BEST BUY CO INC
Form 10-Q
January 07, 2010

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o

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 28, 2009

OR

o	**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 o**

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 (§ 229.405 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 o**

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 o
Non-accelerated filer o	Smaller reporting company o

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

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 418,032,000 shares outstanding as of November 28, 2009.

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BEST BUY CO., INC.

FORM 10-Q FOR THE QUARTER ENDED NOVEMBER 28, 2009

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PART I FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

BEST BUY CO., INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

($ in millions, except per share amounts)

(Unaudited)

	November 28, 2009	February 28, 2009	November 29, 2008
CURRENT ASSETS			
Cash and cash equivalents	$ 564	$ 498	$ 569
Short-term investments	93	11	25
Receivables	2,630	1,868	2,638
Merchandise inventories	8,978	4,753	8,207
Other current assets	1,002	1,062	879
Total current assets	13,267	8,192	12,318
PROPERTY AND EQUIPMENT, NET	4,123	4,174	4,268
GOODWILL	2,421	2,203	2,414
TRADENAMES	163	173	182
CUSTOMER RELATIONSHIPS	292	322	420
EQUITY AND OTHER INVESTMENTS	332	395	435
OTHER ASSETS	502	367	610
TOTAL ASSETS	$ 21,100	$ 15,826	$ 20,647

NOTE: The consolidated balance sheet as of February 28, 2009, 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 SHAREHOLDERS EQUITY

($ in millions, except per share amounts)

(Unaudited)

		November 28, 2009		February 28, 2009		November 29, 2008
CURRENT LIABILITIES						
Accounts payable	$	9,083	$	4,997	$	8,219
Unredeemed gift card liabilities		425		479		468
Accrued compensation and related expenses		482		459		410
Accrued liabilities		1,856		1,382		1,749
Accrued income taxes		55		281		148
Short-term debt		741		783		2,153
Current portion of long-term debt		36		54		48
Total current liabilities		12,678		8,435		13,195
LONG-TERM LIABILITIES		1,194		1,109		1,093
LONG-TERM DEBT		1,104		1,126		1,125
SHAREHOLDERS EQUITY						
Best Buy Co., Inc. Shareholders Equity						
Preferred stock, $1.00 par value: Authorized 400,000 shares; Issued and outstanding none						
Common stock, $.10 par value: Authorized 1.0 billion shares; Issued and outstanding 418,032,000, 413,684,000 and 413,429,000 shares, respectively		42		41		41
Additional paid-in capital		404		205		172
Retained earnings		5,076		4,714		4,202
Accumulated other comprehensive income (loss)		7		(317)		145
Total Best Buy Co., Inc. shareholders equity		5,529		4,643		4,560
Noncontrolling interests		595		513		674
Total shareholders equity		6,124		5,156		5,234
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	21,100	$	15,826	$	20,647

NOTE: The consolidated balance sheet as of February 28, 2009, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

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BEST BUY CO., INC.

CONSOLIDATED STATEMENTS OF EARNINGS

($ in millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Revenue	$ 12,024	$ 11,500	$ 33,141	$ 30,291
Cost of goods sold	9,082	8,639	24,958	22,916
Gross profit	2,942	2,861	8,183	7,375
Selling, general and administrative expenses	2,566	2,587	7,179	6,485
Restructuring charges			52	
Operating income	376	274	952	890
Other income (expense)				
Investment income (expense) and other	11	(3)	38	27
Investment impairment		(111)		(111)
Interest expense	(23)	(35)	(68)	(69)
Earnings before income tax expense and equity in earnings of affiliates	364	125	922	737
Income tax expense	93	68	338	296
Equity in earnings of affiliates		6		5
Net earnings including noncontrolling interests	271	63	584	446
Net earnings attributable to noncontrolling interests	(44)	(11)	(46)	(13)
Net earnings attributable to Best Buy Co., Inc.	$ 227	$ 52	$ 538	$ 433
Earnings per share attributable to Best Buy Co., Inc.				
Basic	$ 0.54	$ 0.13	$ 1.29	$ 1.05
Diluted	$ 0.53	$ 0.13	$ 1.27	$ 1.04
Dividends declared per common share	$ 0.14	$ 0.14	$ 0.42	$ 0.40
Weighted average common shares outstanding (in millions)				
Basic	417.1	412.9	416.3	412.1
Diluted	428.6	422.6	426.8	422.7

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 28, 2009	November 29, 2008
OPERATING ACTIVITIES		
Net earnings including noncontrolling interests	$ 584	$ 446
Adjustments to reconcile net earnings including noncontrolling interests to total cash provided by (used in) operating activities		
Depreciation	614	520
Amortization of definite-lived intangible assets	66	42
Investment impairment charge		111
Restructuring charges	52	
Stock-based compensation	88	82
Deferred income taxes	(41)	(66)
Excess tax benefits from stock-based compensation	(3)	(5)
Other, net	(4)	3
Changes in operating assets and liabilities, net of acquired assets and liabilities		
Receivables	(691)	(1,032)
Merchandise inventories	(4,087)	(3,210)
Other assets	(5)	(117)
Accounts payable	3,936	3,285
Other liabilities	374	152
Income taxes	(204)	(291)
Total cash provided by (used in) operating activities	679	(80)
INVESTING ACTIVITIES		
Additions to property and equipment, net of $160 non-cash capital expenditures in the nine months ended November 29, 2008	(469)	(927)
Purchases of investments	(10)	(95)
Sales of investments	46	255
Acquisition of businesses, net of cash acquired		(2,167)
Change in restricted assets	19	(17)
Settlement of net investment hedges	27	
Other, net	(18)	(18)
Total cash used in investing activities	(405)	(2,969)
FINANCING ACTIVITIES		
Borrowings of debt	3,593	4,314
Repayments of debt	(3,703)	(2,082)
Dividends paid	(175)	(165)

Issuance of common stock under employee stock purchase plan and for the exercise of stock options		120		78
Acquisition of noncontrolling interests		(34)		
Excess tax benefits from stock-based compensation		3		5
Other, net		(12)		(9)
Total cash (used in) provided by financing activities		(208)		2,141
EFFECT OF EXCHANGE RATE CHANGES ON CASH				39
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		66		(869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		498		1,438
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	564	$	569

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. 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 February 28, 2009.

We consolidate the financial results of our Europe, China and Mexico operations on a two-month lag. There were no intervening events that would have significantly affected our consolidated financial statements had they been recorded during the three months ended November 28, 2009, except for the settlement of a tax matter with a taxing authority within our Best Buy Europe business that favorably impacted our income tax expense and net earnings attributable to Best Buy Co., Inc. by $61 and $31, respectively. Our policy is to record the effect of events occurring in the lag period that significantly affect our consolidated financial statements; as a result, the settlement is included in our fiscal third quarter results.

In preparing the accompanying unaudited condensed consolidated financial statements, we evaluated the period from November 29, 2009 through January 5, 2010, the date the financial statements herein were available to be issued, for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

Reclassifications

To maintain consistency and comparability, we reclassified certain prior-year amounts to conform to the current-year presentation as described in Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009. To conform to the current-year presentation, which presents customer relationships separately on our consolidated balance sheets, we reclassified to customer relationships, $420 at November 29, 2008, which was previously reported in other assets on our condensed consolidated balance sheet.

In addition, as a result of the adoption of new guidance related to the treatment of noncontrolling interests in consolidated financial statements, as described below in *New Accounting Standards*, we:

- reclassified to noncontrolling interests, a component of shareholders equity, $513 and $674 at February 28, 2009, and November 29, 2008, respectively, which was previously reported as minority interests on our condensed consolidated balance sheets;

- reported as separate captions within our consolidated statements of earnings, net earnings including noncontrolling interests, net (earnings) loss attributable to noncontrolling interests, and net earnings attributable to Best Buy Co., Inc. of $63, $(11) and $52, respectively, for the three months ended November 29, 2008, and $446, $(13) and $433, respectively, for the nine months ended November 29, 2008; and

- utilized net earnings including noncontrolling interests of $446 for the nine months ended November 29, 2008, as the starting point on our consolidated statements of cash flows in order to reconcile net earnings to cash flows from operating activities, rather than beginning with net earnings, which was previously exclusive of noncontrolling interests.

These reclassifications had no effect on previously reported consolidated operating income, net earnings attributable to Best Buy Co., Inc., or net cash flows from operating activities. Also, earnings per share continues to be based on net earnings attributable to Best Buy Co., Inc.

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New Accounting Standards

Accounting Standards Codification In June 2009, the Financial Accounting Standards Board (FASB) issued a standard that established the FASB Accounting Standards Codification (the ASC), which effectively amended the hierarchy of U.S. generally accepted accounting principles (GAAP) and established only two levels of GAAP, authoritative and nonauthoritative. All previously existing accounting standard documents were superseded, and the ASC became the single source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission (SEC), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the ASC became nonauthoritative. The ASC was intended to provide access to the authoritative guidance related to a particular topic in one place. New guidance issued subsequent to June 30, 2009 will be communicated by the FASB through Accounting Standards Updates. The ASC was effective for financial statements for interim or annual reporting periods ending after September 15, 2009. We adopted and applied the provisions of the ASC for our third fiscal quarter ended November 28, 2009, and have eliminated references to pre-ASC accounting standards throughout our consolidated financial statements. Our adoption of the ASC did not have a material impact on our consolidated financial statements.

Consolidation of Variable Interest Entities In June 2009, the FASB issued new guidance on the consolidation of variable interest entities (VIE) in response to concerns about the application of certain key provisions of pre-existing guidance, including those regarding the transparency of the involvement with a VIE. Specifically, this new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, this new guidance requires additional disclosures about the involvement with a VIE and any significant changes in risk exposure due to that involvement. This new guidance is effective for fiscal years beginning after November 15, 2009. We plan to adopt the new guidance in fiscal 2011 and are evaluating the impact it will have on our consolidated financial statements.

Transfers of Financial Assets In June 2009, the FASB issued new guidance on accounting for transfers of financial assets which eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity s continuing involvement in and exposure to the risks related to transferred financial assets. This new guidance is effective for fiscal years beginning after November 15, 2009. We plan to adopt the new guidance in fiscal 2011 and are evaluating the impact it will have on our consolidated financial statements.

Subsequent Events In May 2009, the FASB issued new guidance on the treatment of subsequent events which is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This new guidance was effective for fiscal years and interim periods ended after June 15, 2009, and must be applied prospectively. We adopted and applied the provisions of the new guidance for our second fiscal quarter ended August 29, 2009, and have included the required disclosures in the *Basis of Presentation* section above. Our adoption of the new guidance did not have an impact on our consolidated financial position or results of operations.

Fair Value and Other-Than-Temporary Impairments In April 2009, the FASB issued new guidance intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities. New guidance related to determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly provides additional guidelines for estimating fair value in accordance with pre-existing guidance on fair value measurements. New guidance on recognition and presentation of other-than-temporary impairments provides additional guidance related to the disclosure of

impairment losses on securities and the accounting for impairment losses on debt securities, but does not amend existing guidance related to other-than-temporary impairments of equity securities. Lastly, new guidance on interim disclosures about the fair value of financial instruments increases the frequency of fair value disclosures. The new guidance was effective for fiscal years and interim periods ended after June 15, 2009. As such, we adopted the new guidance in the second quarter of fiscal 2010, and have included the additional required interim disclosures about the fair value of financial instruments and valuation techniques within Note 3, *Investments*, and Note 4, *Fair Value Measurements*. Our adoption of the new guidance did not have a material impact on our consolidated financial position or results of operations.

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Derivatives and Hedging Disclosures In March 2008, the FASB issued new guidance on disclosures about derivative instruments and hedging activities. This new guidance is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effect these instruments and activities have on an entity s financial position, financial performance and cash flows. Entities are required to provide enhanced disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under existing GAAP; and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. This new guidance was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Our adoption of the guidance in the fourth quarter of fiscal 2009 had no impact on our consolidated financial statements. However, in the first quarter of fiscal 2010, we entered into significant derivative hedging contracts and, accordingly, we have included the disclosures required by the new guidance in Note 8, *Derivative Instruments*, which are provided on a prospective basis.

Business Combinations In December 2007, the FASB issued new guidance on business combinations which significantly changed the accounting for business combinations in a number of areas, including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under this new guidance, changes in an acquired entity s deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. This new guidance was effective for fiscal years beginning after December 15, 2008. We adopted the new guidance on March 1, 2009, which changed our accounting treatment for business combinations on a prospective basis.

Noncontrolling Interests In December 2007, the FASB issued new guidance on noncontrolling interests in consolidated financial statements. This new guidance changes the accounting and reporting for minority interests, which must be recharacterized as noncontrolling interests and classified as a component of shareholders equity. This new consolidation method significantly changes the accounting for transactions with minority interest holders. This new guidance was effective for fiscal years beginning after December 15, 2008. We adopted the new guidance on March 1, 2009, and applied its provisions prospectively, except for the presentation and disclosure requirements, which we applied retrospectively. Our adoption of the new guidance did not have a material impact on our consolidated financial statements other than the following reporting and disclosure changes which we applied retrospectively to all periods presented:

(i) we recharacterized minority interests previously reported on our condensed consolidated balance sheets as noncontrolling interests and classified them as a component of shareholders equity;

(ii) we adjusted certain captions previously utilized on our consolidated statements of earnings to specifically identify net earnings attributable to noncontrolling interests and net earnings attributable to Best Buy Co., Inc.; and

(iii) in order to reconcile net earnings to the cash flows from operating activities, we changed the starting point on our consolidated statements of cash flows from net earnings to net earnings including noncontrolling interests, with net earnings or loss from the noncontrolling interests (previously, minority interests) no longer a reconciling item in arriving at net cash flows from operating activities in our consolidated statement of cash flows.

Additional disclosures required by this new guidance are included in Note 11, *Supplemental Equity and Comprehensive Income Information*.

2. Acquisitions

Five Star

We acquired a 75% interest in Jiangsu Five Star Appliance Co., Ltd. (Five Star) in June 2006, for $184, which included a working capital injection of $122. At the time of the acquisition, we also entered into an agreement with Five Star s minority shareholders to acquire the remaining 25% interest in Five Star within four years, subject to Chinese government approval.

