BEST BUY CO INC
Form 10-Q
December 05, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

x 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 CO., INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Minnesota | 41-0907483 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 7601 Penn Avenue South | |
| Richfield, Minnesota | 55423 |
| (Address of principal executive offices) | (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 x 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 x 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 x | 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 x

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.

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FORM 10-Q FOR THE QUARTER ENDED NOVEMBER 3, 2012
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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BEST BUY CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
($ in millions)
(Unaudited)

| | November 3, 2012 | March 3, 2012 | October 29, 2011 (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 | 11,846 | 10,297 | 12,939 |
| 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 | 524 | 403 | 469 |
| TOTAL ASSETS | $17,556 | $16,005 | $20,127 |

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.

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BEST BUY CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
($ in millions)
(Unaudited)

| | November 3, 2012 | March 3, 2012 | October 29, 2011 (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 | 11,148 | 8,855 | 10,711 |
| | | | |
| 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 | 3,507 | 3,745 | 5,857 |
| Noncontrolling interests | 621 | 621 | 706 |
| Total equity | 4,128 | 4,366 | 6,563 |
| | | | |
| TOTAL LIABILITIES AND EQUITY | $17,556 | $16,005 | $20,127 |

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.

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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 (recast) | November 3, 2012 | October 29, 2011 (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 |

See Notes to Condensed Consolidated Financial Statements.

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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 | 338 | $ 34 | $ 40 | $ 3,328 | $ 105 | $ 3,507 | $ 621 | $ 4,128 |
| | | | | | | | | |
| 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) | 358 | $ 36 | $ — | $ 5,676 | $ 145 | $ 5,857 | $ 706 | $ 6,563 |

See Notes to Condensed Consolidated Financial Statements.

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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 | (121) | 1,900 |
| 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 | (412) | (555) |
| 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 | (607) | (611) |
| 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 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $309 | $2,073 |

See Notes to Condensed Consolidated Financial Statements.

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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

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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 | $108 | $115 |

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

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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 (recast) | November 3, 2012 | October 29, 2011 (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

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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:

| Description | Nature of collateral or guarantee | November 3, 2012 | March 3, 2012 | October 29, 2011 (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.

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Our investments in marketable equity securities were as follows:

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

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.

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| | 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 | — |

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| | Fair Value at October 29, 2011 (recast) | Fair Value Measurements Using Inputs Considered as Quoted Prices in Active Markets for Identical Assets (Level 1) (recast) | Significant Other Observable Inputs (Level 2) (recast) | Significant Unobservable Inputs (Level 3) (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 |

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| | 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) | $82 | $2 | $84 |

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.

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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.

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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 (recast) | Cumulative Impairment (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 (recast) | Accumulated Amortization (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 |

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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-

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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 |

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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 | $1 | $34 | $35 |

(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.

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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 | Nine Months Ended | | Cumulative Amount | Nine Months Ended | | Cumulative Amount |
| | November 3, 2012 | October 29, 2011 (recast) | through November 3, 2012 | November 3, 2012 | October 29, 2011 (recast) | through November 3, 2012 | November 3, 2012 | October 29, 2011 (recast) | through November 3, 2012 |
| 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 | $— | $5 | $5 |

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## 8. Debt

### Short-Term Debt

Short-term debt consisted of the following:

| | November 3, 2012 | March 3, 2012 | October 29, 2011 (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 | $310 | $480 | $163 |

### 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.

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Long-Term Debt

Long-term debt consisted of the following:

| | November 3, 2012 | March 3, 2012 | October 29, 2011 (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 | 1,702 | 1,728 | 2,134 |
| Less: current portion[(1)] | (544) | (43) | (442) |
| Total long-term debt, less current portion | $1,158 | $1,685 | $1,692 |

(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

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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:

| | November 3, 2012 | | March 3, 2012 | | October 29, 2011 | |
|---|---|---|---|---|---|---|
| Contract Type | 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:

| | Three Months Ended November 3, 2012 | | Nine Months Ended November 3, 2012 | |
|---|---|---|---|---|
| Contract Type | 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) |

| | Three Months Ended October 29, 2011 | | Nine Months Ended October 29, 2011 | |
|---|---|---|---|---|
| Contract Type | 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:

Gain (Loss) Recognized within SG&A

| Contract Type | 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 |

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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 November 3, 2012 | October 29, 2011 (recast) | Nine Months Ended 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 | $(13) | $174 | $160 | $582 |
| | | | | |
| 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 |
| | 337.2 | 372.4 | 340.4 | 386.2 |

| | | | | |
|---|---|---|---|---|
| Weighted-average common shares outstanding, assuming dilution | | | | |
| | | | | |
| 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

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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:

| | November 3, 2012 | March 3, 2012 | October 29, 2011 (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 | $105 | $90 | $145 |

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.

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | November 3, 2012 | October 29, 2011 (recast) | November 3, 2012 | October 29, 2011 (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.

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Revenue by reportable segment was as follows:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | November 3, 2012 | October 29, 2011 (recast) | November 3, 2012 | October 29, 2011 (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 (recast) | November 3, 2012 | October 29, 2011 (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

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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.

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## 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

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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,

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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 (recast) | | November 3, 2012 | | October 29, 2011 (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 November 3, 2012 | Nine Months Ended 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)% |

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(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.

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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 (recast) | November 3, 2012 | October 29, 2011 (recast) |
| Operating income | $12 | $381 | $307 | $1,101 |
| Restructuring charges | 36 | — | 254 | 4 |
| Adjusted operating income | $48 | $381 | $561 | $1,105 |
| | | | | |
| 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 | $10 | $173 | $324 | $581 |
| | | | | |
| 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 | $0.03 | $0.47 | $0.95 | $1.51 |

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.

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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 (recast) | | November 3, 2012 | | October 29, 2011 (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 |

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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 Three Months Ended | | Comparable Store Sales Three Months Ended | |
|---|---|---|---|---|
| | November 3, 2012 | October 29, 2011 (recast) | November 3, 2012 | October 29, 2011 (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

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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.

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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 (recast) | November 3, 2012 | October 29, 2011 (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 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 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.

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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 (recast) | November 3, 2012 | October 29, 2011 (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

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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):

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

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.

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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 | $11,466 | $11,610 | $11,653 |
| | | | |
| 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 | $3,876 | $4,486 | $4,493 |
| | | | |
| 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 | $(890) | $970 |

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;

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- 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.

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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

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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 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.

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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.

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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.

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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

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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 | |

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| | 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. |

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(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.

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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)

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| Date: December 5, 2012 | By: | /s/ HUBERT JOLY<br>Hubert Joly<br>President and Chief Executive Officer<br>(duly authorized and principal executive officer) |
| Date: December 5, 2012 | By: | /s/ JAMES L. MUEHLBAUER<br>James L. Muehlbauer<br>Executive Vice President — Finance<br>and Chief Financial Officer<br>(duly authorized and principal financial officer) |
| Date: December 5, 2012 | By: | /s/ SUSAN S. GRAFTON<br>Susan S. Grafton<br>Senior Vice President, Controller<br>and Chief Accounting Officer<br>(duly authorized and principal accounting officer) |