 2013 Notes, 2016 Notes and 2021 Notes. We currently do not manage the interest rate risk on our debt through the use of derivative instruments.

Our credit facilities' interest rates may be reset due to fluctuations in a market-based index, such as the federal funds rate, the LIBOR, or the base rate or prime rate of our lenders. A hypothetical 100-basis-point change in the interest rates on the outstanding balance of our credit facilities as of November 3, 2012, would change our annual pre-tax earnings by \$3 million.

There is no interest rate risk associated with our 2016 Notes or 2021 Notes, as the interest rates are fixed at 3.75% and 5.50%, respectively, per annum. The interest rate on our 2013 Notes is subject to change based on our credit ratings and had a fixed interest rate of 7.00% at November 3, 2012.

Long-term investments in debt securities

At November 3, 2012, our long-term investments in debt securities were comprised of ARS. These investments are not subject to material interest rate risk. A hypothetical 100-basis point change in the interest rates on our ARS investments as of November 3, 2012, would change our annual pre-tax earnings by less than \$1 million. We do not manage interest rate risk on our investments in debt securities through the use of derivative instruments.

Other Market Risks

Investments in auction rate securities

At November 3, 2012 , we held \$21 million in investments in ARS, which includes a \$2 million pre-tax unrealized loss in accumulated other comprehensive income. Given current conditions in the ARS market, we may incur additional temporary unrealized losses or other-than-temporary realized losses in the future if market conditions were to persist and we were unable to recover the cost of our ARS investments. A hypothetical 100-basis point loss from the par value of these investments as of November 3, 2012 , would result in an impairment of less than \$1 million.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a regular quarterly basis, and as needed.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at November 3, 2012 . Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at November 3, 2012 , our disclosure controls and procedures were effective.

There was no change in internal control over financial reporting during the fiscal quarter ended November 3, 2012 , that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Securities Actions

In February 2011, a purported class action lawsuit captioned, *IBEW Local 98 Pension Fund, individually and on behalf of all others similarly situated v. Best Buy Co., Inc., et al.*, was filed against us and certain of our executive officers in the U.S. District Court for the District of Minnesota. This federal court action alleges, among other things, that we and the officers named in the complaint violated Sections 10(b) and 20A of the Exchange Act and Rule 10b-5 under the Exchange Act in connection with press releases and other statements relating to our fiscal 2011 earnings guidance that had been made available to the public. Additionally, in March 2011, a similar purported class action was filed by a single shareholder, Rene LeBlanc, against us and certain of our executive officers in the same court. In July 2011, after consolidation of the IBEW Local 98 Pension Fund and Rene LeBlanc actions, a consolidated complaint captioned, *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.*, was filed and served. We filed a motion to dismiss the consolidated complaint in September 2011, and in March 2012, subsequent to the end of fiscal 2012, the court issued a decision dismissing the action with prejudice. In April 2012, the plaintiffs filed a motion to alter or amend the court's decision on our motion to dismiss. In October 2012, the court granted plaintiff's motion to alter or amend the court's decision on our motion to dismiss in part by vacating such decision and giving plaintiff leave to file an amended complaint, which plaintiff did on October 29, 2012. We filed a motion to dismiss the amended complaint in November 2012 and expect all responsive pleadings to be filed in December 2012. The court's decision will be rendered thereafter.

In June 2011, a purported shareholder derivative action captioned, *Salvatore M. Talluto, Derivatively and on Behalf of Best Buy Co., Inc. v. Richard M. Schulze, et al., as Defendants and Best Buy Co., Inc. as Nominal Defendant*, was filed against both present and former members of our Board of Directors serving during the relevant periods in fiscal 2011 and us as a nominal defendant in the U.S. District Court for the State of Minnesota. The lawsuit alleges that the director defendants breached their fiduciary duty, among other claims, including violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in failing to correct public misrepresentations and material misstatements and/or omissions regarding our fiscal 2011 earnings projections and, for certain directors, selling stock while in possession of material adverse non-public information. Additionally, in July 2011, a similar purported class action was filed by a single shareholder, Daniel Himmel, against us and certain of our executive officers in the same court. In November 2011, the respective lawsuits of Salvatore M. Talluto and Daniel Himmel were consolidated into a new action captioned, *In Re: Best Buy Co., Inc. Shareholder Derivative Litigation*, and a stay ordered until after a final resolution of the motion to dismiss in the consolidated *IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al.* case.

The plaintiffs in the above securities actions seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incurred in the lawsuits. We believe the allegations in the above securities actions are without merit, and we intend to defend these actions vigorously. Based on our assessment of the facts underlying the claims in the above securities actions, their respective procedural litigation history, and the degree to which we intend to defend our company in these matters, the amount or range of reasonably possible losses, if any, cannot be estimated.

Trade Secrets Action

In February 2011, a lawsuit captioned *Techforward, Inc. v. Best Buy Co., Inc., et al.* was filed against us in the U.S. District Court, Central District of California. The case alleges that we implemented our "Buy Back Plan" in February 2011 using trade secrets misappropriated from plaintiff's buyback plan that were disclosed to us during business relationship discussions and also breached both an agreement for a limited marketing test of plaintiff's buyback plan and a non-disclosure agreement related to the business discussions. In November 2012, a jury found we were unjustly enriched through misappropriation of trade secrets and awarded plaintiff \$ 22 . The jury also found that although we breached the subject contracts, plaintiff suffered no resulting damage. In December 2012, the court further awarded the plaintiff \$5 in exemplary damages. Also in December 2012, plaintiff submitted its motion for attorney fees and costs which the court may also award. We believe that the jury verdict and court award is inconsistent with the law and the evidence offered at trial. As such, we believe meritorious bases exist to appeal the resulting judgment and award and intend to vigorously contest these decisions. While we cannot predict the ultimate outcome of this lawsuit, we do not believe it will have a material effect on our consolidated financial position or results of operations.

Other Legal Proceedings

We are involved in various other legal proceedings arising in the normal course of conducting business. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is

[Table of Contents](#)

not material to our consolidated financial position, results of operations or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the variable treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations or cash flows.