On February 6, 2009, we were granted a business license to acquire the remaining 25% interest in Five Star and our acquisition converted Five Star into a wholly-owned foreign enterprise. The $191 purchase price for the remaining 25% interest was primarily based on a previously agreed-upon pricing formula, consisting of a base purchase price and an earn-out for the remaining Five Star shareholders. The amount paid in excess of the fair value of the net assets acquired, as agreed to at the time of the initial purchase, furthers our international growth plans and accelerates the integration of Best Buy and Five Star in China.

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The acquisition of the remaining 25% interest in Five Star for $191 was accounted for using the purchase method. We recorded the net assets acquired at their estimated fair values. We included Five Star s operating results, which are reported on a two-month lag, from the date of acquisition as part of our International segment. The purchase price allocation is preliminary and will be finalized no later than the fourth quarter of fiscal 2010. None of the goodwill is deductible for tax purposes.

The preliminary purchase price allocation was as follows:

Net assets of noncontrolling interests	$	48
Tradenames		8
Goodwill		137
Total assets		193
Long-term liabilities		(2)
Purchase price allocated to assets and liabilities acquired	$	191

Napster

On October 25, 2008, we acquired Napster, Inc. (Napster) for $122 (or $101 net of cash acquired), pursuant to a cash tender offer whereby all issued and outstanding shares of Napster common stock, and all stock purchase rights associated with such shares, were acquired by us at a price of $2.65 per share. Of the $122 purchase price, $4 represented our previous ownership interest in Napster common shares. The effective acquisition date for accounting purposes was the close of business on October 31, 2008, the end of Napster s fiscal October.

We entered into this transaction as we believe Napster has one of the most comprehensive and easy-to-use digital music offerings in the industry. The amount we paid in excess of the fair value of the net assets acquired was to obtain Napster s capabilities and digital subscriber base to reach new customers with an enhanced experience for exploring and selecting music and other digital entertainment products over an increasing array of devices, such as bundling the sale of hardware with digital services. We believe the combined capabilities of our two companies allows us to build stronger relationships with customers and expand the number of subscribers.

We have consolidated Napster in our financial results as part of our Domestic segment from the date of acquisition. We recorded the net assets acquired at their estimated fair values and allocated the purchase price on a preliminary basis using information then available. The allocation of the purchase price to the acquired assets and liabilities was finalized in the third quarter of fiscal 2010, with no material adjustments made to the preliminary allocation. None of the goodwill is deductible for tax purposes.

The final purchase price allocation was as follows:

Cash and cash equivalents	$	21
Short-term investments		28

Receivables		2
Other current assets		3
Property and equipment		10
Goodwill		32
Tradenames		13
Customer relationships		3
Equity and other investments		3
Other assets (deferred tax assets)		48
Total assets		163
Accounts payable		(3)
Other current liabilities		(38)
Total liabilities		(41)
Purchase price allocated to assets and liabilities acquired	$	122

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Best Buy Europe

On May 7, 2008, we entered into a Sale and Purchase Agreement with The Carphone Warehouse Group PLC (CPW). All conditions to closing were satisfied, and the transaction was consummated on June 30, 2008. The effective acquisition date for accounting purposes was the close of business on June 28, 2008, the end of CPW s fiscal first quarter. Pursuant to the transaction, CPW contributed certain assets and liabilities into a newly-formed company, Best Buy Europe Distributions Limited (Best Buy Europe), in exchange for all of the ordinary shares of Best Buy Europe, and our wholly-owned subsidiary, Best Buy Distributions Limited, purchased 50% of such ordinary shares of Best Buy Europe from CPW for an aggregate purchase price of $2,167. In addition to the purchase price paid to CPW, we incurred $29 of transaction costs for an aggregate purchase price of $2,196.

Pursuant to a shareholders agreement with CPW, our designees to the Best Buy Europe board of directors have ultimate approval rights over select Best Buy Europe senior management positions and the annual capital and operating budgets of Best Buy Europe.

The assets and liabilities contributed to Best Buy Europe by CPW included CPW s retail and distribution business, consisting of retail stores and online offerings; mobile airtime reselling operations; device insurance operations; fixed line telecommunications businesses in Spain and Switzerland; facilities management business, under which it bills and manages the customers of network operators in the U.K.; dealer business, under which it acts as a wholesale distributor of handsets and airtime vouchers; and economic interests in pre-existing commercial arrangements with us (Best Buy Mobile in the U.S. and the Geek Squad joint venture in the U.K. and Spain).

The amount we paid at the time of acquisition in excess of the fair value of the net assets acquired was primarily for (i) the expected future cash flows derived from the existing business and infrastructure contributed to Best Buy Europe by CPW, which included over 2,400 retail stores, (ii) immediate access to the European market with a management team that is experienced in both retailing and wireless service technologies in this marketplace, and (iii) the expected synergies our management believes the venture will generate, which include benefits from joint purchasing, sourcing and merchandising. In addition, Best Buy Europe plans to introduce new product and service offerings in its retail stores and, beginning in fiscal 2011, launch large-format Best Buy-branded stores and Web sites in the European market.

We have consolidated Best Buy Europe in our financial results as part of our International segment from the date of acquisition. We consolidate the financial results of Best Buy Europe on a two-month lag to align with CPW s quarterly reporting periods.

We recorded the net assets acquired at their estimated fair values and allocated the purchase price on a preliminary basis using information then available. The allocation of the purchase price to the acquired assets and liabilities was finalized in the second quarter of fiscal 2010, with no material adjustments made to the preliminary allocation. None of the goodwill is deductible for tax purposes.

The final purchase price allocation was as follows:

Cash and cash equivalents	$	124
Restricted cash		112

Receivables		1,190
Merchandise inventories		535
Other current assets		114
Property and equipment		500
Goodwill		1,546
Tradenames		93
Customer relationships		484
Other assets		184
Total assets		4,882
Accounts payable		(803)
Other current liabilities		(695)
Short-term debt		(299)
Long-term liabilities		(246)
Total liabilities		(2,043)
Noncontrolling interests[1]		(643)
Purchase price allocated to assets and liabilities acquired	$	2,196

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1 We recorded the fair value adjustments only in respect of the 50% of net assets acquired, with the remaining 50% of the net assets of Best Buy Europe being consolidated and recorded at their historical cost basis. This also resulted in a $643 noncontrolling interest being reflected in our condensed consolidated balance sheet in respect of the 50% owned by CPW.

The valuation of the identifiable intangible assets acquired was based on management s estimates, available information and reasonable and supportable assumptions. The valuation was generally based on the fair value of these assets using income and market approaches. The amortizable intangible assets are being amortized using a straight-line method over their respective estimated useful lives. The following table summarizes the identified intangible asset categories and their respective weighted average amortization periods:

	Weighted Average Amortization Period (in years)		Fair Value on Acquisition
Customer relationships	6.8	$	484
Tradenames	4.2		93
Total	6.4	$	577

We recorded an estimate for costs to terminate certain activities associated with Best Buy Europe operations. A restructuring accrual of $20 has been recorded and reflects the accrued restructuring costs incurred at the date of acquisition, primarily for store closure costs and agreement termination fees expected to be utilized in fiscal 2010 and fiscal 2011.

Our interest in Best Buy Europe is separate and distinct from our investment in the common stock of CPW, as discussed in Note 3, *Investments*.

Pro Forma Financial Results

Our pro forma condensed consolidated financial results of operations are presented in the following table as if the acquisitions described above had been completed at the beginning of each period presented:

		Three months ended November 29, 2008		Nine months ended November 29, 2008
Pro forma revenue	$	11,518	$	33,260
Pro forma net earnings		61		414
Pro forma earnings per common share				
Basic	$	0.15	$	1.01
Diluted		0.15		0.99
Weighted average common shares outstanding				
Basic		412.9		412.1
Diluted		422.6		422.7

These pro forma condensed consolidated financial results have been prepared for comparative purposes only and include certain adjustments, such as increased interest expense on acquisition debt, foregone interest income and amortization related to acquired customer relationships and tradenames. They have not been adjusted for the effect of costs or synergies that would have been expected to result from the integration of these acquisitions or for costs that are not expected to recur as a result of the acquisitions. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the acquisitions occurred at the beginning of each period presented, or of future results of the consolidated entities.

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3. Investments

Investments were comprised of the following:

	November 28, 2009		February 28, 2009		November 29, 2008	
Short-term investments						
Money market fund	$	4	$	8	$	25
Debt securities (auction-rate securities)		89				
Other investments				3		
Total short-term investments	$	93	$	11	$	25
Equity and other investments						
Debt securities (auction-rate securities)	$	195	$	314	$	339
Marketable equity securities		86		41		49
Other investments		51		40		47
Total equity and other investments	$	332	$	395	$	435

Debt Securities

Our debt securities are comprised of auction-rate securities (ARS). We classify our investments in ARS as available-for-sale and carry them at fair value. 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 rollover the investment or sell these securities at par in order to provide us with liquidity as needed.

In mid-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. We sold $36 of ARS at par during the first nine months of fiscal 2010. However, at November 28, 2009, our entire remaining ARS portfolio, consisting of 49 investments in ARS, was subject to failed auctions. Subsequent to November 28, 2009, and through January 5, 2010, we sold $1 (par value) of our ARS.

As a result of the 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 consolidated balance sheet at November 28, 2009, except for $89, which was marketed and sold by UBS AG and its affiliates (collectively, UBS) and is classified within short-term investments. In October 2008, we accepted a settlement with UBS pursuant to which UBS issued to us Series C-2 Auction Rate Securities Rights (ARS Rights). The ARS Rights provide us the right to receive the full par value of our UBS-brokered ARS of $89 plus accrued but unpaid interest at any time between June 30, 2010, and July 2, 2012. We plan to exercise our ARS Rights in the second quarter of fiscal 2011.

Our ARS portfolio consisted of the following at November 28, 2009, February 28, 2009, and November 29, 2008, at fair value:

Description	Nature of collateral or guarantee	November 28, 2009	February 28, 2009	November 29, 2008
Student loan bonds	Student loans guaranteed 95% to 100% by the U.S. government	$ 264	$ 276	$ 296
Municipal revenue bonds	100% insured by AA/Aa-rated bond insurers at November 28, 2009	20	24	28
Auction preferred securities	Underlying investments of closed-end funds		14	15
Total fair value[1]		$ 284	$ 314	$ 339

1 The par value and weighted-average interest rates (taxable equivalent) of our ARS were $293, $329 and $339 and 0.95%, 2.04% and 3.61%, respectively, at November 28, 2009, February 28, 2009, and November 29, 2008, respectively.

At November 28, 2009, our ARS portfolio was 78% AAA/Aaa-rated, 10% AA/Aa-rated and 12% A/A-rated.

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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 issues, which range from seven to 38 years. We intend to hold our ARS until we can recover the full principal amount through one of the means described above, and have the ability to do so based on our other sources of liquidity.

We evaluated our entire ARS portfolio of $293 (par value) for impairment at November 28, 2009, based primarily on the methodology described in Note 4, *Fair Value Measurements*. As a result of this review, we determined that the fair value of our ARS portfolio at November 28, 2009, was $284. Accordingly, we recognized a $9 pre-tax unrealized loss in accumulated other comprehensive income. This unrealized loss reflects a temporary impairment on all of our investments in ARS, except for our investments in ARS with UBS, for which we have determined that fair value approximates par value. 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 and the nature of the collateral or guarantees in place, as well as our intent and ability to hold an investment.

We had $(5), $(10) and $0 in unrealized (loss) gain, net of tax, recorded in accumulated other comprehensive income at November 28, 2009, February 28, 2009, and November 29, 2008, 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.

Our investments in marketable equity securities were as follows:

	November 28, 2009	February 28, 2009	November 29, 2008
Common stock of CPW	$ 83	$ 40	$ 47
Other	3	1	2
Total	$ 86	$ 41	$ 49

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, we write down the cost basis of the investment to fair value, and the amount of the write-down is included in net earnings. Such a determination is dependent on the facts and circumstances relating to each investment.

We purchased shares of CPW s common stock in fiscal 2008 for $183 and in the third quarter of fiscal 2009, recorded a $111 other-than-temporary impairment charge. Subsequent to November 29, 2008, the market price of CPW common stock increased and, accordingly, we recorded a $29 pre-tax unrealized gain in accumulated other comprehensive income related to this investment at November 28, 2009.

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. Net unrealized gain (loss), net of tax, included in accumulated other comprehensive income was $26, $(4) and $1 at November 28, 2009, February 28, 2009, and November 29, 2008, respectively.

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Other Investments

The aggregate carrying values of investments accounted for using either the cost method or the equity method at November 28, 2009, February 28, 2009, and November 29, 2008, were $51, $43 and $47, respectively.

4. Fair Value Measurements

We adopted new guidance related to fair value measurements on March 2, 2008. 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. 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.

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 that are Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances in which 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 28, 2009, February 28, 2009, and November 29, 2008, according to the valuation techniques we used to determine their fair values.

		Fair Value Measurements Using Inputs Considered as		
	Fair Value at November 28, 2009	**Quoted Prices in Active Markets for**	**Significant Other Observable**	**Significant Unobservable Inputs**

		Identical Assets (Level 1)	Inputs (Level 2)	(Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$ 28	$ 28	$	$
Short-term investments				
Money market fund	4		4	
Auction-rate securities	89			89
Other current assets				
U.S. Treasury bills (restricted cash)	55	55		
Money market funds (restricted cash)	16	16		
Derivative instruments	4		4	
Equity and other investments				
Auction-rate securities	195			195
Marketable equity securities	86	86		
Other assets				
Assets that fund deferred compensation	73	73		
LIABILITIES				
Accrued liabilities				
Derivative instruments	1		1	
Long-term liabilities				
Deferred compensation	62	62		

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	Fair Value at February 28, 2009	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				
Short-term investments				
Money market fund	$ 8	$	$ 8	$
Other current assets (restricted assets)				
U.S. Treasury bills	125	125		
Equity and other investments				
Auction-rate securities	314			314
Marketable equity securities	41	41		
Other assets				
Assets that fund deferred compensation	64	64		
LIABILITIES				
Long-term liabilities				
Deferred compensation	55	55		

	Fair Value at November 29, 2008	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				
Short-term investments				
Money market funds	$ 25	$	$ 25	$
Other current assets (restricted assets)				
U.S. Treasury bills	60	60		
Equity and other investments				
Auction-rate securities	339			339
Marketable equity securities	49	49		
Other assets				
Assets that fund deferred compensation	67	67		
LIABILITIES				
Long-term liabilities				
Deferred compensation	59	59		

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 nine months ended November 28, 2009 and November 29, 2008.