ITEM 6. EXHIBITS

Any agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and should not be relied upon for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

- 4.1 364-Day Credit Agreement dated as of August 31, 2012, among Best Buy Co., Inc., the subsidiary guarantors and the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated herein by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on September 5, 2012)
- 10.1 Employment agreement, dated November 9, 2012, between Sharon McCollam and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on November 15, 2012)
- 10.2 Employment agreement, dated August 19, 2012, between Hubert Joly and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on August 21, 2012)
- 10.3 Form of Long-Term Incentive Program Buy-Out Award Agreement dated September 4, 2012, between Hubert Joly and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed by Best Buy Co., Inc. on September 6, 2012)
- 10.4 Confidential Employment Separation and General Release Agreement, dated October 23, 2012, between Michael A. Vitelli and Best Buy Co., Inc.
- 10.5 Confidential Employment Transition, Separation and General Release Agreement, dated October 9, 2012, between James L. Muehlbauer and Best Buy Co., Inc.
- 10.6 Confidentiality Agreement, dated August 26, 2012, between Richard Schulze and Best Buy Co., Inc. (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on August 27, 2012)
- 31.1 Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽¹⁾
- 101 The following financial information from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2013, filed with the SEC on December 5, 2012, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at November 3, 2012; March 3, 2012; and October 29, 2011, (ii) the Condensed Consolidated Statements of Earnings and Comprehensive Income for the three and nine months ended November 3, 2012, and October 29, 2011, (iii) the Consolidated Statements of Cash Flows for the nine months ended November 3, 2012, and October 29, 2011, (iv) the Consolidated Statements of Changes in Shareholders' Equity for the nine months ended November 3, 2012, and October 29, 2011, and (v) the Notes to Condensed Consolidated Financial Statements.

⁽¹⁾ The certifications in Exhibit 32.1 and Exhibit 32.2 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

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.

BEST BUY CO., INC.
(Registrant)

Date: December 5, 2012

By: /s/ HUBERT JOLY
Hubert Joly
President and Chief Executive Officer
(duly authorized and principal executive officer)

Date: December 5, 2012

By: /s/ JAMES L. MUEHLBAUER
James L. Muehlbauer
Executive Vice President — Finance
and Chief Financial Officer
(duly authorized and principal financial officer)

Date: December 5, 2012

By: /s/ SUSAN S. GRAFTON
Susan S. Grafton
Senior Vice President, Controller
and Chief Accounting Officer
(duly authorized and principal accounting officer)

**CONFIDENTIAL EMPLOYMENT SEPARATION
AND GENERAL RELEASE AGREEMENT**

This Confidential Employment Separation and General Release Agreement (“Agreement”) is between Michael A. Vitelli for himself and his heirs, executors, administrators and assigns (hereinafter “Executive”), and Best Buy Co., Inc. and Best Buy Enterprise Services, Inc., as well as their direct and indirect subsidiaries and related entities and affiliates, foreign and domestic, whether or not controlled by Best Buy Co., Inc. (hereinafter collectively “Best Buy”).

WHEREAS, Executive's employment with Best Buy will terminate on February 3, 2013, unless Executive and Best Buy mutually agree on a different termination date (“Separation Date”); and

WHEREAS, through this Agreement, Best Buy will provide Executive with consideration, for which Executive agrees to undertake the obligations described in this Agreement;

IT IS HEREBY AGREED by and between Executive and Best Buy, as follows:

1. Executive acknowledges that, as of his Separation Date, his employment relationship with Best Buy, including any and all officer and director positions with Best Buy, will end on the Separation Date. Executive agrees to continue to perform his normal duties through his Separation Date, or such other duties as Best Buy's Chief Executive Officer may reasonably assign consistent with Executive's employment transition. Best Buy will continue Executive's employment, including his base salary and other usual and customary benefits and perquisites available to senior management generally, up through his Separation Date. Executive acknowledges and agrees that he will not be entitled to any compensation or other benefits under this Agreement if he voluntarily terminates his employment before his Separation Date, as defined above, unless mutually agreed between Executive and Best Buy. As a condition to the payments and other consideration set for the herein, on his Separation date, Executive agrees to execute the Release of Claims (“Release”) attached hereto as Exhibit A.

2. Best Buy, for and in consideration of the undertakings of Executive as set forth herein, and intending to be legally bound, agrees to:

- a. Pay Executive a lump sum payment totaling \$1,450,000, consisting of (i) 24 months of base salary (\$1,400,000) and (ii) \$50,000 as additional consideration. This payment will be less employment tax withholdings, and will be made within 30 days after Executive's Separation Date, as long as Executive has not exercised his right of revocation in the time permitted hereunder. If Executive violates any provision of this Agreement, including the provisions in paragraphs 9 through 12, the entire lump sum payment will be subject to recovery by Best Buy, and any unexercised stock options will be subject to cancellation by Best Buy.
- b. Best Buy will pay, for 18 months following his Separation Date, the full premium amount due for COBRA continuation coverage for group medical, dental and vision under the Best Buy Health and Welfare Wrap Plan, or any successor Best Buy plans, if he is participating in the these programs as of his Separation Date, and at the coverage level and coverage option in place at the time of his Separation Date. To be eligible for this Company-paid COBRA coverage, Executive must timely elect COBRA continuation coverage.

As required by applicable tax law, Best Buy will report as taxable income to Executive (on IRS Form W-2) the value of the Company-paid COBRA coverage that is in excess of 6 months for the calendar year(s) in which Executive receives this coverage. Best Buy will also, on Executive's behalf, remit to relevant tax authorities withholding taxes relating to the COBRA subsidy (including withholding taxes on the remittance itself). For purposes of determining the aggregate amount remitted on Executive's behalf, Best Buy will treat the subsidy as supplemental wage income and withhold at the minimum required rate for all applicable federal, state and local income and employment taxes. If Executive's actual tax liability is higher than the remittance, any additional tax liability relating to the COBRA subsidy will be his responsibility.

Executive will also be permitted to continue coverage following the COBRA period for an additional period of six (6) months by paying the applicable premiums himself, consistent with the terms of the applicable plan.

- c. Best Buy will pay for 18 months following his Separation Date the full premium amount to maintain Executive's Life and Disability Insurance at the coverage level and including all options, in place at the time of his Separation Date.
- d. Provide Executive with vesting and exercise of stock options and restricted stock grants as follows:
 - i. As of his Separation Date, Executive will become vested in all of his unvested Continuity Award restricted shares awarded under the Continuity Award Agreement dated June 21, 2012.
 - ii. As of his Separation Date, Executive will become vested in two-thirds of the restricted shares awarded to him under the Retention Award Agreement dated April 6, 2011. The remaining one-third of such shares will not vest.
 - iii. Executive will receive the benefit, subject to all appropriate award agreements and this Agreement, to any other restricted shares or stock options that vest on or prior to the Separation Date.
 - iv. No other options or shares will vest as a result of Executive's employment separation. Options that are vested as of Executive's Separation Date will be exercisable for 60 days following Executive's separation, in accordance with the governing option agreements and plan documents.
 - v. Best Buy admits and acknowledges that Executive's termination of employment as of the Separation Date does not constitute a voluntary termination as provided in Paragraph II of the Continuity Award Agreement, Terms of Cash Award.
- e. Best Buy will pay to Executive his vacation, if any, that is accrued but unused as of his Separation Date and permit withdrawals in accordance with the Best Buy plan documents of any 401(k) or Executive Deferred Compensation or other vested benefits. Executive will also be reimbursed for any reasonable and usual business expenses incurred up to the Separation Date.
- f. Executive will also be eligible for a Short-Term Incentive award, in accordance with the terms and conditions of the applicable Plan for Best Buy's Fiscal Year 2013. Executive acknowledges that any such award is not guaranteed.
- g. In the event a change of control transaction for Best Buy is consummated by the separation date, Executive shall receive any additional benefits afforded similarly situated Executives.