	Debt securities-Auction-rate securities only Student loan bonds	Municipal revenue bonds	Auction preferred securities	Total

Balances at August 29, 2009	$ 278	$ 20	$	$ 298
Purchases, sales and settlements, net	(14)			(14)
Balances at November 28, 2009	$ 264	$ 20	$	$ 284

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			Debt securities- Auction-rate securities only			
	Student loan bonds		Municipal revenue bonds		Auction preferred securities	Total
Balances at February 28, 2009	$ 276		$ 24		$ 14	$ 314
Changes in unrealized gains (losses)	5				1	6
Purchases, sales and settlements, net	(17)		(4)		(15)	(36)
Balances at November 28, 2009	$ 264		$ 20		$	$ 284

			Debt securities- Auction-rate securities only			
	Student loan bonds		Municipal revenue bonds		Auction preferred securities	Total
Balances at August 30, 2008	$ 295		$ 44		$ 15	$ 354
Purchases, sales and settlements, net	(1)		(16)			(17)
Interest accrued, net	2					2
Balances at November 29, 2008	$ 296		$ 28		$ 15	$ 339

			Debt securities- Auction-rate securities only			
	Student loan bonds		Municipal revenue bonds		Auction preferred securities	Total
Balances at March 1, 2008	$ 297		$ 97		$ 23	$ 417
Purchases, sales and settlements, net	(2)		(69)		(8)	(79)
Interest accrued, net	1					1
Balances at November 29, 2008	$ 296		$ 28		$ 15	$ 339

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 were classified as Level 1 or 2. If a fund is not trading on a regular basis, and we have been unable to obtain pricing information on an ongoing basis, we classify the fund as Level 2.

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

Derivative Instruments. Comprised primarily of foreign currency forward contracts and foreign currency swaps, our 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 derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not actively traded.

Auction-Rate Securities. Our investments in auction-rate securities were classified as Level 3 as quoted prices were unavailable due to events described in Note 3, *Investments*. Due to limited market information, we utilized a discounted cash flow (DCF) model to derive an estimate of

fair value at November 28, 2009. The assumptions 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 auction-rate securities.

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 an active market for which closing stock prices are readily available.

Deferred Compensation. Our deferred compensation liabilities and the assets that fund our deferred compensation consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

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Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Disclosures for nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, were required prospectively beginning March 1, 2009. During the nine months ended November 28, 2009, we had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments, accounts payable, accrued liabilities and short- and long-term debt. The fair values of cash, receivables, accounts payable, accrued liabilities and short-term debt approximated carrying values because of the short-term nature of these instruments. Fair values for other investments held at cost are not readily available, but are estimated to approximate fair value. See Note 7, *Debt,* for information about the fair value of our long-term debt.

5. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill and indefinite-lived tradenames by segment were as follows in the nine months ended November 28, 2009 and November 29, 2008:

	Goodwill			Tradenames		
	Domestic	**International**	**Total**	**Domestic**	**International**	**Total**
Balances at February 28, 2009	$ 434	$ 1,769	$ 2,203	$ 32	$ 72	$ 104
Adjustments to purchase price allocation		43	43			
Changes in foreign currency exchange rates		175	175		8	8
Balances at November 28, 2009	$ 434	$ 1,987	$ 2,421	$ 32	$ 80	$ 112

	Goodwill			Tradenames		
	Domestic	**International**	**Total**	**Domestic**	**International**	**Total**
Balances at March 1, 2008	$ 450	$ 638	$ 1,088	$ 23	$ 74	$ 97
Acquisitions	43	1,501	1,544	13		13
Amortization						
Changes resulting from tax adjustment 1		19	19			
Changes in foreign currency exchange rates		(237)	(237)		(9)	(9)
Balances at November 29, 2008	$ 493	$ 1,921	$ 2,414	$ 36	$ 65	$ 101

1 Adjustment related to the resolution of certain tax matters associated with our acquisition of Jiangsu Five Star Appliance Co., Ltd. in fiscal 2007.

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

	November 28, 2009		February 28, 2009		November 29, 2008	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Tradenames	$ 74	$ (23)	$ 79	$ (10)	$ 87	$ (6)
Customer relationships	395	(103)	367	(45)	457	(37)
Total	$ 469	$ (126)	$ 446	$ (55)	$ 544	$ (43)

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Total amortization expense for the three months ended November 28, 2009 and November 29, 2008 was $24 and $41, respectively, and was $66 and $42 for the nine months then ended, respectively. The estimated future amortization expense for identifiable intangible assets during the remainder of fiscal 2010 and for the next four years is as follows:

Fiscal Year		
Remainder of fiscal 2010	$	21
2011		86
2012		65
2013		45
2014		40
Thereafter		86

6. Restructuring Charges

In the fourth quarter of fiscal 2009, we implemented a restructuring plan for our domestic and international businesses to support our fiscal 2010 strategy and long-term growth plans. We believe these changes have provided an operating structure that supports a more effective and efficient use of our resources and provides a platform from which key strategic initiatives can progress despite changing economic conditions. In the fourth quarter of fiscal 2009, we recorded charges of $78, related primarily to voluntary and involuntary separation plans at our corporate headquarters.

In April 2009, we notified our U.S. Best Buy store employees of our intention to update our store operating model, which included eliminating certain positions. In addition, we incurred restructuring charges related to employee termination benefits and business reorganization costs at Best Buy Europe within our International segment. As a result of our restructuring efforts, we recorded charges of $52 in the first quarter of fiscal 2010. No restructuring charges were recorded in the second or third quarters of fiscal 2010, and we believe we are substantially complete with our announced restructuring activities.

All charges related to our restructuring plans were presented as restructuring charges in our consolidated statements of earnings. The composition of our restructuring charges incurred in the nine months ended November 28, 2009, as well as the cumulative amount incurred through November 28, 2009, for both the Domestic and International segments, were as follows:

	Domestic		**International**		**Total**	
	Nine Months Ended November 28, 2009	**Cumulative Amount through November 28, 2009**	**Nine Months Ended November 28, 2009**	**Cumulative Amount through November 28, 2009**	**Nine Months Ended November 28, 2009**	**Cumulative Amount through November 28, 2009**
Termination benefits	$ 25	$ 94	$ 26	$ 32	$ 51	$ 126
Facility closure costs		1	1	1	1	2
Property and equipment write-downs		2				2
Total	$ 25	$ 97	$ 27	$ 33	$ 52	$ 130

The following table summarizes our restructuring accrual activity in the nine months ended November 28, 2009, related to termination benefits and facility closure costs:

	Termination Benefits	Facility Closure Costs	Total
Balances at February 28, 2009	$ 73	$ 1	$ 74
Charges	51	1	52
Cash payments	(116)	(1)	(117)
Effects of foreign exchange rates	3		3
Balances at November 28, 2009	$ 11	$ 1	$ 12

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7. Debt

Short-Term Debt

Short-term debt consisted of the following:

	November 28, 2009		February 28, 2009		November 29, 2008	
JPMorgan credit facility	$	350	$	162	$	1,733
ARS revolving credit line						19
Europe receivables financing facility		326				
Europe revolving credit facility		30		584		358
Canada revolving demand facility				2		
China revolving demand facilities		35		35		43
Total short-term debt	$	741	$	783	$	2,153

Europe Receivables Financing Facility

In the second quarter of fiscal 2010, a subsidiary of Best Buy Europe (the Subsidiary) entered into a £350 (or $573) receivables financing agreement (the Agreement) with Barclays Bank PLC, as administrative agent, and a syndication of banks to finance the working capital needs of Best Buy Europe. The Agreement is secured by certain network carrier receivables of the Subsidiary. Availability on the facility is based on a percentage of the available acceptable receivables, as defined in the Agreement, and was £206 (or $326) at November 28, 2009. The full amount available was drawn at November 28, 2009. The Agreement expires on July 3, 2012.

Interest rates under the Agreement are variable, based on the three-month London Interbank Offered Rate (LIBOR) plus a margin of 3.00%, with a commitment fee of 1.5% on unused available capacity. The Agreement also required an initial commitment fee of 2.75%.

The Agreement is not guaranteed by Best Buy Co., Inc., or any subsidiary, nor does it provide for any recourse to Best Buy Co., Inc. The Agreement contains customary affirmative and negative covenants. Among other things, these covenants restrict or prohibit the Subsidiary s ability to incur certain types or amounts of indebtedness, incur additional encumbrances on its receivables, make material changes in the nature of its business, dispose of material assets, make guarantees, or engage in a change in control transaction. The Agreement also contains covenants that require the Subsidiary to comply with a maximum annual leverage ratio, a minimum annual interest coverage ratio and a minimum fixed charges coverage ratio.

Europe Revolving Credit Facility

In connection with a £475 (or $754) revolving credit facility available to Best Buy Europe with CPW as lender, Best Buy Co., Inc. is named as guarantor, up to 50% of the amount outstanding. Concurrent with entering into the Agreement described above, we amended the revolving credit facility to decrease the amount available under the revolving credit facility by the amount available under the Agreement. The related guarantee by Best Buy Co., Inc. was similarly reduced. At November 28, 2009, the amount available under the revolving credit facility was £269 (or $428), of which $30 was outstanding and the related guarantee by Best Buy Co., Inc. was $15. The revolving credit facility expires in March 2013.

Long-Term Debt

Long-term debt consisted of the following:

	November 28, 2009	February 28, 2009	November 29, 2008
6.75% notes	$ 500	$ 500	$ 500
Convertible debentures	402	402	402
Financing lease obligations	191	200	204
Capital lease obligations	44	65	54
Other debt	3	13	13
Total long-term debt	1,140	1,180	1,173
Less: current portion	(36)	(54)	(48)
Total long-term debt, less current portion	$ 1,104	$ 1,126	$ 1,125

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The fair value of long-term debt approximated $1,221, $1,122 and $1,071 at November 28, 2009, February 28, 2009, and November 29, 2008, respectively, based primarily on the ask prices quoted from external sources, compared with carrying values of $1,140, $1,180 and $1,173, respectively.

Other than as referred to above, see Note 6, *Debt*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009, for additional information regarding the terms of our debt facilities and obligations.

8. Derivative Instruments

We manage our economic and transaction exposure to certain market-based risks through the use of derivative instruments. Under this strategy, foreign currency exchange contracts are utilized to manage foreign currency exposure to certain forecasted inventory purchases, revenue streams and net investments in certain foreign operations. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows as well as net asset values 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 derivatives on 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. Our strategy employs both cash flow and net investment hedges. We classify the cash flows from derivatives treated as hedges in our consolidated statement of cash flows in the same category as the item being hedged. 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 have terms of up to three 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 forecasted transaction is no longer probable of occurring. We report the ineffective portion, if any, of the gain or loss in net earnings.

Net Investment Hedges

We also enter into foreign exchange swap contracts to hedge against the effect of euro and swiss franc exchange rate fluctuations on net investments of certain foreign operations. For a net investment hedge, we recognize changes in the fair value of the derivative as a component of foreign currency translation within other comprehensive income to offset a portion of the change in the translated value of the net investment being hedged, until the investment is sold or liquidated. We limit recognition in net earnings of amounts previously recorded in cumulative

translation of other comprehensive income to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. We report the ineffective portion, if any, of the gain or loss in net earnings.

Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments include forward currency exchange 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 forecasted inventory purchases and revenue streams denominated in non-functional currencies. The contracts have terms of up to twelve months. These derivative instruments are not designated in hedging relationships; therefore, we record gains and losses on these contracts directly in net earnings. In the third quarter of fiscal 2010, we did not dedesignate any derivative instruments that were formerly designated in cash flow hedging relationships.

Summary of Derivative Balances

The following table presents the gross fair values for derivative instruments and the corresponding classification in our condensed consolidated balance sheet at November 28, 2009:

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Contract Type	Assets: Balance Sheet Classification	Assets: Fair Value	Liabilities: Balance Sheet Classification	Liabilities: Fair Value
Derivatives designated as hedging instruments				
Cash flow hedges				
Foreign exchange forward contracts	Other current assets	$ 1	Accrued liabilities	$
Net investment hedges				
Foreign exchange swap contracts	Other current assets		Accrued liabilities	
Total derivatives designated as hedging instruments		$ 1		$
Derivatives not designated as hedging instruments				
Foreign currency forward contracts	Other current assets	3	Accrued liabilities	(1)
Total derivatives		$ 4		$ (1)

The following table presents the effects of derivative instruments on other comprehensive income (OCI) and on our consolidated statements of earnings for the three and nine months ended November 28, 2009:

Contract Type	Pre-tax Gain (Loss) Recognized in OCI 1: At November 28, 2009	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) 2: Three months ended November 28, 2009	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) 2: Nine months ended November 28, 2009	Gain (Loss) Reclassified from Accumulated OCI to Net Earnings (Effective Portion): Three months ended November 28, 2009	Gain (Loss) Reclassified from Accumulated OCI to Net Earnings (Effective Portion): Nine months ended November 28, 2009
Derivatives designated as hedging instruments					
Cash flow hedges					
Foreign exchange forward contracts **3**	$ 1	$	$	$ 1	$ 4
Net investment hedges					
Foreign exchange swap contracts	28				
Total	$ 29	$	$	$ 1	$ 4

1 Reflects the amount recognized in OCI prior to the reclassification of less than $1 and $14 to noncontrolling interests for the cash flow and net investment hedges, respectively.

2 There are no amounts excluded from the assessment of hedge effectiveness.

3 Gains reclassified from OCI are included within selling, general and administrative expenses in our consolidated statements of earnings.

The following table presents the effects of derivatives not designated as hedging instruments on our consolidated statements of earnings for the three and nine months ended November 28, 2009:

	Gain (Loss) Recognized in Income 1	
Contract Type	**Three months ended November 28, 2009**	**Nine months ended November 28, 2009**
Derivatives not designated as hedging instruments		
Foreign exchange forward contracts	$ (3)	$ (4)

1 Included within selling, general and administrative expenses in our consolidated statements of earnings.

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The following table presents the notional amounts of our foreign currency exchange contracts at November 28, 2009:

	Notional Amount
Derivatives designated as cash flow hedging instruments	$ 134
Derivatives designated as net investment hedging instruments	685
Derivatives not designated as hedging instruments	163
Total	$ 982

9. Income Taxes

Our effective tax rates were as follows:

	Three Months Ended		Nine Months Ended	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Effective tax rate	25.6%	54.6%	36.7%	40.2%

The decreases in our effective tax rates (ETR) in the three and nine months ended November 28, 2009, as compared to the prior year periods, were primarily due to the net impact of certain foreign tax matters in the fiscal third quarter of 2010, which included the settlement discussed in Note 1, *Basis of Presentation*, and the prior year period tax impact of the $111 other-than-temporary impairment charge discussed in Note 3, *Investments*, related to our investment in CPW common stock. In addition, the ETR in the first nine months of fiscal 2010 was impacted by unbenefitted losses in certain foreign jurisdictions that increased our ETR.

10. Earnings per Share

Our basic earnings per share calculation is computed based on the weighted-average number of common shares outstanding. Our diluted earnings per share calculation is computed based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had the potentially dilutive common shares been issued. Potentially dilutive shares of common stock 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 calculation, 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. Nonvested market-based awards and nonvested performance-based awards are included in the average diluted shares outstanding each period if established market or performance criteria have been met at the end of the respective periods.

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

	Three Months Ended		Nine Months Ended	
	November 28, 2009	**November 29, 2008**	**November 28, 2009**	**November 29, 2008**
Numerator				
Net earnings attributable to Best Buy Co., Inc., basic	$ 227	$ 52	$ 538	$ 433
Adjustment for assumed dilution				
Interest on convertible debentures, net of tax	2	2	5	5
Net earnings attributable to Best Buy Co., Inc., diluted	$ 229	$ 54	$ 543	$ 438
Denominator				
Weighted-average common shares outstanding	417.1	412.9	416.3	412.1
Effect of potentially dilutive securities				
Shares from assumed conversion of convertible debentures	8.8	8.8	8.8	8.8
Stock options and other	2.7	0.9	1.7	1.8
Weighted-average common shares outstanding, assuming dilution	428.6	422.6	426.8	422.7
Earnings per share attributable to Best Buy Co., Inc.				
Basic	$ 0.54	$ 0.13	$ 1.29	$ 1.05
Diluted	$ 0.53	$ 0.13	$ 1.27	$ 1.04

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The computation of average dilutive shares outstanding excluded options to purchase 15.9 million and 29.2 million shares of our common stock for the three months ended November 28, 2009, and November 29, 2008, respectively, and 18.8 million and 23.6 million shares of our common stock for the nine months ended November 28, 2009, and November 29, 2008, 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 antidilutive (i.e., including such options would result in higher earnings per share).

11. Supplemental Equity and Comprehensive Income Information

The following tables present our consolidated statements of changes in shareholders equity for the nine months ended November 28, 2009, and November 29, 2008, respectively (shares in millions):

	Best Buy Co., Inc.							
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Best Buy Co., Inc.	Non controlling Interests	Total
Balances at February 28, 2009	414	$ 41	$ 205	$ 4,714	$ (317)	$ 4,643	$ 513	$ 5,156
Comprehensive income:								
Net earnings, nine months ended November 28, 2009				538		538	46	584
Other comprehensive income, net of tax								
Foreign currency translation adjustments					289	289	58	347
Unrealized gains on available-for-sale investments					35	35		35
Cash flow hedging instruments unrealized gains								
Total comprehensive income						862	104	966
Acquisition of business (adjustments to purchase price allocation)							(22)	(22)
Stock-based compensation			88			88		88
Issuance of common stock under employee stock purchase plan	1		40			40		40
Stock options exercised	3	1	79			80		80
Tax deficit from stock options exercised, restricted stock vesting and employee stock			(8)			(8)		(8)

purchase plan								
Common stock dividends, $0.42 per share				(176)		(176)		(176)
Balances at November 28, 2009	418	$ 42	$ 404	$ 5,076	$ 7	$ 5,529	$ 595	$ 6,124

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	Best Buy Co., Inc.							
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Best Buy Co., Inc.	Non controlling Interests	Total
Balances at March 1, 2008	411	$ 41	$ 8	$ 3,933	$ 502	$ 4,484	$ 40	$ 4,524
Comprehensive income:								
Net earnings, nine months ended November 29, 2008				433		433	13	446
Other comprehensive income, net of tax								
Foreign currency translation adjustments					(383)	(383)	(48)	(431)
Unrealized losses on available-for- sale investments					(4)	(4)		(4)
Reclassification adjustment for impairment loss on available-for- security included in net earnings					30	30		30
Total comprehensive income						76	(35)	41
Acquisition of businesses							669	669
Stock-based compensation			82			82		82
Issuance of common stock under employee stock purchase plan	1		48			48		48
Stock options exercised	1		30			30		30
Tax benefit from stock options exercised and employee stock purchase plan			4			4		4
Common stock dividends, $0.40 per share				(164)		(164)		(164)
Balances at November 29, 2008	413	$ 41	$ 172	$ 4,202	$ 145	$ 4,560	$ 674	$ 5,234

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

	November 28, 2009	February 28, 2009	November 29, 2008
Foreign currency translation	$ (14)	$ (303)	$ 144
Unrealized gains (losses) on available-for-sale investments	21	(14)	1
Unrealized gains on derivative instruments (cash flow hedges)			

Total	$	7	$	(317)	$	145

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The components of comprehensive income (loss) for the three and nine months ended November 28, 2009, and November 29, 2008 were as follows:

	Three Months Ended		Nine Months Ended	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Net earnings including noncontrolling interests	$ 271	$ 63	$ 584	$ 446
Other comprehensive (loss) income, net of tax				
Foreign currency translation adjustments	(59)	(371)	347	(431)
Cash flow hedging instruments unrealized (gains) losses	(8)			
Unrealized gains (losses) on available-for-sale investments	5	43	35	(4)
Reclassification adjustment for impairment loss on available for sale security included in net earnings		30		30
Comprehensive income (loss) including noncontrolling interests	209	(235)	966	41
Comprehensive (income) loss attributable to noncontrolling interests	(2)	38	(104)	35
Comprehensive income (loss) attributable to Best Buy Co., Inc.	$ 207	$ (197)	$ 862	$ 76

12. Segments

We have organized our operations into two segments: Domestic and International. These segments are our primary areas of measurement and decision-making. The Domestic reportable segment is comprised of all operations within the U.S. and its territories. The International reportable segment is comprised of all operations outside the U.S. and its territories. We rely on an internal management reporting process that provides segment information to the operating income level for purposes of assessing performance and allocating resources. 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 February 28, 2009.

Revenue by reportable segment was as follows:

	Three Months Ended		Nine Months Ended	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Domestic	$ 8,931	$ 8,196	$ 24,730	$ 23,782
International	3,093	3,304	8,411	6,509
Total revenue	$ 12,024	$ 11,500	$ 33,141	$ 30,291

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

	Three Months Ended		Nine Months Ended	
	November 28, 2009	**November 29, 2008**	**November 28, 2009**	**November 29, 2008**
Domestic	$ 353	$ 283	$ 971	$ 875
International	23	(9)	(19)	15
Total operating income	376	274	952	890
Other income (expense)				
Investment income (expense) and other	11	(3)	38	27
Investment impairment		(111)		(111)
Interest expense	(23)	(35)	(68)	(69)
Earnings before income tax expense and equity in earnings of affiliates	$ 364	$ 125	$ 922	$ 737

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Assets by reportable segment were as follows:

	November 28, 2009	February 28, 2009	November 29, 2008
Domestic	$ 13,332	$ 9,059	$ 12,741
International	7,768	6,767	7,906
Total assets	$ 21,100	$ 15,826	$ 20,647

13. Contingencies

We are involved in various legal proceedings arising in the normal course of conducting business. We believe the amounts provided in our consolidated financial statements are adequate in consideration of the probable and estimable liabilities. The resolution of those proceedings is not expected to have a material effect on our results of operations or financial condition.

14. Condensed Consolidating Financial Information

Our convertible debentures, due in 2022, are jointly and severally, fully and unconditionally, guaranteed by our wholly-owned indirect subsidiary Best Buy Stores, L.P. Investments in subsidiaries of Best Buy Stores, L.P., which have not guaranteed the convertible debentures, are accounted for under the equity method. We reclassified certain prior-year amounts as described in Note 1, *Basis of Presentation*, in this Quarterly Report on Form 10-Q. The aggregate principal balance and carrying amount of our convertible debentures was $402 at November 28, 2009.

The convertible debentures may be converted into shares of our common stock by us at anytime or at the option of the holders if the criteria, as described in Note 6, *Debt*, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009, are met. At November 28, 2009, the debentures were not convertible at the option of the holders.

We file a consolidated U.S. federal income tax return. We allocate income taxes in accordance with our tax allocation agreement. U.S. affiliates receive no tax benefit for taxable losses, but are allocated taxes at the required effective income tax rate if they have taxable income.

The following tables present condensed consolidating balance sheets as of November 28, 2009; February 28, 2009; and November 29, 2008; condensed consolidating statements of earnings for the three and nine months ended November 28, 2009, and November 29, 2008; and condensed consolidating statements of cash flows for the nine months ended November 28, 2009, and November 29, 2008:

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$ in millions, except per share amounts

Condensed Consolidating Balance Sheets

At November 28, 2009

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 85	$ 219	$ 260	$	$ 564
Short-term investments	89		4		93
Receivables		1,273	1,357		2,630
Merchandise inventories		6,401	2,639	(62)	8,978
Other current assets	125	125	766	(14)	1,002
Intercompany receivable			9,721	(9,721)	
Intercompany note receivable	819		2	(821)	
Total current assets	1,118	8,018	14,749	(10,618)	13,267
Property and Equipment, Net	216	1,904	2,003		4,123
Goodwill		6	2,415		2,421
Tradenames			163		163
Customer Relationships			292		292
Equity and Other Investments	209	4	119		332
Other Assets	88	55	405	(46)	502
Investments in Subsidiaries	10,853	147	2,206	(13.206)	
Total Assets	$ 12,484	$ 10,134	$ 22,352	$ (23,870)	$ 21,100
Liabilities and Shareholders Equity					
Current Liabilities					
Accounts payable	$ 420	$ 71	$ 8,592	$	$ 9,083
Unredeemed gift card liabilities		366	59		425
Accrued compensation and related expenses	4	206	272		482
Accrued liabilities	27	821	1,019	(11)	1,856
Accrued income taxes	55				55
Short-term debt	350		391		741
Current portion of long-term debt	2	21	13		36
Intercompany payable	4,978	4,653	90	(9,721)	
Intercompany note payable	14	500	307	(821)	
Total current liabilities	5,850	6,638	10,743	(10,553)	12,678

Long-Term Liabilities		188		1,156		93		(243)		1,194
Long-Term Debt		903		134		67				1,104
Shareholders Equity		5,543		2,206		11,449		(13,074)		6,124
Total Liabilities and Shareholders Equity	$	12,484	$	10,134	$	22,352	$	(23,870)	$	21,100

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$ in millions, except per share amounts

Condensed Consolidating Balance Sheets

At February 28, 2009

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 150	$ 48	$ 300	$	$ 498
Short-term investments			11		11
Receivables	3	442	1,423		1,868
Merchandise inventories		5,402	1,537	(2,186)	4,753
Other current assets	135	210	764	(47)	1,062
Intercompany receivable			8,267	(8,267)	
Intercompany note receivable	816		21	(837)	
Total current assets	1,104	6,102	12,323	(11,337)	8,192
Property and Equipment, Net	219	2,262	1,693		4,174
Goodwill		20	2,183		2,203
Tradenames			173		173
Customer Relationships			322		322
Equity and Other Investments	318		77		395
Other Assets	56	16	431	(136)	367
Investments in Subsidiaries	10,644	136	1,309	(12,089)	
Total Assets	$ 12,341	$ 8,536	$ 18,511	$ (23,562)	$ 15,826
Liabilities and Shareholders Equity					
Current Liabilities					
Accounts payable	$	$	$ 4,997	$	$ 4,997
Unredeemed gift card liabilities		424	55		479
Accrued compensation and related expenses		253	206		459
Accrued liabilities	12	552	868	(50)	1,382
Accrued income taxes	281				281
Short-term debt	162		621		783
Current portion of long-term debt	2	21	31		54
Intercompany payable	4,168	4,099		(8,267)	
Intercompany note payable	21	500	316	(837)	
Total current liabilities	4,646	5,849	7,094	(9,154)	8,435

Long-Term Liabilities		110		1,226		190		(417)		1,109
Long-Term Debt		904		152		70				1,126
Shareholders Equity		6,681		1,309		11,157		(13,991)		5,156
Total Liabilities and Shareholders Equity	$	12,341	$	8,536	$	18,511	$	(23,562)	$	15,826

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$ in millions, except per share amounts