3. Except as set forth herein, it is expressly agreed and understood that Best Buy will not have any obligation to provide Executive at any time in the future with any payments, benefits or considerations other than those recited in Paragraph 2 above, other than any benefits to which Executive may be entitled under the terms of Best Buy's benefit plans. Notwithstanding the preceding sentence, Executive acknowledges and agrees that in return for the consideration herein and as set forth in Paragraph 1, above, he has released any claim to benefits he may have under the Best Buy Severance Plan and that the payments and considerations provided in Paragraph 2 above govern Best Buy's obligations to Executive.

4. Best Buy agrees to indemnify Executive for acts prior to the Separation Date to the extent afforded to Best Buy's senior executives now and in the future in accordance with existing law, Best Buy's articles, by-laws and policies and any coverage and legal defense under any applicable general liability and officers liability policies maintained by Best Buy which obligation will survive Executive's Separation date.

5. Executive acknowledges that he is unaware of any facts that may constitute a violation by him of Best Buy's Code of Conduct or any legal obligations.

6. Executive acknowledges and agrees that the terms and conditions of any performance stock award, restricted stock award and/or stock option award to which he and Best Buy are parties, including any provisions therein regarding confidentiality, noncompetition and nonsolicitation, remain in full force and effect unless otherwise amended herein, in which case the terms and conditions of this Agreement shall prevail.

7. Executive acknowledges that this Agreement by Best Buy, described herein, is not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by Best Buy, and that this Agreement is made voluntarily to provide an amicable conclusion of his employment relationship with Best Buy.

8. Executive covenants that as of the Separation Date, he will return all items of property and documents in his possession belonging to Best Buy except his mobile telephone which may be retained consistent with Company policies.

9. Executive covenants that he has not communicated or disclosed, and he shall not hereafter communicate or disclose, the terms of this Agreement to any persons with the exception of members of his immediate family, his attorney, and his accountant or tax advisor, each of whom shall be informed of this confidentiality obligation and shall be bound by its terms, or any taxing authority.

10. Executive agrees that he shall not take any action that is adverse to Best Buy's business interests or make any critical or negative statement, either written or verbal, about the Releasees, including but not limited to critical or negative comments about Best Buy, its officers, directors, managers, employees, or its operations, procedures, activities, services, policies and practices. Nothing in this Paragraph precludes Executive from testifying truthfully, subject to the limitations in Paragraph 17. Best Buy's Executive Officers and Directors agree that they shall not take any action that is adverse to the Executive or make any public critical or negative statement, either written or verbal about Executive, including but not limited to comments about Executive's performance of his duties for Best Buy.

11. Executive agrees that he shall not communicate or disclose to the press any information concerning Best Buy, its business, human resources or employee relations practices, and/or his tenure with the organization except Executive may discuss his duties in general in connection with any prospective employer if specifically asked during pursuit of an employment opportunity.

12. By signing this Agreement, Executive agrees to the restrictions and agreements contained in this Paragraph 12 (the "Restrictive Covenants").

- a. **Competitive Activity.** For one year following Executive's Separation Date, he shall not engage in any Competitive Activity. Because Best Buy's business competes on a global basis, Executive's obligations hereunder shall apply anywhere in the world.

"Competitive Activity" will mean any activities that materially compete with the business conducted by Best Buy or its subsidiaries at or prior to the date of the termination of Executive's employment, all as described in Best Buy's periodic reports filed pursuant to the Securities Exchange Act of 1934 (*e.g.* , Best Buy's Annual Report on Form 10-K) or other comparable publicly disseminated information. Specifically, while not limited to the following, Executive agrees that he will not, directly or indirectly:

- i. own or hold, directly or beneficially, as a shareholder (other than as a shareholder with less than 1% of the outstanding common stock of a publicly traded corporation), option holder, warrant holder, partner, member or other equity or security owner or holder any company or business that derives more than 25% of its revenue from the Restricted Activities (as defined below), or any company or business controlling, controlled by or under common control with any company or business directly engaged in such Restricted Activities or
- ii. engage or participate as an employee, director, officer, manager, executive, partner, independent contractor, board member, consultant or technical or business advisor with any business or enterprise which materially competes with Best Buy in the Restricted Activities or assist or participate in any way in the former Chairman's LBO activities.

For purposes of this Agreement, the term "Restricted Activities" means the retail, wholesale or commercial sale of consumer electronic products and/or services including vendors who offer their products directly to the consumer, wholesale clubs, home-improvement superstores and web-based alternatives.

- b. **Non-Solicitation.** For one year following Executive's Separation Date, he shall not:
 - i. induce or attempt to induce any employee of Best Buy to leave the employ of Best Buy, or in any way interfere adversely with the relationship between any such employee and Best Buy;
 - ii. induce or attempt to induce any employee of Best Buy to work for, render services to, provide advice to, or supply confidential information to, any third person, firm, or corporation;

- iii. employ, or otherwise pay for services rendered by, any employee of Best Buy in any competitive business enterprise with which Executive may be associated, connected or affiliated;
- iv. induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Best Buy to cease doing business with Best Buy, or in any way interfere with the then existing business relationship between any such customer, supplier, licensee, licensor or other business relation and Best Buy; or
- v. assist, solicit, or encourage any other person, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Paragraph 12 if such activity were carried out by Executive. In particular, Executive will not, directly or indirectly, induce any employee of Best Buy to carry out any such activity.

As set forth in Paragraph 6 above, the terms and conditions of this Paragraph 12 control, govern and supersede all other terms and provisions relating to Competitive Activity or Non-Solicitation or any related terms set forth in previous agreements including but not limited to the Continuity Award Agreement dated June 21, 2012 and the Retention Award Agreement dated April 6, 2011. In the event this Agreement and any of the above agreements conflict on any term or condition then the terms and conditions of this agreement shall prevail.