Condensed Consolidating Balance Sheets

At November 29, 2008

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 59	$ 201	$ 309	$	$ 569
Short-term investments			25		25
Receivables	6	1,022	1,610		2,638
Merchandise inventories		6,445	2,370	(608)	8,207
Other current assets	24	163	704	(12)	879
Intercompany receivable			8,886	(8,886)	
Intercompany note receivable	835			(835)	
Total current assets	924	7,831	13,904	(10,341)	12,318
Property and Equipment, Net	221	2,285	1,762		4,268
Goodwill		6	2,408		2,414
Tradenames			182		182
Customer Relationships			420		420
Equity and Other Investments	332		103		435
Other Assets	102	17	491		610
Investments in Subsidiaries	9,483	271	1,415	(11,169)	
Total Assets	$ 11,062	$ 10,410	$ 20,685	$ (21,510)	$ 20,647
Liabilities and Shareholders Equity					
Current Liabilities					
Accounts payable	$	$	$ 8,219	$	$ 8,219
Unredeemed gift card liabilities		410	58		468
Accrued compensation and related expenses		198	212		410
Accrued liabilities	26	680	1,055	(12)	1,749
Accrued income taxes	148				148
Short-term debt	1,752		401		2,153
Current portion of long-term debt	2	22	24		48
Intercompany payable	2,919	5,967		(8,886)	
Intercompany note payable		500	335	(835)	
Total current liabilities	4,847	7,777	10,304	(9,733)	13,195

Long-Term Liabilities		66		1,059		240		(272)		1,093
Long-Term Debt		905		159		61				1,125
Shareholders Equity		5,244		1,415		10,080		(11,505)		5,234
Total Liabilities and Shareholders Equity	$	11,062	$	10,410	$	20,685	$	(21,510)	$	20,647

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$ in millions, except per share amounts

Condensed Consolidating Statements of Earnings

Three Months Ended November 28, 2009

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ 4	$ 8,252	$ 12,063	$ (8,295)	$ 12,024
Cost of goods sold		6,196	10,596	(7,710)	9,082
Gross profit	4	2,056	1,467	(585)	2,942
Selling, general and administrative expenses	42	1,959	1,229	(664)	2,566
Operating (loss) income	(38)	97	238	79	376
Other income (expense)					
Investment income and other	7		11	(7)	11
Interest expense	(12)	(3)	(14)	6	(23)
(Loss) earnings before equity in (loss) earnings of subsidiaries	(43)	94	235	78	364
Equity in (loss) earnings of subsidiaries	(594)	10	58	526	
(Loss) earnings before income tax (benefit) expense	(637)	104	293	604	364
Income tax (benefit) expense	(786)	36	843		93
Net earnings (loss) including noncontrolling interests	149	68	(550)	604	271
Net (earnings) attributable to noncontrolling interests			(44)		(44)
Net earnings (loss) attributable to Best Buy Co., Inc.	$ 149	$ 68	$ (594)	$ 604	$ 227

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$ in millions, except per share amounts

Condensed Consolidating Statements of Earnings

Nine Months Ended November 28, 2009

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ 12	$ 22,930	$ 27,901	$ (17,702)	$ 33,141
Cost of goods sold		17,183	26,080	(18,305)	24,958
Gross profit	12	5,747	1,821	603	8,183
Selling, general and administrative expenses	116	5,315	3,404	(1,656)	7,179
Restructuring charges		25	27		52
Operating (loss) income	(104)	407	(1,610)	2,259	952
Other income (expense)					
Investment income and other	26		30	(18)	38
Interest expense	(37)	(10)	(39)	18	(68)
(Loss) earnings before equity in (loss) earnings of subsidiaries	(115)	397	(1,619)	2,259	922
Equity in (loss) earnings of subsidiaries	(1,477)	5	255	1,217	
(Loss) earnings before income tax expense	(1,592)	402	(1,364)	3,476	922
Income tax expense	129	142	67		338
Net (loss) earnings including noncontrolling interests	(1,721)	260	(1,431)	3,476	584
Net (earnings) attributable to noncontrolling interests			(46)		(46)
Net (loss) earnings attributable to Best Buy Co., Inc	$ (1,721)	$ 260	$ (1,477)	$ 3,476	$ 538

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$ in millions, except per share amounts

Condensed Consolidating Statements of Earnings

Three Months Ended November 29, 2008

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ 4	$ 7,597	$ 14,714	$ (10,815)	$ 11,500
Cost of goods sold		6,155	13,109	(10,625)	8,639
Gross profit	4	1,442	1,605	(190)	2,861
Selling, general and administrative expenses	38	1,381	1,171	(3)	2,587
Operating (loss) income	(34)	61	434	(187)	274
Other income (expense)					
Investment income and other	14		(6)	(11)	(3)
Investment impairment			(111)		(111)
Interest expense	(25)	(8)	(13)	11	(35)
(Loss) earnings before equity in earnings (loss) of subsidiaries	(45)	53	304	(187)	125
Equity in earnings (loss) of subsidiaries	338	(12)	20	(346)	
Earnings before income tax expense (benefit) and equity in earnings of affiliates	293	41	324	(533)	125
Income tax expense (benefit)	54	33	(19)		68
Equity in earnings of affiliates			6		6
Net earnings including noncontrolling interests	239	8	349	(533)	63
Net (earnings) attributable to noncontrolling interests			(11)		(11)
Net earnings attributable to Best Buy Co., Inc	$ 239	$ 8	$ 338	$ (533)	$ 52

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$ in millions, except per share amounts

Condensed Consolidating Statements of Earnings

Nine Months Ended November 29, 2008

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ 12	$ 22,104	$ 32,475	$ (24,300)	$ 30,291
Cost of goods sold		17,982	30,468	(25,534)	22,916
Gross profit	12	4,122	2,007	1,234	7,375
Selling, general and administrative expenses	112	3,945	2,425	3	6,485
Operating (loss) income	(100)	177	(418)	1,231	890
Other income (expense)					
Investment income and other	41		17	(31)	27
Investment impairment			(111)		(111)
Interest expense	(46)	(26)	(28)	31	(69)
(Loss) earnings before equity in (loss) earnings of subsidiaries	(105)	151	(540)	1,231	737
Equity in (loss) earnings of subsidiaries	(464)	(29)	79	414	
(Loss) earnings before income tax expense (benefit) and equity in earnings of affiliates	(569)	122	(461)	1,645	737
Income tax expense (benefit)	229	72	(5)		296
Equity in earnings of affiliates			5		5
Net (loss) earnings including noncontrolling interests	(798)	50	(451)	1,645	446
Net (earnings) attributable to noncontrolling interests			(13)		(13)
Net (loss) earnings attributable to Best Buy Co., Inc	$ (798)	$ 50	$ (464)	$ 1,645	$ 433

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$ in millions, except per share amounts

Condensed Consolidating Statements of Cash Flows

Nine Months Ended November 28, 2009

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total cash (used in) provided by operating activities	$ (964)	$ (438)	$ 2,081	$	$ 679
Investing activities					
Additions to property and equipment		(120)	(349)		(469)
Purchases of investments	(10)				(10)
Sales of investments	46				46
Settlement of net investment hedges			27		27
Change in restricted assets	(2)		21		19
Other, net		(5)	(13)		(18)
Total cash provided by (used in) investing activities	34	(125)	(314)		(405)
Financing activities					
Borrowings of debt	2,885		708		3,593
Repayments of debt	(2,698)	(23)	(982)		(3,703)
Dividends paid	(175)				(175)
Issuance of common stock under employee stock purchase plan and for the exercise of stock options	120				120
Acquisition of noncontrolling interests			(34)		(34)
Excess tax benefits from stock-based compensation	3				3
Other, net			(12)		(12)
Change in intercompany receivable/payable	730	757	(1,487)		
Total cash provided by (used in) financing activities	865	734	(1,807)		(208)
Effect of exchange rate changes on cash					
(Decrease) increase in cash and cash equivalents	(65)	171	(40)		66
Cash and cash equivalents at beginning of period	150	48	300		498
Cash and cash equivalents at end of period	$ 85	$ 219	$ 260	$	$ 564

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$ in millions, except per share amounts

Condensed Consolidating Statements of Cash Flows

Nine Months Ended November 29, 2008

(Unaudited)

	Best Buy Co., Inc.	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total cash (used in) provided by operating activities	$ (1,725)	$ (1,218)	$ 2,863	$	$ (80)
Investing activities					
Additions to property and equipment		(514)	(413)		(927)
Purchases of investments	(40)		(55)		(95)
Sales of investments	84		171		255
Acquisition of businesses, net of cash acquired			(2,167)		(2,167)
Change in restricted assets			(17)		(17)
Other, net		(9)	(9)		(18)
Total cash provided by (used in) investing activities	44	(523)	(2,490)		(2,969)
Financing activities					
Borrowings of debt	3,340	20	954		4,314
Repayments of debt	(1,210)	(15)	(857)		(2,082)
Dividends paid	(165)				(165)
Issuance of common stock under employee stock purchase plan and for the exercise of stock options	78				78
Excess tax benefits from stock-based compensation	5				5
Other, net			(9)		(9)
Change in intercompany receivable/payable	(479)	1,867	(1,388)		
Total cash provided by (used in) financing activities	1,569	1,872	(1,300)		2,141
Effect of exchange rate changes on cash			39		39
(Decrease) increase in cash and cash equivalents	(112)	131	(888)		(869)
Cash and cash equivalents at beginning of period	171	70	1,197		1,438
Cash and cash equivalents at end of period	$ 59	$ 201	$ 309	$	$ 569

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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. 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

We consolidate the financial results of our Europe, China and Mexico operations on a two-month lag. Consistent with such consolidation, the financial and non-financial information presented in our MD&A relative to these operations is also presented on a two-month lag. There were no intervening events that would have significantly affected our consolidated financial statements had they been recorded during the three months ended November 28, 2009, except for the settlement of a tax matter with a taxing authority within our Best Buy Europe business that favorably impacted our income tax expense and net earnings attributable to Best Buy Co., Inc. by $61 and $31, respectively. For a further discussion of the factors that impacted our income tax expense in the third quarter of fiscal 2010, see *Income Tax Expense* below. Our policy is to record the effect of events occurring in the lag period that significantly affect our consolidated financial statements; as a result, the settlement is included in our fiscal third quarter results.

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 28, 2009, 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 retailer of consumer electronics, home office products, entertainment software, appliances and related services. We operate 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 U.S. 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, than in any other fiscal quarter.

Throughout this MD&A, we refer to comparable store sales. Comparable store sales is a measure commonly used in the retail industry, which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. 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, remodeled and expanded stores 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 portion of our calculation of the comparable store sales percentage change attributable to our 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.

Highlights

- Net earnings attributable to Best Buy Co., Inc. increased to $227 million, or $0.53 per diluted share, in the third quarter of fiscal 2010, compared with $52 million, or $0.13 per diluted share, in the same period one year ago. The increase in net earnings was the result of increases in both the Domestic and International segments operating income, driven primarily by the $111 million CPW common stock impairment charge incurred in the prior year s fiscal third quarter, as well as increased gross profit as revenue increased 5% and lower overall selling, general and administrative expenses (SG&A).

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- Operating income increased 37% to $376 million, or as a percentage of revenue, 3.1%, in the third quarter of fiscal 2010, compared with $274 million, or 2.4% of revenue, in the same period one year ago. The Domestic segment contributed $353 million, or 4.0% of revenue, with the International segment contributing $23 million, or 0.7% of revenue. Operating income as a percentage of revenue increased by 0.7% of revenue driven by the improvement in our SG&A rate, partially offset by our gross profit rate decline.

- Revenue in the third quarter of fiscal 2010 increased 5% to $12.0 billion, compared with $11.5 billion in the same period one year ago, driven primarily by net new store openings and a comparable store sales gain of 1.7%. The revenue increase was partially offset by the unfavorable effect of fluctuations in foreign currency exchange rates.

- Our gross profit rate in the third quarter of fiscal 2010 decreased to 24.5% of revenue, compared with 24.9% of revenue in the same period one year ago. The decrease was due primarily to mix impacts within both segments, as well as promotional activity in certain categories.

- Our SG&A rate in the third quarter of fiscal 2010 decreased to 21.3% of revenue, compared with 22.5% of revenue in the same period one year ago. The decrease was due primarily to reductions in operating costs due to restructuring at Best Buy Europe, reductions in information technology (IT) project spend and leverage on the comparable store sales gain in the Domestic segment, partially offset by increased Domestic segment incentive pay.

Results of Operations

Consolidated Performance Summary

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

	Three Months Ended1		Nine Months Ended1	
	November 28, 2009	**November 29, 2008**	**November 28, 2009**	**November 29, 2008**
Revenue	$ 12,024	$ 11,500	$ 33,141	$ 30,291
Revenue % gain	5%	16%	9%	14%
Comparable store sales % gain (decline)	1.7%	(5.3)%	(2.5)%	0.6%
Gross profit as % of revenue 2	24.5%	24.9%	24.7%	24.3%
SG&A as % of revenue 2	21.3%	22.5%	21.7%	21.4%
Operating income 3	$ 376	$ 274	$ 952	$ 890
Operating income as % of revenue	3.1%	2.4%	2.9%	2.9%
Net earnings attributable to Best Buy Co., Inc	$ 227	$ 52	$ 538	$ 433
Diluted earnings per share	$ 0.53	$ 0.13	$ 1.27	$ 1.04

1 On June 28, 2008, we acquired a controlling 50% interest in Best Buy Europe, whose operating results are reported on a two-month lag and included within our International segment. Accordingly, our results of operations did not reflect Best Buy Europe results until the third quarter of fiscal 2009.

2 Because retailers vary in how they record costs of operating their supply chain between cost of goods sold and 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 February 28, 2009.

3 Included within our operating income for the first nine months of fiscal 2010 is $52 million of restructuring charges related to measures we took to restructure our businesses in the first quarter of fiscal 2010. These charges resulted in a decrease in our operating income of 0.1% of revenue for the first nine months of fiscal 2010. No restructuring charges were recorded in the third quarter of fiscal 2010 or the first nine months of fiscal 2009.

Revenue in the third quarter of fiscal 2010 increased 5% to $12.0 billion, compared with $11.5 billion in the same period one year ago. In the first nine months of fiscal 2010, revenue increased 9% to $33.1 billion, compared with $30.3 billion in the same period one year ago. The net addition of 127 new stores in the past 12 months and a comparable store sales gain of 1.7% accounted for the majority of the revenue increase in the third quarter of fiscal 2010. The revenue increase was partially offset by the unfavorable effect of fluctuations in foreign currency exchange rates. In the first nine months of fiscal 2010, the revenue increase resulted primarily from the acquisition of Best Buy Europe in the second quarter of fiscal 2009, which contributed no revenue in the first six months of fiscal 2009 and $2.6 billion of revenue in the first six months of fiscal 2010 and the net addition of new stores in the past 12 months. Partially offsetting the increase was a comparable store sales decline in the first nine months of fiscal 2010 of 2.5% and the unfavorable effect of fluctuations in foreign currency exchange rates.

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The components of the net revenue increase for the three and nine months ended November 28, 2009 were as follows:

	Three months ended November 28, 2009	Nine months ended November 28, 2009
Acquisition of Best Buy Europe	%	9%
Net new stores	4%	4%
Impact of comparable store sales gain (decline)	2%	(3)%
Unfavorable impact of foreign currency	(1)%	(1)%
Total revenue increase	5%	9%

Our gross profit rate in the third quarter of fiscal 2010 decreased by 0.4% of revenue to 24.5% of revenue, whereas our gross profit rate in the first nine months of fiscal 2010 increased by 0.4% of revenue to 24.7% of revenue. The gross profit rate decrease in the third quarter of fiscal 2010 was due to decreases in both our Domestic and International segments gross profit rates. The gross profit rate increase in the first nine months of fiscal 2010 was the result of an increase in our International segment s gross profit rate, partially offset by a modest decrease in our Domestic segment s gross profit rate. The acquisition of Best Buy Europe, which predominantly features sales of higher-margin mobile phones, increased our gross profit rate by 0.5% of revenue for the first nine months of fiscal 2010. For further discussion of each segment s gross profit rate changes, see the *Segment Performance Summary* for Domestic and International below.

Our SG&A rate in the third quarter of fiscal 2010 decreased by 1.2% of revenue to 21.3% of revenue. In the first nine months of fiscal 2010, however, our SG&A rate increased by 0.3% of revenue to 21.7% of revenue. The SG&A rate decrease in the third quarter of fiscal 2010 was due to decreases in both our Domestic and International segments SG&A rates compared with the prior year period. For the first nine months of fiscal 2010, the overall SG&A rate increase was the result of an increase in our International segment s SG&A rate, partially offset by a decrease in our Domestic segment s SG&A rate. The acquisition of Best Buy Europe increased our SG&A rate by 0.7% of revenue for the first nine months of fiscal 2010. For further discussion of each segment s SG&A rate changes, see the *Segment Performance Summary* for Domestic and International below.

Other Income (Expense)

Our investment income (expense) and other in the third quarter of fiscal 2010 increased to $11 million, compared with $(3) million in the same period one year ago. Our investment income and other in the first nine months of fiscal 2010 increased to $38 million, compared with $27 million in the same period one year ago.

Additionally, interest expense in the fiscal third quarter decreased to $23 million, compared with $35 million in the same period one year ago. The decrease was primarily due to lower average short-term borrowings in the third quarter of fiscal 2010 compared to the same period one year ago. Our interest expense in the first nine months of fiscal 2010 decreased to $68 million, compared with $69 million in the same period one year ago. Despite experiencing increases in interest expense in the first and second quarters of fiscal 2010, due to increased borrowings to acquire Best Buy Europe and for normal working capital needs, the decrease in the fiscal third quarter interest expense resulted in a relatively flat interest expense for the first nine months of fiscal 2010 compared to the same period in the prior year.

Investment Impairment

During the second quarter of fiscal 2008, we purchased in the open market 26.1 million shares of CPW common stock for $183 million, representing nearly 3% of CPW s then outstanding shares. In accordance with our policy for evaluating investments for other-than-temporary impairment, we determined, based on specific facts and circumstances, that our investment in CPW had incurred an other-than-temporary impairment at November 29, 2008. Accordingly, we recorded a $111 million other-than-temporary impairment charge on the investment in the third quarter of fiscal 2009. In fiscal 2010, we have not incurred any investment impairment charges.

Income Tax Expense

Our effective income tax rates in the third quarter and the first nine months of fiscal 2010 were 25.6% and 36.7%, respectively, down from 54.6% and 40.2%, respectively, in the corresponding periods of fiscal 2009. The decrease in our effective income tax rate in the third quarter of fiscal 2010 was due primarily to the net impact of certain foreign tax matters, including the settlement discussed above, and the prior year period tax impact of the $111 other-than-temporary impairment charge related to our investment in CPW common stock. The decrease in our effective income tax rate in the first nine months of fiscal 2010 was due primarily to the aforementioned items that impacted our fiscal third quarter rate, partially offset by unbenefitted losses in certain foreign jurisdictions.

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Segment Performance Summary

Domestic

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

	Three Months Ended		Nine Months Ended	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Revenue	$ 8,931	$ 8,196	$ 24,730	$ 23,782
Revenue % gain	9%	0%	4%	7%
Comparable store sales % gain (decline)	4.6%	(6.3)%	(1.0)%	0.5%
Gross profit as % of revenue	24.1%	24.4%	24.5%	24.6%
SG&A as % of revenue	20.2%	20.9%	20.5%	20.9%
Operating income [1]	$ 353	$ 283	$ 971	$ 875
Operating income as % of revenue	4.0%	3.5%	3.9%	3.7%

1 Included within our Domestic segment s operating income for the first nine months of fiscal 2010 is $25 million of restructuring charges related to measures we took to restructure our businesses in the fiscal first quarter. These charges resulted in a decrease in our Domestic segment s operating income of 0.1% for the first nine months of fiscal 2010. No restructuring charges were recorded in the third quarter of fiscal 2010 or the first nine months of fiscal 2009.

The following table presents the Domestic segment s stores open at the end of the third quarters of fiscal 2010 and fiscal 2009:

	Total Stores at End of Third Quarter	
	Fiscal 2010	Fiscal 2009
Best Buy	1,068	1,010
Best Buy Mobile	69	39
Pacific Sales	35	29
Magnolia Audio Video	7	13
Geek Squad	6	7
Total Domestic segment stores	1,185[1]	1,098[2]

1 During the third quarter of fiscal 2010, we opened 45 new stores in our Domestic segment, consisting of 24 Best Buy stores and 21 Best Buy Mobile stores. There were no store closures in our Domestic segment during the third quarter of fiscal 2010.

2 During the third quarter of fiscal 2009, we opened 62 new stores in our Domestic segment, consisting of 37 Best Buy stores, 18 Best Buy Mobile stores and seven Pacific Sales stores. There were no store closures in our Domestic segment during the third quarter of fiscal 2009.

Our Domestic segment s operating income in the third quarter of fiscal 2010 was $353 million, or 4.0% of revenue, compared with $283 million, or 3.5% of revenue, in the same period one year ago. The increase in our Domestic segment s operating income was due to higher gross profit

dollars from net new store openings and comparable store sales growth, while SG&A grew only 5% despite revenue growth of 9%. The increase in our Domestic segment s operating income rate for the third quarter of fiscal 2010 reflected an improvement in the SG&A rate, which was partially offset by a decline in the gross profit rate.

In the first nine months of fiscal 2010, our Domestic segment s operating income was $971 million, or 3.9% of revenue, compared with $875 million, or 3.7% of revenue, in the same period one year ago. The increase in our Domestic segment s operating income rate in the first nine months of fiscal 2010 reflected an improvement in the SG&A rate, which was partially offset by $25 million of restructuring charges recorded in the first quarter of fiscal 2010 and a slight decline in the gross profit rate.

Our Domestic segment s revenue in the third quarter of fiscal 2010 increased 9% to $8.9 billion, compared with $8.2 billion in the same period one year ago. The revenue increase in the third quarter of fiscal 2010 resulted primarily from the comparable store sales gain of 4.6% and the net addition of 87 new stores in the past 12 months. In the first nine months of fiscal 2010, our Domestic segment s revenue increased 4% to $24.7 billion, compared with $23.8 billion in the same period one year ago. The revenue increase in the first nine months of fiscal 2010 was due primarily to the net addition of new stores, partially offset by the comparable store sales decline of 1.0%.

The components of our Domestic segment s net revenue increase for the three and nine months ended November 28, 2009 were as follows:

	Three months ended November 28, 2009	Nine months ended November 28, 2009
Impact of comparable store sales gain (decline)	5%	(1)%
Net new stores	4%	5%
Total revenue increase	9%	4%

The following table presents revenue mix percentages and comparable store sales percentage changes for the Domestic segment by revenue category in the third quarters of fiscal 2010 and fiscal 2009:

	Revenue Mix Summary Three Months Ended		Comparable Store Sales Summary Three Months Ended	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Consumer electronics	39%	39%	8.0%	(13.7)%
Home office	33%	32%	10.0%	11.1%
Entertainment software	16%	19%	(10.9)%	(12.4)%
Appliances	5%	4%	10.0%	(21.0)%
Services	6%	6%	0.4%	1.3%
Other	1%	<1%	n/a	n/a
Total	100%	100%	4.6%	(6.3)%

Our Domestic segment s comparable store sales gain in the third quarter of fiscal 2010 was driven by increases in both average ticket and customer traffic and improved sequentially each month of the fiscal quarter. The categories having the largest effect on our Domestic segment s comparable store sales gain in the fiscal third quarter were flat-panel televisions, notebook computers and mobile phones. Stronger sales in these product categories were partially offset by comparable store sales declines in our entertainment software revenue category. Revenue from our Domestic segment s online operations increased 21.1% in the third quarter of fiscal 2010 and is reflected in the comparable store sales increase for the segment.

In the third quarter of fiscal 2010, our Domestic segment s consumer electronics revenue category posted an 8.0% comparable store sales gain, driven primarily by increases in the sales of flat-panel televisions and digital cameras as unit sales increases more than offset average selling price decreases, partially offset by declines in MP3 players and navigation products. The home office revenue category posted a 10.0% comparable store sales gain driven primarily by a continuation of increases in the sales of notebook computers and mobile phones. The entertainment software revenue category recorded a 10.9% comparable store sales decline due primarily to a decline in sales of video gaming, partially caused by industry-wide softness, as well as a continued decline in sales of DVDs and CDs. The appliances revenue category recorded a 10.0% gain in comparable store sales due primarily to increased unit sales driven by promotions. The services revenue category recorded a modest 0.4% comparable store sales gain due primarily to slight increases in our product repair business and sales of our computer and television service protection plans.

Our Domestic segment s gross profit rate in the third quarter of fiscal 2010 decreased by 0.3% of revenue to 24.1% of revenue. In the first nine months of fiscal 2010, our Domestic segment s gross profit rate decreased by 0.1% of revenue to 24.5% of revenue. The decrease in the third quarter of fiscal 2010 was due primarily to a shift in the segment s revenue mix to sales of lower-margin notebook computers and increased promotional pricing on appliances and televisions, partially offset by improved rate performance in computing, decreased sales of lower-margin video gaming and increased sales of higher-margin mobile phones. Gross profit rate improvements in digital cameras and camcorders, televisions and services in the first quarter of fiscal 2010 partially offset the unfavorable mix and rate impacts previously discussed, resulting in the modest 0.1% of revenue gross profit rate decrease for the first nine months of fiscal 2010.

Our Domestic segment s SG&A rate in the third quarter of fiscal 2010 decreased by 0.7% of revenue to 20.2% of revenue. In the first nine months of fiscal 2010, our Domestic segment s SG&A rate was 20.5% of revenue, compared with 20.9% of revenue in the same period one year ago. The decrease in the third quarter of fiscal 2010 was attributable to reductions in IT project spend, advertising and store reset costs, as well as the leveraging impact of higher comparable store sales on payroll, benefits and overhead. These reductions were partially offset by higher incentive pay expense due to better-than-expected performance in the current fiscal year and no incentive pay expense in the same period one year ago. In addition to the aforementioned reductions in IT project spend, advertising and store reset costs, lower travel expense and legal costs, partially offset by the deleveraging impact of lower comparable store sales on payroll, benefits and overhead, led to the decrease in our Domestic segment s SG&A rate for the first nine months of fiscal 2010.

Our Domestic segment incurred no restructuring charges in the third quarter of fiscal 2010, consistent with the same period one year

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ago. Our Domestic segment s restructuring charges in the first nine months of fiscal 2010 were $25 million, compared to no restructuring charges in the same period one year ago. The charges were primarily the result of changes to our Domestic segment s Best Buy store operating model, which resulted in the elimination of certain positions for which we incurred employee termination costs.

International

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

	Three Months Ended [1]		Nine Months Ended [1]	
	November 28, 2009	November 29, 2008	November 28, 2009	November 29, 2008
Revenue	$ 3,093	$ 3,304	$ 8,411	$ 6,509
Revenue % (decline) gain	(6)%	92%	29%	46%
Comparable store sales % (decline) gain	(6.7)%	0.3%	(8.8)%	1.2%
Gross profit as % of revenue	25.4%	26.1%	25.3%	23.5%
SG&A as % of revenue	24.7%	26.4%	25.2%	23.3%
Operating (loss) income [2]	$ 23	$ (9)	$ (19)	$ 15
Operating (loss) income as % of revenue	0.7%	(0.3)%	(0.2)%	0.2%

1 On June 28, 2008, we acquired a 50% interest in Best Buy Europe, whose operating results are reported on a two-month lag. Accordingly, our results of operations did not reflect Best Buy Europe results until the third quarter of fiscal 2009.

2 Included within our International segment s operating loss for the first nine months of fiscal 2010 is $27 million of restructuring charges related to measures we took to restructure our businesses in the fiscal first quarter. These charges resulted in a decrease in our International segment s operating income of 0.3% of revenue for the first nine months of fiscal 2010. No restructuring charges were recorded in the third quarter of fiscal 2010 or the first nine months of fiscal 2009.

The following table presents the International segment s stores open at the end of the third quarters of fiscal 2010 and fiscal 2009:

	Total Stores at End of Third Quarter	
	Fiscal 2010	Fiscal 2009
Best Buy Europe [1]	2,448	2,430
Canada		
Future Shop	143	138
Best Buy	64	57
Best Buy Mobile	4	3
China		
Five Star	164	161
Best Buy	6	2
Mexico		
Best Buy	2	
Total International segment stores	2,831[2]	2,791[3]

[1] Consists of The Carphone Warehouse stores in the U.K. and Ireland and The Phone House stores throughout continental Europe.