13. Executive agrees:

- a. That he shall not disclose to any party any CONFIDENTIAL or TOP SECRET information as those terms are defined by the Best Buy Confidentiality Policy, nor shall he use any such information, directly or indirectly, for the benefit of himself or any third party.
- b. To abide by any previous agreements to assign to Best Buy, all of his right, title, and interest in any inventions, works of authorship, designs, ideas, trademarks, or trade secrets, whether or not patentable or registrable, that he created, conceived, or reduced to practice, during his employment with, and within the scope of his duties as an employee of Best Buy, its subsidiaries and affiliates (Collectively referred to as "Best Buy Companies Intellectual Property"). Furthermore, he hereby assigns to Best Buy all of his right, title, and interest in Best Buy Companies Intellectual Property. Any invention, discovery, innovation or improvement that he can show was developed entirely on his own time and without the use of any of Best Buy's equipment, supplies, facilities, or CONFIDENTIAL or TOP SECRET information and: (1) does not relate to the business of Best Buy or its actual or anticipated research or development; or (2) does not result from any work performed by him for Best Buy, shall not be part of the Best Buy Companies Intellectual Property. He agrees that he will, at any time upon request and without further consideration, execute additional documents and do additional acts as Best Buy may deem necessary or desirable to perfect its interest in the Best Buy Companies Intellectual Property.

14. Executive agrees that his obligations under this Agreement, including his obligations under Paragraphs 12 and 13, are reasonable in subject matter, scope, geography and time, and are reasonable and necessary for Best Buy to protect its legitimate business interests. Executive further agrees that these obligations shall not prevent him from pursuing or obtaining other employment or earning a living utilizing his skills, education, experience and knowledge of information that is not CONFIDENTIAL or TOP SECRET Information. In the event that any portion of Paragraphs 12 or 13 of this Agreement, including all of their subparts, shall be determined by any court of competent jurisdiction to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such court in such action. Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

15. Executive agrees that a breach of any of the provisions of Paragraphs 9 through 13 would cause material and irreparable harm to Best Buy that would be difficult or impossible to measure, and that damages or other legal remedies available to Best Buy for any such injury would, therefore, be an inadequate remedy for any such breach. Accordingly, Executive agrees that if he breaches any of the provisions of Paragraphs 9 through 13, Best Buy shall be entitled, in addition to and without limitation upon all other remedies Best Buy may have under this Agreement, at law or otherwise, to obtain injunctive or other appropriate equitable relief, without bond or other security, to restrain any such breach. Executive further agrees that the duration of the Restrictive Covenants shall be extended by the same amount of time that Executive is in breach of any Restrictive Covenant.

16. Executive agrees to refrain from voluntarily participating in, or assisting others in, any proceedings against Best Buy, except that this Agreement does not bar Executive from participating in or otherwise providing information to a governmental agency or from providing testimony, as required by subpoena, in a court of competent jurisdiction or by law.

17. Executive agrees to reasonably cooperate with Best Buy in the investigation, defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of Best Buy by any third party against Best Buy or by Best Buy against any third party and with respect to which Executive has personal knowledge. Executive also agrees that his reasonable cooperation in connection with such claims or actions shall include, but not be limited to, being reasonably available to meet with Best Buy's counsel to prepare for discovery, any mediation, arbitration, trial, administrative hearing or other proceeding, and to act as a witness when requested by Best Buy at reasonable times and locations designated by Best Buy. Moreover, unless otherwise prohibited by law, Executive agrees to notify the General Counsel of Best Buy if he is asked by any person, entity or agency to assist, testify or provide information in any such proceeding or investigation. Such notice shall be in writing and sent by overnight mail within five business days of the time Executive receives the request for assistance, testimony or information. If Executive is not legally permitted to provide such notice, he agrees that he shall request that the person, entity or agency seeking assistance, testimony or information provide notice consistent with this Section. Best Buy agrees to reimburse Executive for his reasonable out of pocket costs in providing cooperation under this Section, including travel expenses, meals and lodging.

18. Executive hereby certifies that:

- a. he has read the terms of this Agreement;
- b. he is hereby advised by Best Buy to consult with an attorney of his own choice regarding this Agreement, and has had the opportunity to do so;
- c. he understands the terms and effects of this Agreement;
- d. through this Agreement, he has been offered copies of the Best Buy Severance Plan and Summary Plan Description, which he understands contains eligibility requirements and other information regarding the Best Buy Severance Plan and the severance benefits available under the Plan, which he agrees he is not entitled to by virtue of his separation from Best Buy;
- e. through this Agreement, he has been offered copies of any and all plan documents referred to in this Agreement, as well as any documents which he feels he otherwise wishes to review in advance of signing this Agreement;
- f. through this Agreement, he will receive substantial consideration for which he agrees to undertake the obligations set forth in this Agreement;
- g. he has the intention of releasing all claims recited herein in exchange for the consideration described herein, which he acknowledges as adequate and satisfactory to him; and
- h. neither Best Buy nor any of its agents, representatives or attorneys has made any representations to Executive concerning the terms or effects of this Agreement other than those contained herein.

19. This Agreement shall be governed by, and interpreted under, the laws of the State of Minnesota without giving effect to any conflict of laws provisions or canons of construction that construe agreements against the draftsman. Further, the courts sitting in the State of Minnesota, United States of America shall be the exclusive venues for resolution of any dispute arising hereunder.

20. The parties affirm that the terms stated herein are the only consideration for signing this Agreement, and that no other representations, promises, or agreements of any kind have been made to them by any person or entity whatsoever to cause them to sign this Agreement.

21. This Agreement is intended to satisfy the requirements of Section 409A (a)(2), (3), and (4) of the Internal Revenue Code, including current and future guidance and regulations and the payments provided to Executive are intended to be exempt from, or if not exempt, comply with Section 409A. To the extent that any provision of this Agreement fails to satisfy those requirements, the provision shall automatically be modified in a manner that, in the good faith opinion of Best Buy,

brings the provision into compliance with those requirements while preserving as closely as possible the original intent of the provision and this Agreement. In particular, and without limiting the preceding, any payment under this Agreement that would otherwise be treated as deferred compensation under Section 409A of the code shall be delayed until the first day of the seventh month after the date of separation from service as determined under said Section 409A.

22. The parties agree that if any provision, or portion of a provision, of this Agreement is, for any reason, held to be unenforceable, the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the invalid or unenforceable provision and will be interpreted so as to effect, as closely as possible, the intent of the parties hereto.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have executed the foregoing Agreement on the dates set forth below.