[2] During the third quarter of fiscal 2010, we opened 36 new stores in our International segment, consisting of 29 Best Buy Europe stores, four Best Buy stores in Canada, one Future Shop store, one Best Buy Mobile store in Canada and one Best Buy store in Mexico. Offsetting these store openings were 32 store closures in the third quarter of fiscal 2010, consisting of 31 Best Buy Europe stores and one Five Star store.

[3] During the third quarter of fiscal 2009, we acquired 2,415 Best Buy Europe stores in our International segment, as well as opened 61 new stores, consisting of 45 Best Buy Europe stores, six Future Shop stores, five Best Buy stores in Canada, three Best Buy Mobile stores in Canada, one Five Star store and one Best Buy store in China. Offsetting these store openings were 32 store closures in our International segment during the third quarter of fiscal 2009, consisting of 30 Best Buy Europe stores, one Future Shop store and one Five Star store.

Our International segment s operating income in the third quarter of fiscal 2010 was $23 million, or 0.7% of revenue, compared with an operating loss of $(9) million, or (0.3)% of revenue, in the same period one year ago. The International segment s increase in operating income for the fiscal third quarter resulted primarily from an increase in Europe and Canada s operating income, partially offset by a slightly higher operating loss in China and increased new store investment in Mexico and Turkey. In the first nine months

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of fiscal 2010, our International segment s operating loss was $(19) million, or (0.2)% of revenue, compared with operating income of $15 million, or 0.2% of revenue, in the same period one year ago. The International segment s decrease in operating income for the first nine months of fiscal 2010 resulted primarily from lower operating income in Canada, new store investment in Mexico and Turkey and $27 million of restructuring charges incurred in the first quarter of fiscal 2010, partially offset by operating income in Europe and a lower operating loss in China.

Our International segment s revenue in the third quarter of fiscal 2010 decreased 6% to $3.1 billion, compared with $3.3 billion for the same period one year ago. In the first nine months of fiscal 2010, our International segment s revenue increased 29% to $8.4 billion, compared with $6.5 billion in the same period one year ago. A comparable store sales decline of 6.7% in the third quarter of fiscal 2010 as well as unfavorable fluctuations in foreign currency exchange rates accounted for the majority of the third quarter revenue decrease, partially offset by the net addition of 40 new stores in the past 12 months. The increase in revenue for the first nine months of fiscal 2010 was due to the inclusion of Best Buy Europe, which contributed no revenue in the first six months of fiscal 2009 and $2.6 billion of revenue in the first six months of fiscal 2010, and the net addition of new stores in the past 12 months, partially offset by the comparable store sales decline of 8.8% and the unfavorable effect of fluctuations in foreign currency exchange rates.

The components of our International segment s net revenue decrease for the three months ended November 28, 2009, and the net revenue increase for the nine months ended November 28, 2009, were as follows:

	Three months ended November 28, 2009	**Nine months ended November 28, 2009**
Acquisition of Best Buy Europe		39%
Net new stores	3%	4%
Impact of comparable store sales decline	(6)%	(8)%
Unfavorable impact of foreign currency	(2)%	(5)%
Non-comparable sales channels 1	(1)%	(1)%
Total revenue (decrease) increase	(6)%	29%

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

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 2010 and fiscal 2009:

	Revenue Mix Summary Three Months Ended		**Comparable Store Sales Summary 1 Three Months Ended**	
	November 28, 2009	**November 29, 2008**	**November 28, 2009**	**November 29, 2008**
Consumer electronics	18%	18%	(18.3)%	(0.3)%
Home office	55%	54%	(3.3)%	(1.4)%
Entertainment software	7%	6%	(13.6)%	(2.7)%
Appliances	8%	8%	(6.8)%	7.4%
Services	12%	14%	5.3%	3.0%
Other	<1%	<1%	n/a	n/a
Total	100%	100%	(6.7)%	0.3%

1 Comparable store sales for the three months ended November 28, 2009 includes Best Buy Europe. However, comparable store sales for the three months ended November 29, 2008 does not include Best Buy Europe as the third quarter of fiscal 2010 was the first period in which Best Buy Europe had comparable sales.

Our International segment s comparable store sales decline in the third quarter of fiscal 2010 was driven by declines in Canada, Europe and China. The product categories having the largest effect on our International segment s comparable store sales decline in the fiscal third quarter were mobile phones, flat-panel televisions and video gaming. Weaker sales in these product categories were partially offset by comparable store sales gains in notebook computers and services.

In the third quarter of fiscal 2010, our International segment s consumer electronics revenue category posted an 18.3% comparable store sales decline resulting primarily from reductions in the comparable sales of nearly all product categories within consumer electronics, particularly flat-panel televisions and digital cameras and camcorders. The home office revenue category posted a 3.3% comparable store sales decline due primarily to mobile phones and desktop computers and monitors, partially offset by gains in notebook computers. The decline in mobile phones was primarily due to Europe, which experienced a mix shift to pre-pay mobile

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phone connections that carry a lower average selling price, combined with increased promotional pricing that more than offset the overall increase in connections. The entertainment software revenue category recorded a 13.6% comparable store sales decline due to a decrease in the comparable sales of nearly all categories within this revenue category, particularly video gaming. The appliances revenue category recorded a 6.8% comparable store sales decline resulting primarily from decreases in the sales of appliances in our China operations, where appliances represent a larger percentage of the sales, partially offset by a gain in appliances in Canada. The services revenue category posted a 5.3% comparable store sales gain due primarily to an increase in revenue from our repair business.

Our International segment s gross profit rate in the third quarter of fiscal 2010 decreased by 0.7% of revenue to 25.4% of revenue. In the first nine months of fiscal 2010, our International segment s gross profit rate increased by 1.8% of revenue to 25.3% of revenue. The gross profit rate decrease in third quarter of fiscal 2010 was driven by decreases in the Europe and China gross profit rates, partially offset by a gross profit rate increase in Canada. The overall decrease was due primarily to Europe, whose revenue mix shifted to sales to wholesalers and dealers and pre-pay mobile phone connections, which carry lower margins. Despite the gross profit rate decline in the third quarter of fiscal 2010, the gross profit rate in the first nine months of fiscal 2010 increased due to the acquisition impact of Europe of 2.3%, partially offset by the aforementioned decline in Europe s gross profit rate in the fiscal third quarter of 2010. The Canada and China gross profit rates for the first nine months of fiscal 2010 were essentially flat.

Our International segment s SG&A rate in the third quarter of fiscal 2010 decreased by 1.7% of revenue to 24.7% of revenue. In the first nine months of fiscal 2010, our International segment s SG&A rate increased by 1.9% of revenue to 25.2% of revenue. The SG&A rate decrease in the third quarter of fiscal 2010 was due primarily to lower operating costs in Europe in conjunction with the restructuring that took place in the first fiscal quarter, specifically with payroll, benefits and overhead costs. Partially offsetting these reductions were increased expenses associated with new store start-up in Mexico and Turkey. The SG&A rate in the first nine months of fiscal 2010 increased due to the acquisition impact of Europe of 2.2%, as well as the deleveraging impact of the comparable store sales decline, partially offset by the aforementioned decline in Europe s SG&A rate in the third quarter of fiscal 2010 and a decline in China s SG&A rate due to savings in payroll and advertising.

Our International segment incurred no restructuring charges in the third quarter of fiscal 2010, consistent with the same period one year ago. Our International segment s restructuring charges in the first quarter of fiscal 2010 were $27 million, compared to no restructuring charges in the same period one year ago. The charges incurred were primarily related to employee termination benefits and business reorganization costs in Europe.

Liquidity and Capital Resources

Summary

The following table summarizes our cash and cash equivalents and short-term investments balances at November 28, 2009; February 28, 2009; and November 29, 2008 ($ in millions):

	November 28, 2009	February 28, 2009	November 29, 2008
Cash and cash equivalents	$ 564	$ 498	$ 569

Short-term investments	93	11	25
Total cash and cash equivalents and short-term investments	$ 657	$ 509	$ 594

The increase in the balance of our cash and cash equivalents and short-term investments compared with the end of the third quarter of fiscal 2009 was due primarily to our re-classification of certain auction-rate securities to short-term investments in the second quarter of fiscal 2010, while our cash and cash equivalents remained relatively flat.

Our current ratio, calculated as current assets divided by current liabilities, was 1.0 at the end of the third quarter of fiscal 2010, compared with 1.0 at the end of fiscal 2009 and 0.9 at the end of the third quarter of fiscal 2009.

Our debt-to-capitalization ratio, which represents the ratio of total debt, including the current portion of long-term debt, to total capitalization (total debt plus total shareholders equity), was 25% at the end of the third quarter of fiscal 2010, compared with 30% at the end of fiscal 2009, and 42% at the end of the third quarter of fiscal 2009. We view our debt-to-capitalization ratio as an important indicator of our creditworthiness. The decrease from the end of the third quarter of fiscal 2009 was due primarily to cash generated from operations allowing us to reduce our short-term borrowings. Higher shareholders equity balances at the end of the third quarter in fiscal 2010, caused primarily by increased retained earnings, further contributed to the decrease in the debt-to-capitalization ratio.

Our adjusted debt-to-capitalization ratio, which includes capitalized operating lease obligations in its calculation, was 66% at the end of the third quarter of fiscal 2010, compared with 68% at the end of fiscal 2009 and 71% at the end of the third quarter of fiscal 2009.

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Our adjusted debt-to-capitalization ratio is considered a non-GAAP financial measure and is not in accordance with, or preferable to, the ratio determined in accordance with U.S. generally accepted accounting principles (GAAP). However, we have included this information as we believe that our adjusted debt-to-capitalization ratio, including capitalized operating lease obligations, is important for understanding our operations and provides meaningful additional information about our ability to service our long-term debt and other fixed obligations, and to fund our future growth. In addition, we believe our adjusted debt-to-capitalization ratio, including capitalized operating lease obligations, 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.

The most directly comparable GAAP financial measure to our adjusted debt-to-capitalization ratio, including capitalized operating lease obligations, is our debt-to-capitalization ratio. Our debt-to-capitalization ratio excludes capitalized operating lease obligations in both the numerator and denominator of the calculation. The following table presents a reconciliation of the numerator and denominator used in the calculation of our adjusted debt-to-capitalization ratio, including capitalized operating lease obligations, for the dates indicated ($ in millions):

	November 28, 2009	February 28, 2009	November 29, 2008
Debt (including current portion)	$ 1,881	$ 1,963	$ 3,326
Capitalized operating lease obligations (8 times rental expense) [1]	8,978	8,114	7,890
Adjusted debt (including capitalized operating lease obligations)	$ 10,859	$ 10,077	$ 11,216
Debt (including current portion)	$ 1,881	$ 1,963	$ 3,326
Capitalized operating lease obligations (8 times rental expense) [1]	8,978	8,114	7,890
Total Best Buy Co., Inc. shareholders equity	5,529	4,643	4,560
Adjusted capitalization	$ 16,388	$ 14,720	$ 15,776
Debt-to-capitalization ratio	25%	30%	42%
Adjusted debt-to-capitalization ratio (including capitalized operating lease obligations)	66%	68%	71%

1 The multiple of eight times annual rental expense used to calculate our capitalized operating lease obligations total is the multiple used for the retail sector by one of the nationally recognized credit rating agencies that rate our creditworthiness.

Our liquidity 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 is included in other current assets, totaled $480 million, $487 million and $438 million at November 28, 2009; February 28, 2009; and November 29, 2008, respectively. The increase in restricted cash from the end of the third quarter of fiscal 2009 was due primarily to increased cash requirements to fund claims associated with our insurance business in Europe.

Cash Flows

The following table summarizes our cash flows for the first nine months of the current and prior fiscal years ($ in millions):

	Nine Months Ended	
	November 28, 2009	November 29, 2008
Total cash provided by (used in):		
Operating activities	$ 679	$ (80)
Investing activities	(405)	(2,969)
Financing activities	(208)	2,141
Effect of exchange rate changes on cash		39
Increase (decrease) in cash and cash equivalents	$ 66	$ (869)

Cash provided by operating activities in the first nine months of fiscal 2010 was $679 million, compared with cash used in operating activities of $80 million in the first nine months of fiscal 2009. The increase in cash provided was due primarily to increases in cash provided by accounts payable, net earnings (excluding depreciation and amortization), other liabilities including restructuring charges, and accounts receivables, partially offset by an increase in cash used for merchandise inventories. The increase in cash provided by accounts payable was due primarily to higher average accounts payable balances in the current year period caused by larger inventory

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purchases, as well as the extension of payment terms with certain vendors. The increase in cash provided by other liabilities was due primarily to an increase in deferred revenues associated with sales of products for which delivery had not occurred as well as the timing and magnitude of transaction taxes payable. The increase in cash provided by accounts receivables was due primarily to the timing of the receipt of customer and network operating receivables in our Europe business. The increase in cash used for merchandise inventories was due primarily to higher inventory levels in the current fiscal year caused by the addition of new stores and the anticipation of fiscal fourth quarter sales growth, compared to lower inventory levels in the prior fiscal year due to economic uncertainty.

Cash used in investing activities in the first nine months of fiscal 2010 was $405 million, compared with $3.0 billion in the first nine months of fiscal 2009. The decrease in cash used in investing activities was due primarily to the $2.2 billion of net cash associated with the acquisition of businesses in the first nine months of fiscal 2009, including Best Buy Europe. Also contributing to the decrease was an expected decrease in capital expenditures to $469 million in the first nine months of fiscal 2010, compared with $927 million in the prior year period.

Cash used in financing activities in the first nine months of fiscal 2010 was $208 million, compared with cash provided by financing activities of $2.1 billion for the first nine months of fiscal 2009. The decrease in cash provided by financing activities was primarily the result of a $2.3 billion decrease in borrowings, net of repayments, in the first nine months of fiscal 2010 compared to the same period one year ago. Larger borrowings in the prior year were associated with the acquisition of Best Buy Europe and normal working capital needs.

Share Repurchases and Dividends

For the three months ended November 28, 2009 and November 29, 2008, we made no share repurchases under our June 2007 share repurchase program or otherwise.