Dated: October 23, 2012

/s/ MICHAEL A. VITELLI

Michael A. Vitelli

Dated: October 23, 2012

Best Buy, as defined above

By: /s/ CAROL A. SURFACE

Name: Carol A. Surface

Title: Executive Vice President, Human Resources

EXHIBIT A

RELEASE

1. In consideration for the amounts set forth in Paragraph 2 of the Agreement between Executive and Best Buy dated as of October __, 2012 (“Agreement”), Executive fully and forever waives, releases, acquits and discharges Best Buy, as well as any and all of its past, current and future parent, subsidiary and affiliated companies, predecessors and successors thereto, as well as their respective officers, directors, agents, employees, affiliates, representatives, shareholders, assigns, and other affiliated or related persons or entities, and all benefit plans sponsored by them or their insurers, successors, and assigns (“Releasees”), from any and all legally waiveable claims, actions, charges, complaints, grievances and causes of action of whatever nature, whether now known or unknown, that exist or may in the future exist arising from or relating to events, acts or omissions from the beginning of time until the date he signs this Agreement, including but not limited to the following:
 - a. Claims related to his recruitment and hiring by Best Buy, his employment with Best Buy, the terms and conditions of his employment and/or the termination of his employment, including but not limited to, claims for bonuses or other pay, claims of tort, breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, discrimination, harassment, retaliation, violation of public policy, fraud, intentional or negligent misrepresentation, defamation, personal injury, or infliction of emotional distress;
 - b. Any statutory, civil, administrative, or common law claims, whether known or unknown, fixed or contingent,;
 - c. Any claim for benefits under the Best Buy Severance Plan and Summary Plan Description; and
 - d. Any claims arising from rights under federal, state, or local laws and regulations, including but not limited to claims brought under:
 - i. Title VII of the Civil Rights Act of 1964,
 - ii. Sections 1981 through 1988 of Title 42 of the United States Code,
 - iii. The Age Discrimination in Employment Act,
 - iv. The Older Workers Benefit Protection Act,
 - v. The Employee Retirement Income Security Act of 1971,
 - vi. The Equal Pay Act of 1963,
 - vii. The Americans with Disabilities Act of 1990,
 - viii. The ADA Amendments Act of 2008,
 - ix. The Family and Medical Leave Act,
 - x. The False Claims Act, and
 - xi. Any state or local anti-discrimination statute, ordinance or other law.
2. Executive agrees and represents that it is within his contemplation that he may have claims against the Releasees of which, as of the date he signs this Agreement, he has no knowledge or suspicion, but he agrees and acknowledges that this Agreement extends to all claims in any way based upon, connected with or related to his employment with Best Buy, whether or not known, claimed or suspected by him.
3. However, nothing in this Release is intended to waive or release any rights the Executive has or may have with respect to any compensation or benefits earned and accrued prior to his Separation Date in accordance with the terms of such plans and programs, rights Executive has or may have under existing law, to have Best Buy defend and indemnify Executive as provided in Paragraph 4 of the Agreement, or Executive's right to seek enforcement of this Agreement.

4. Executive acknowledges that he has the right to take 21 days after his Separation Date to consider this Release prior to entering into it. He further acknowledges that he has the right to revoke this Release within 15 days of its execution by giving written notice of such revocation by hand delivery or fax within said 15-day period to Best Buy (Attention: Charlie Montreuil, 7601 Penn Ave. South, Richfield, Minnesota 55423-3645), and that if he does exercise this right, the Agreement of which this Release is a part shall be null and void.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the undersigned has executed this Release on the date set forth below.

EXECUTIVE

Dated: _____

Michael A. Vitelli

**CONFIDENTIAL EMPLOYMENT TRANSITION, SEPARATION
AND GENERAL RELEASE AGREEMENT**

This Confidential Employment Transition, Separation and General Release Agreement (“Agreement”) is between James L. Muehlbauer for himself and his heirs, executors, administrators and assigns (hereinafter “Executive”), and Best Buy Co., Inc. and Best Buy Enterprise Services, Inc., as well as their direct and indirect subsidiaries and related entities and affiliates, foreign and domestic, whether or not controlled by Best Buy Co., Inc. (hereinafter collectively “Best Buy”) and shall be effective as of October 9, 2012.

WHEREAS, Best Buy and the Executive mutually agree that Executive's employment with Best Buy will terminate at the end of the Best Buy's 2013 Fiscal Year on February 3, 2013, unless Executive and Best Buy mutually agree on a different termination date (“Separation Date”); and

WHEREAS, Executive will continue, prior to the Separation Date, to perform services for Best Buy as its Chief Financial Officer or such other duties as set forth in Section 1 below; and

WHEREAS, through this Agreement, Best Buy will provide Executive with consideration, for which Executive agrees to undertake the obligations described in this Agreement;

IT IS HEREBY AGREED by and between Executive and Best Buy, as follows:

1. Executive agrees to continue to perform his normal duties as Chief Financial Officer in good faith and as reasonably directed by the Chief Executive Officer up through his Separation Date or such other duties as the Chief Executive Officer may reasonably assign consistent with Executive's employment transition and not inconsistent with a senior management position. Executive acknowledges that Best Buy may hire a new Chief Financial Officer before Executive's Separation Date, in which case Executive will no longer hold that position. Through his Separation Date, Best Buy will continue Executive's employment, and pay and provide him with his current base salary, participation in all compensation and incentive plans for which he is currently eligible (other than new grants) and all other benefits and perquisites available to senior management generally. Unless otherwise agreed by Best Buy, Executive acknowledges and agrees that he will not be entitled to any compensation or other benefits under this Agreement if he voluntarily terminates his employment before his Separation Date, as defined above. Notwithstanding the foregoing, if Executive and Best Buy mutually agree upon a Separation Date earlier than February 3, 2013, the terms and conditions of this Agreement shall apply.

2. Executive and Best Buy acknowledge that, as of his Separation Date, his employment relationship with Best Buy, including any and all officer, fiduciary and director positions with Best Buy, will end, without cause. As a condition to the payments set forth in Section 5, at the time of his Separation Date, Executive agrees to execute a release of claims ("Release") in the form attached hereto as Exhibit A. Immediately following Executive's Separation Date, Executive shall be entitled to the following:

- a. Payment for his vacation, if any, that is accrued but unused as of his Separation Date;
- b. Short-Term Incentive award to be paid, if earned, in accordance with the terms and conditions of the applicable Plan for Fiscal Year 2013. Executive acknowledges that any such award is not guaranteed;
- c. reimbursement of reasonable and usual business expenses incurred prior to the Separation Date, in accordance with the terms of the reimbursement policies of Best Buy in effect;
- d. distribution of benefits under the Best Buy 401(k) Plan and Deferred Compensation Plan in accordance with the terms of each respective plan and any elections made or to be made thereunder;
- e. right to exercise any vested stock options for a period of 60 days after the Separation Date in accordance with the terms of the respective grant agreements and the 2004 Omnibus Stock and Incentive Plan;
- f. any and all other rights and benefits provided under the terms of any compensation or employee benefit plan or program to which the Executive had earned or accrued benefits prior to the Separation Date.