During the third quarter of fiscal 2010, we paid our regular quarterly cash dividend of $0.14 per common share, or $58 million in the aggregate. During the same period one year ago, we paid a regular quarterly cash dividend of $0.14 per common share, or $58 million in the aggregate. As announced on December 16, 2009, our Board of Directors authorized payment of our next regular quarterly cash dividend of $0.14 per common share, payable on January 26, 2010, to shareholders of record as of the close of business on January 5, 2010.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, and our credit facilities continue to be our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to sustain operations, including announced restructuring plans, and to finance anticipated expansion plans and strategic initiatives for the remainder of fiscal 2010. However, in the event our liquidity is insufficient, we may be required to limit our future expansion plans or we may not be able to pursue promising business opportunities. 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 $2.32 billion five-year unsecured revolving credit facility, as amended (the Credit Facility), with a syndicate of banks, of which $350 million was outstanding at November 28, 2009. The Credit Facility expires in September 2012. We were in compliance with our financial covenants under the Credit Facility at November 28, 2009. At January 5, 2010, we had no borrowings outstanding under the Credit Facility.

We have $946 million available under secured and unsecured revolving demand and credit facilities related to our International segment operations, of which $391 million was outstanding at November 28, 2009.

At November 28, 2009, we had $284 million of auction-rate securities (ARS) recorded at fair value within short-term investments and equity and other investments in our consolidated balance sheet. The majority of our ARS portfolio is AAA/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 mid-February 2008, we have been unable to liquidate many of our ARS. The investment principal associated with our 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 seven to 38 years. We intend to hold our ARS until we can recover the full principal amount through one of the means described above, and have the ability to do so based on our other sources of liquidity.

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Our credit ratings and outlooks at January 5, 2010, are summarized below and are consistent with the ratings and outlooks reported in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009.

Rating Agency	Rating	Outlook
Fitch	BBB+	Negative
Moody s	Baa2	Stable
Standard & Poor s	BBB	Stable

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. We are not aware of any reasonable circumstances under which our credit ratings would be significantly downgraded. If a downgrade were to occur, it could adversely impact, among other things, our future borrowing costs, access to capital markets, vendor financing terms and future new-store occupancy costs. In addition, the conversion rights of the holders of our convertible debentures could be accelerated if our credit ratings were to be downgraded.

Debt and Capital

At November 28, 2009, we had short-term debt outstanding under our various credit facilities of $741 million, a decrease from $783 million at February 28, 2009, and $2.2 billion at November 29, 2008, primarily attributable to repayments and lower borrowings caused by the generation of operating cash flows. Other than as discussed in Note 7, *Debt*, of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, there were no significant changes in the terms of our debt at November 28, 2009, compared to February 28, 2009. See Note 6, *Debt,* of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2009, for additional information regarding our debt.

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 in the ordinary course of business since the end of fiscal 2009. See our Annual Report on Form 10-K for the fiscal year ended February 28, 2009, 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 February 28, 2009. 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 February 28, 2009. There has been no significant change in our significant accounting policies or critical accounting estimates since the end of fiscal 2009.

New Accounting Standards

Accounting Standards Codification In June 2009, the Financial Accounting Standards Board (FASB) issued a standard that established the FASB Accounting Standards Codification (the ASC), which effectively amended the hierarchy of U.S. generally accepted accounting principles (GAAP) and established only two levels of GAAP, authoritative and nonauthoritative. All previously existing accounting standard documents were superseded, and the ASC became the single source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission (SEC), which are sources of authoritative GAAP for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the ASC became nonauthoritative. The ASC was intended to provide access to the authoritative guidance related to a particular topic in one place. New guidance issued subsequent to June 30, 2009 will be communicated by the FASB through Accounting Standards Updates. The ASC was effective for financial statements for interim or annual reporting periods ending after September 15, 2009. We adopted and applied the provisions of the ASC for our third fiscal quarter ended November 28, 2009, and have eliminated references to pre-ASC accounting standards throughout our consolidated financial statements. Our adoption of the ASC did not have a material impact on our consolidated financial statements.

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Consolidation of Variable Interest Entities In June 2009, the FASB issued new guidance on the consolidation of variable interest entities (VIE) in response to concerns about the application of certain key provisions of pre-existing guidance, including those regarding the transparency of the involvement with a VIE. Specifically, this new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, this new guidance requires additional disclosures about the involvement with a VIE and any significant changes in risk exposure due to that involvement. This new guidance is effective for fiscal years beginning after November 15, 2009. We plan to adopt the new guidance in fiscal 2011 and are evaluating the impact it will have on our consolidated financial statements.

Transfers of Financial Assets In June 2009, the FASB issued new guidance on accounting for transfers of financial assets which eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity s continuing involvement in and exposure to the risks related to transferred financial assets. This new guidance is effective for fiscal years beginning after November 15, 2009. We plan to adopt the new guidance in fiscal 2011 and are evaluating the impact it will have on our consolidated financial statements.

Subsequent Events In May 2009, the FASB issued new guidance on the treatment of subsequent events which is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This new guidance was effective for fiscal years and interim periods ended after June 15, 2009, and must be applied prospectively. We adopted and applied the provisions of the new guidance for our second fiscal quarter ended August 29, 2009, and have included the required disclosures in the *Basis of Presentation* section above. Our adoption of the new guidance did not have an impact on our consolidated financial position or results of operations.

Fair Value and Other-Than-Temporary Impairments In April 2009, the FASB issued new guidance intended to provide additional application guidance and enhanced disclosures regarding fair value measurements and impairments of securities. New guidance related to determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly provides additional guidelines for estimating fair value in accordance with pre-existing guidance on fair value measurements. New guidance on recognition and presentation of other-than-temporary impairments provides additional guidance related to the disclosure of impairment losses on securities and the accounting for impairment losses on debt securities, but does not amend existing guidance related to other-than-temporary impairments of equity securities. Lastly, new guidance on interim disclosures about the fair value of financial instruments increases the frequency of fair value disclosures. The new guidance was effective for fiscal years and interim periods ended after June 15, 2009. As such, we adopted the new guidance in the second quarter of fiscal 2010, and have included the additional required interim disclosures about the fair value of financial instruments and valuation techniques within Note 3, *Investments*, and Note 4, *Fair Value Measurements*. Our adoption of the new guidance did not have a material impact on our consolidated financial position or results of operations.

Derivatives and Hedging Disclosures In March 2008, the FASB issued new guidance on disclosures about derivative instruments and hedging activities. This new guidance is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effect these instruments and activities have on an entity s financial position, financial performance and cash flows. Entities are required to provide enhanced disclosures about: how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for under existing GAAP; and how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. This new guidance was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Our adoption of the guidance in the fourth quarter of fiscal 2009 had no impact on our consolidated financial statements. However, in the first quarter of fiscal 2010, we entered into significant derivative hedging contracts and, accordingly, we have included the disclosures required by the new guidance in Note 8, *Derivative Instruments*,

which are provided on a prospective basis.

Business Combinations In December 2007, the FASB issued new guidance on business combinations which significantly changed the accounting for business combinations in a number of areas, including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under this new guidance, changes in an acquired entity s deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. This new guidance was effective for fiscal years beginning after December 15, 2008. We adopted the new guidance on March 1, 2009, which changed our accounting treatment for business combinations on a prospective basis.

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Noncontrolling Interests In December 2007, the FASB issued new guidance on noncontrolling interests in consolidated financial statements. This new guidance changes the accounting and reporting for minority interests, which must be recharacterized as noncontrolling interests and classified as a component of shareholders equity. This new consolidation method significantly changes the accounting for transactions with minority interest holders. This new guidance was effective for fiscal years beginning after December 15, 2008. We adopted the new guidance on March 1, 2009, and applied its provisions prospectively, except for the presentation and disclosure requirements, which we applied retrospectively. Our adoption of the new guidance did not have a material impact on our consolidated financial statements other than the following reporting and disclosure changes which we applied retrospectively to all periods presented:

(i) we recharacterized minority interests previously reported on our condensed consolidated balance sheets as noncontrolling interests and classified them as a component of shareholders equity;

(ii) we adjusted certain captions previously utilized on our consolidated statements of earnings to specifically identify net earnings attributable to noncontrolling interests and net earnings attributable to Best Buy Co., Inc.; and

(iii) in order to reconcile net earnings to the cash flows from operating activities, we changed the starting point on our consolidated statements of cash flows from net earnings to net earnings including noncontrolling interests, with net earnings or loss from the noncontrolling interests (previously, minority interests) no longer a reconciling item in arriving at net cash flows from operating activities in our consolidated statement of cash flows.

Additional disclosures required by this new guidance are included in Note 11, *Supplemental Equity and Comprehensive Income Information*.

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 plan, project, outlook, and and terms of similar meaning. Such statements reflect our current view with respect to future events and are subject to certain risks, uncertainties and assumptions. A variety of factors could cause our future results to differ materially from the anticipated results expressed in such forward-looking statements. Readers should review Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the fiscal year ended February 28, 2009, for a description of important factors that could cause future results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. In addition, general economic conditions, acquisitions and development of new businesses, divestitures, product availability, sales volumes, pricing actions and promotional activities of our competitors, profit margins, weather, changes in law or regulations, foreign currency fluctuation, availability of suitable real estate locations, our ability to react to a disaster recovery situation, availability of consumer credit and the impact of labor markets and new product introductions on our overall profitability, among other things, could cause our future results to differ materially from those projected in any such forward-looking statement.

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 use forward foreign exchange contracts to hedge the impact of fluctuations in foreign currency exchange rates. Our Canada and Europe businesses enter into the contracts primarily to hedge certain non-functional currency exposures. The aggregate notional amount and fair value recorded on our consolidated balance sheet related to our foreign exchange forward and swap contracts outstanding was $982 million and $3 million, respectively, at November 28, 2009. The aggregate losses recorded in our consolidated statement of net earnings related to all such contracts settled and outstanding were $2 million and $0 in the third quarter and first nine months of fiscal 2010, respectively.

The overall strength of the U.S. dollar since the third quarter of fiscal 2009 has had a negative net impact on our revenue and net earnings as the foreign denominations translated into fewer U.S. dollars. It is not possible to determine the exact impact of foreign currency exchange rate changes; however, the effect on reported revenue and net earnings can be estimated.

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We estimate that the overall strength of the U.S. dollar had an unfavorable impact on our revenue of approximately $73 million and $329 million in the third quarter and first nine months of fiscal 2010, respectively. In addition, we estimate that while the strength of the U.S. dollar had no impact on our net earnings in the third quarter of fiscal 2010, it had a negative impact on our net earnings of $2 million in the first nine months of fiscal 2010.

Interest Rate Risk

Short-term and long-term debt

At November 28, 2009, our short-term and long-term debt was comprised primarily of credit facilities, our convertible debentures and our 6.75% notes. We do not currently manage the interest rate risk on our debt through the use of derivative instruments.

Our credit facilities are not subject to material interest rate risk. The credit facilities interest rates may be reset due to fluctuations in a market-based index, such as the federal funds rate, the London Interbank Offered Rate (LIBOR), or the base rate or prime rate of our lenders. A hypothetical 100-basis-point change in the interest rates of our credit facilities would change our annual pre-tax earnings by $7 million.

There is no interest rate risk associated with our convertible debentures or 6.75% notes, as the interest rates are fixed at 2.25% and 6.75%, respectively, per annum.

Short- and long-term investments in debt securities

At November 28, 2009, our short- and long-term investments in debt securities were comprised of auction-rate securities. These investments are not subject to material interest rate risk. A hypothetical 100-basis-point change in the interest rate would change our annual pre-tax earnings by $3 million. We do not currently manage interest rate risk on these investments through the use of derivative instruments.

Other Market Risks

Investments in auction-rate securities

At November 28, 2009, we held $284 million in investments in ARS, which includes a $9 million pre-tax temporary impairment. 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 are unable to recover the cost of our ARS investments. A hypothetical 100-basis-point loss from the

par value of these investments would result in a $3 million impairment charge.

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 28, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at November 28, 2009, our disclosure controls and procedures were effective.

There was no change in internal control over financial reporting during the fiscal quarter ended November 28, 2009, that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

We acquired Best Buy Europe and Napster in fiscal 2009. We are not yet required to evaluate, and have not fully evaluated, changes in Best Buy Europe s or Napster s internal control over financial reporting and, therefore, any material changes in internal control over financial reporting that may result from these acquisitions have not been disclosed in this Quarterly Report on Form 10-Q. We intend to disclose all material changes in internal control over financial reporting resulting from these acquisitions prior to or in our Annual Report on Form 10-K for the fiscal year ending February 27, 2010, in which report we will be required for the first time to include Best Buy Europe and Napster in our annual assessment of internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Stock Repurchases

During the third quarter of fiscal 2010, we purchased no shares under our June 2007 $5.5 billion share repurchase program, or otherwise. There is no stated expiration date for the June 2007 share repurchase program. We purchased $3.0 billion under our June 2007 share repurchase program in fiscal 2008 and have made no purchases since fiscal 2008.

ITEM 6. EXHIBITS

31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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
101	The following financial information from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2010, filed with the SEC on January 7, 2010, formatted in Extensible Business Reporting Language (XBRL): (i) the condensed consolidated balance sheets at November 28, 2009; February 28, 2009; and November 29, 2008, (ii) the consolidated statements of earnings for the three and nine months ended November 28, 2009, and November 29, 2008, (iii) the consolidated statements of cash flows for the nine months ended November 28, 2009, and November 29, 2008, and (iv) the Notes to Condensed Consolidated Financial Statements (tagged as blocks of text).(1)

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(1) The XBRL related information in Exhibit 101 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)	
Date: January 5, 2010	By:	/s/ BRIAN J. DUNN Brian J. Dunn *Chief Executive Officer* *(duly authorized and principal executive officer)*
Date: January 5, 2010	By:	/s/ JAMES L. MUEHLBAUER James L. Muehlbauer *Executive Vice President Finance* *and Chief Financial Officer* *(duly authorized and principal financial officer)*
Date: January 5, 2010	By:	/s/ SUSAN S. GRAFTON Susan S. Grafton *Vice President, Controller* *and Chief Accounting Officer* *(duly authorized and principal accounting officer)*