3. Best Buy agrees to defend and indemnify Executive for acts prior to the Separation Date to the extent afforded to Best Buy's senior executive officers now and in the future in accordance with existing law, Best Buy's articles, bylaws and policies, and any coverage and legal defense under any applicable general liability and offers liability policies maintained by Best Buy, which obligation shall survive the Executive's Separation Date.

4. Executive acknowledges that he is unaware of any facts that may constitute a violation by him of Best Buy's Code of Conduct and/or any legal obligations.

5. Best Buy, for and in consideration of the undertakings of Executive as set forth herein and the Release, and intending to be legally bound, agrees to:

- a. Pay Executive a lump sum payment totaling \$1,400,000, consisting of (i) 24 months of base salary (\$1,350,000) and (ii) \$50,000 as additional consideration. This payment will be less employment tax withholdings, and will be made within 30 days after Executive's Separation Date, as long as Executive has not exercised his right of revocation in the time permitted hereunder. If Executive violates any provision of this Agreement, including the provisions in paragraphs 11, 12, 13, or 14, the entire lump sum payment will be subject to recovery by Best Buy, and any unexercised stock options will be subject to cancellation by Best Buy.
- b. Provide Executive, at Company expense, for 18 months following his Separation Date, COBRA continuation coverage for group medical, dental and vision under the Best Buy Health and Welfare Wrap Plan, or any successor Best Buy plans, if he is participating in the these programs as of his Separation Date, and at the coverage level and coverage option in place at the time of his Separation Date. To be eligible for this Company-paid COBRA coverage, Executive must timely elect COBRA continuation coverage.

As required by applicable tax law, Best Buy will report as taxable income to Executive (on IRS Form W-2) the value of the Company-paid COBRA coverage that is in excess of 6 months for the calendar year(s) in which Executive receives this coverage. Best Buy will also, on Executive's behalf, remit to relevant tax authorities withholding taxes relating to the COBRA subsidy (including withholding taxes on the remittance itself). For purposes of determining the aggregate amount remitted on Executive's behalf, Best Buy will treat the subsidy as supplemental wage income and withhold at the minimum required rate for all applicable federal, state and local income and employment taxes. If Executive's actual tax liability is higher than the remittance, any additional tax liability relating to the COBRA subsidy will be his responsibility.

Executive will also be permitted to continue coverage following the COBRA period for an additional period for an additional period of six months by paying the applicable premiums himself, consistent with the terms of the applicable plan.

- c. Provide Executive with vesting and exercise of stock options and restricted stock grants as follows:
 - i. As of his Separation Date, Executive will be vested in the remainder of his 102,669 Continuity Award restricted shares and the cash amounts previously paid under his Continuity Award Agreement dated June 21, 2012. 25,667 restricted shares vested prior to the date of this Agreement.
 - ii. As of his Separation Date, Executive will be vested in 45,334 (two-thirds) of the restricted shares awarded to him under his Retention Award Agreement dated as of April 6, 2011. The remaining one-third of such shares will not vest.
 - iii. As of the Separation Date, Executive shall receive any other options and shares that vest in accordance with the terms set forth in the respective governing agreements prior to February 3, 2013. Options that are vested as of Executive's Separation Date will be exercisable for 60 days following Executive's separation, in accordance with the governing option agreements and plan documents.

6. Except as set forth herein, it is expressly agreed and understood that Best Buy will not have any obligation to provide Executive at any time in the future with any payments, benefits or considerations other than those recited in Paragraphs 1, 2, 3 and 5 above, other than any vested benefits to which Executive may be entitled under the terms of Best Buy's benefit plans. Notwithstanding the preceding sentence, Executive acknowledges and agrees that, as set forth fully in the Release, he has released any claim to benefits he may have under the Best Buy Severance Plan.

7. Executive acknowledges and agrees that the terms and conditions of any performance stock award, restricted stock award and/or stock option award to which he and Best Buy are parties, including any provisions therein regarding confidentiality, noncompetition and nonsolicitation, remain in full force and effect and, except as otherwise described in Paragraph 5, 12 and 13, are in no way affected by or superseded by this Agreement. Executive shall be free without restriction to sell any Best Buy equity from and after the third day following the release of earnings for the quarter ending February 3, 2013, or such earlier date as permitted under the Best Buy Securities Trading Policy and applicable SEC rules and regulations.

8. Executive acknowledges that this Agreement by Best Buy, described herein, is not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by Best Buy, and that this Agreement is made voluntarily to provide an amicable conclusion of his employment relationship with Best Buy.

9. Executive covenants that, no later than his Separation Date, he will return all items of property and documents in his possession belonging to Best Buy.

10. Executive covenants that prior to any public disclosure of this Agreement by Best Buy, he has not communicated or disclosed, and he shall not hereafter communicate or disclose, the terms of this Agreement to any persons with the exception of members of his immediate family, his attorney, and his accountant or tax advisor, each of whom shall be informed of this confidentiality obligation and shall be bound by its terms, or any taxing authority. Prior to any public disclosure of this Agreement by Best Buy, Executive shall be permitted to disclose to any prospective employer Paragraphs 13, 14, 15, and 16 of this Agreement

11. Executive shall be afforded the reasonable opportunity prior to release to review and comment on any internal or external communications regarding his transition from Chief Financial Officer or his separation from employment with Best Buy. Executive agrees that either prior to or following the Separation Date he shall not take any action that is adverse to Best Buy's business interests and the Executive and Best Buy's executive management employees and directors agree not to make any critical or negative statement, either written or verbal, about the other party, including but not limited to critical or negative comments about Executive or about Best Buy, its officers, directors, managers, employees, Releasees (as defined in the Release), operations, procedures, activities, services, policies and practices. Nothing in this Paragraph precludes Executive or any Releasee from testifying truthfully or in responding to any untrue statement by Executive or by any Best Buy executive officer or director, subject to the limitations in Paragraph 17.

12. Notwithstanding anything in any restrictive covenant between Best Buy and Executive, the definition of Competitive Activity or similar term shall have the meaning as set forth in Paragraph 13.a. of this Agreement.

13. By signing this Agreement, Executive agrees to the restrictions and agreements contained in this Paragraph 13 (the "Restrictive Covenants").

- a. Competitive Activity. For one year following Executive's Separation Date, he shall not engage in any Competitive Activity. Because Best Buy's business competes on a global basis, Executive's obligations hereunder shall apply anywhere in the world.

"Competitive Activity" will mean any activities that materially compete with the Restricted Activities (as defined below). Specifically, while not limited to the following, Executive agrees that he will not, directly or indirectly:

- i. own or hold, directly or beneficially, as a shareholder (other than as a shareholder with less than 1% of the outstanding common stock of a publicly traded corporation), option holder, warrant holder, partner, member or other equity or security owner or holder any company or business that derives more than 25% of its revenue from the Restricted Activities (as defined below), or any company or business controlling, controlled by or under common control with any company or business that derives more than 25% of its revenue from the Restricted Activities or
- ii. engage or participate as an employee, director, officer, manager, executive, partner, independent contractor, board member, consultant or technical or business advisor that materially competes with Best Buy in the Restricted Activities.

"Restricted Activities" means the business conducted by Best Buy or its subsidiaries at or prior to the date of the termination of Executive's employment, as described in Best Buy's periodic reports filed pursuant to the

Securities Exchange Act of 1934 (e.g ., Best Buy's Annual Report on Form 10-K) or other comparable publicly disseminated information.

- b. Non-Solicitation. For one year following Executive's Separation Date, he shall not:
- i. induce or attempt to induce any employee of Best Buy to leave the employ of Best Buy, or in any way interfere adversely with the relationship between any such employee and Best Buy;
 - ii. induce or attempt to induce any employee of Best Buy to work for, render services to, provide advice to, or supply confidential information to, any third person, firm, or corporation;
 - iii. employ, or otherwise pay for services rendered by, any employee of Best Buy in any competitive business enterprise with which Executive may be associated, connected or affiliated;
 - iv. induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Best Buy to cease doing business with Best Buy, or in any way interfere with the then existing business relationship between any such customer, supplier, licensee, licensor or other business relation and Best Buy; or
 - v. assist, solicit, or encourage any other person, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Paragraph 13 if such activity were carried out by Executive. In particular, Executive will not, directly or indirectly, induce any employee of Best Buy to carry out any such activity.

14. Executive agrees:

- a. That he shall not disclose to any party any CONFIDENTIAL or TOP SECRET information as those terms are defined by the Best Buy Confidentiality Policy, nor shall he use any such information, directly or indirectly, for the benefit of himself or any third party.
- b. To abide by any previous agreements to assign to Best Buy, all of his right, title, and interest in any inventions, works of authorship, designs, ideas, trademarks, or trade secrets, whether or not patentable or registrable, that he created, conceived, or reduced to practice, during his employment with, and within the scope of his duties as an employee of Best Buy, its subsidiaries and affiliates (Collectively referred to as "Best Buy Companies Intellectual Property"). Furthermore, he hereby assigns to Best Buy all of his right, title, and interest in Best Buy Companies Intellectual Property. Any invention, discovery, innovation or improvement that he can show was developed entirely on his own time and without the use of any of Best Buy's equipment, supplies, facilities, or CONFIDENTIAL or TOP SECRET information and: (1) does not relate to the business of Best Buy or its actual or anticipated research or development; or (2) does not result from any work performed by him for Best Buy, shall not be part of the Best Buy Companies Intellectual Property. He agrees that he will, at any time upon request and without further consideration, execute additional documents and do additional acts as Best Buy may deem necessary or desirable to perfect its interest in the Best Buy Companies Intellectual Property.

15. Executive agrees that his obligations under this Agreement, including his obligations under Paragraphs 13 and 14, are reasonable in subject matter, scope, geography and time, and are reasonable and necessary for Best Buy to protect its legitimate business interests. Executive further agrees that these obligations shall not prevent him from pursuing or obtaining other employment or earning a living utilizing his skills, education, experience and knowledge of information that is not CONFIDENTIAL or TOP SECRET Information. In the event that any portion of Paragraphs 13 or 14 of this Agreement, including all of their subparts, shall be determined by any court of competent jurisdiction to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such court in such action. Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

16. Executive agrees that a breach of any of the provisions of Paragraphs 13 or 14 would cause material and irreparable harm to Best Buy that would be difficult or impossible to measure, and that damages or other legal remedies available to Best Buy for any such injury would, therefore, be an inadequate remedy for any such breach. Accordingly, Executive agrees that if he breaches any of the provisions of Paragraphs 13 or 14, Best Buy shall be entitled, in addition to and without limitation upon all other remedies Best Buy may have under this Agreement, at law or otherwise, to obtain injunctive or other appropriate equitable relief, without bond or other security, to restrain any such breach. Executive further agrees that

the duration of the Restrictive Covenants shall be extended by the same amount of time that Executive is in breach of any Restrictive Covenant.

17. Executive agrees to refrain from voluntarily participating in, or assisting others in, any proceedings against Best Buy, except that this Agreement does not bar Executive from participating in or otherwise providing information to a governmental agency or from providing testimony, as required by subpoena, in a court of competent jurisdiction or by law.

18. Executive agrees to reasonably cooperate with Best Buy in the investigation, defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of Best Buy by any third party against Best Buy or by Best Buy against any third party and with respect to which Executive has personal knowledge. Executive also agrees that his reasonable cooperation in connection with such claims or actions shall include, but not be limited to, being reasonably available taking into account any subsequent employment obligations of Executive to meet with Best Buy's counsel to prepare for discovery, any mediation, arbitration, trial, administrative hearing or other proceeding, and to act as a witness when requested by Best Buy at reasonable times and locations designated by Best Buy. Moreover, unless otherwise prohibited by law, Executive agrees to notify the General Counsel of Best Buy if he is asked by any person, entity or agency to assist, testify or provide information in any such proceeding or investigation. Such notice shall be in writing and sent by overnight mail within five business days of the time Executive receives the request for assistance, testimony or information. If Executive is not legally permitted to provide such notice, he agrees that he shall request that the person, entity or agency seeking assistance, testimony or information provide notice consistent with this Section. Best Buy agrees to reimburse Executive for his reasonable out of pocket costs in providing cooperation under this Section, including travel expenses, meals and lodging. If out-of town travel is required, Best Buy agrees to pay a per diem to Executive consistent with his prior annual base salary.

19. Executive hereby certifies that:

- a. he has read the terms of this Agreement;
- b. he is hereby advised by Best Buy to consult with an attorney of his own choice regarding this Agreement, and has had the opportunity to do so;
- c. he understands the terms and effects of this Agreement;
- d. through this Agreement, he has been offered copies of the Best Buy Severance Plan and Summary Plan Description, which he understands contains eligibility requirements and other information regarding the Best Buy Severance Plan and the severance benefits available under the Plan, which he agrees he is not entitled to by virtue of his separation from Best Buy;
- e. through this Agreement, he has been offered copies of any and all plan documents referred to in this Agreement, as well as any documents which he feels he otherwise wishes to review in advance of signing this Agreement;
- f. through this Agreement, he will receive substantial consideration for which he agrees to undertake the obligations set forth in this Agreement;
- g. he has the intention of releasing all claims recited herein in exchange for the consideration described herein, which he acknowledges as adequate and satisfactory to him; and
- h. neither Best Buy nor any of its agents, representatives or attorneys has made any representations to Executive concerning the terms or effects of this Agreement other than those contained herein.

20. This Agreement shall be governed by, and interpreted under, the laws of the State of Minnesota without giving effect to any conflict of laws provisions or canons of construction that construe agreements against the draftsman. Further, the courts sitting in the State of Minnesota, United States of America, shall be the exclusive venues for resolution of any dispute arising hereunder.

21. The parties affirm that the terms stated herein are the only consideration for signing this Agreement, and that no other representations, promises, or agreements of any kind have been made to them by any person or entity whatsoever to cause them to sign this Agreement.

22. This Agreement is intended to satisfy the requirements of Section 409A (a)(2), (3), and (4) of the Internal Revenue Code, including current and future guidance and regulations and the payments provided to Executive are intended to be exempt from, or if not exempt, comply with Section 409A. To the extent that any provision of this Agreement fails to satisfy those requirements, the provision shall automatically be modified in a manner that, in the good faith opinion of Best Buy, brings the provision into compliance with those requirements while preserving as closely as possible the original intent of the provision and this Agreement. In particular, and without limiting the preceding, any payment under this Agreement that would otherwise be treated as deferred compensation under Section 409A of the code shall be delayed until the first day of the seventh month after the date of separation from service as determined under said Section 409A.

23. The parties agree that if any provision, or portion of a provision, of this Agreement is, for any reason, held to be unenforceable, the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the invalid or unenforceable provision and will be interpreted so as to effect, as closely as possible, the intent of the parties hereto.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have executed the foregoing Agreement on the dates set forth below.

Dated: October 9, 2012

/s/ JAMES L. MUEHLBAUER

James L. Muehlbauer

Dated: October 9, 2012

Best Buy, as defined above

By: /s/ KEITH J. NELSEN

Name: Keith J. Nelsen

Executive Vice President, General Counsel and Secretary

RELEASE

1. In consideration for the amounts set forth in Paragraph 5 of the Agreement between Executive and Best Buy dated as of October 9, 2012 (“Agreement”), Executive fully and forever waives, releases, acquits and discharges Best Buy, as well as any and all of its past, current and future parent, subsidiary and affiliated companies, predecessors and successors thereto, as well as their respective officers, directors, agents, employees, affiliates, representatives, shareholders, assigns, and other affiliated or related persons or entities, and all benefit plans sponsored by them or their insurers, successors, and assigns (“Releasees”), from any and all legally waiveable claims, actions, charges, complaints, grievances and causes of action of whatever nature, whether now known or unknown, that exist or may in the future exist arising from or relating to events, acts or omissions from the beginning of time until the date he signs this Agreement, including but not limited to the following:
 - a. Claims related to his recruitment and hiring by Best Buy, his employment with Best Buy, the terms and conditions of his employment and/or the termination of his employment, including but not limited to, claims for bonuses or other pay, claims of tort, breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, discrimination, harassment, retaliation, violation of public policy, fraud, intentional or negligent misrepresentation, defamation, personal injury, or infliction of emotional distress;
 - b. Any statutory, civil, administrative, or common law claims, whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed;
 - c. Any claim for benefits under the Best Buy Severance Plan and Summary Plan Description; and
 - d. Any claims arising from rights under federal, state, or local laws and regulations, including but not limited to claims brought under:
 - i. Title VII of the Civil Rights Act of 1964,
 - ii. Sections 1981 through 1988 of Title 42 of the United States Code,
 - iii. The Age Discrimination in Employment Act,
 - iv. The Older Workers Benefit Protection Act,
 - v. The Employee Retirement Income Security Act of 1971,
 - vi. The Equal Pay Act of 1963,
 - vii. The Americans with Disabilities Act of 1990,
 - viii. The ADA Amendments Act of 2008,
 - ix. The Family and Medical Leave Act,
 - x. The False Claims Act, and
 - xi. Any state or local anti-discrimination statute, ordinance or other law.
2. Executive agrees and represents that it is within his contemplation that he may have claims against the Releasees of which, as of the date he signs this Agreement, he has no knowledge or suspicion, but he agrees and acknowledges that this Agreement extends to all claims in any way based upon, connected with or related to his employment with Best Buy, whether or not known, claimed or suspected by him.
3. However, nothing in this Release is intended to waive or release any rights the Executive has or may have with respect to any compensation or benefits earned and accrued prior to his Separation Date in accordance with the terms of such plans and programs, rights Executive has or may have under existing law, to have Best Buy defend and indemnify Executive as provided in Paragraph 3 of the Agreement, or Executive's right to seek enforcement of this Agreement.

4. Executive acknowledges that he has the right to take 21 days after his Separation Date to consider this Release prior to entering into it. He further acknowledges that he has the right to revoke this Release within 15 days of its execution by giving written notice of such revocation by hand delivery or fax within said 15-day period to Best Buy (Attention: Charlie Montreuil, 7601 Penn Ave. South, Richfield, Minnesota 55423-3645), and that if he does exercise this right, the Agreement of which this Release is a part shall be null and void.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the undersigned has executed this Release on the date set forth below.

EXECUTIVE

Dated: _____

James L. Muehlbauer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Hubert Joly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Best Buy Co., 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 period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control 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 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 the registrant's board of directors (or persons performing equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control 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: December 5, 2012

/s/ HUBERT JOLY

Hubert Joly

President and Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James L. Muehlbauer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Best Buy Co., 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 period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control 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 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 the registrant's board of directors (or persons performing equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control 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: December 5, 2012

/s/ JAMES L. MUEHLBAUER

James L. Muehlbauer

*Executive Vice President — Finance
and Chief Financial Officer*

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

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned President and Chief Executive Officer of Best Buy Co., Inc. (the “Company”), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 3, 2012 (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: December 5, 2012

/s/ HUBERT JOLY

Hubert Joly

President and Chief Executive Officer

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

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Executive Vice President — Finance and Chief Financial Officer of Best Buy Co., Inc. (the “Company”), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 3, 2012 (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: December 5, 2012

/s/ JAMES L. MUEHLBAUER

James L. Muehlbauer
*Executive Vice President — Finance
and Chief Financial Officer*