

GSI COMMERCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	December 31, 2005	April 1, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,361	\$ 32,418
Marketable securities	108,298	99,716
Accounts receivable, net of allowance of \$727 and \$601, respectively	24,288	19,119
Inventory	34,601	31,329
Prepaid expenses and other current assets	3,135	3,357
Total current assets	218,683	185,939
Property and equipment, net	87,851	83,595
Goodwill	13,932	17,786
Equity investments and other	1,210	3,799
Other assets, net of accumulated amortization of \$7,885 and \$9,186 respectively	10,970	9,653
Total assets	\$ 332,646	\$ 300,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 58,720	\$ 34,400
Accrued expenses and other	42,949	34,772
Deferred revenue	6,573	6,043
Current portion - long-term debt and other	637	656
Total current liabilities	108,879	75,871
Convertible notes	57,500	57,500
Long-term debt and other	13,094	12,907
Total liabilities	179,473	146,278
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 4,990,000 shares authorized; 0 shares issued and outstanding as of December 31, 2005 and April 1, 2006	-	-
Common stock, \$0.01 par value, 90,000,000 shares authorized; 44,469,969 and 44,865,751 shares issued as of December 31, 2005 and April 1, 2006, respectively; 44,469,766 and 44,865,548 shares outstanding as of December 31, 2005 and April 1, 2006, respectively	445	448
Additional paid in capital	329,103	332,935
Accumulated other comprehensive loss	(2,344)	(487)
Accumulated deficit	(174,031)	(178,402)
Total stockholders' equity	153,173	154,494
Total liabilities and stockholders' equity	\$ 332,646	\$ 300,772

GSI COMMERCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	April 2, 2005	April 1, 2006
Revenues:		
Net revenues from product sales	\$ 76,652	\$ 91,657
Service fee revenues	14,706	22,586
	91,358	114,243
Cost of revenues from product sales	57,587	67,066
	33,771	47,177
Operating expenses:		
Sales and marketing, exclusive of \$183 and \$1,309 reported below as stock-based compensation, respectively	20,859	29,404
Product development, exclusive of (\$30) and \$192 reported below as stock-based compensation, respectively	6,589	8,211
General and administrative, exclusive of (\$397) and \$422 reported below as stock-based compensation, respectively	5,225	6,975
Stock-based compensation	(245)	1,923
Depreciation and amortization	3,122	4,516
	35,550	51,029
Other (income) expense:		
Interest expense	233	778
Interest income	(343)	(1,490)
Other (income) expense	(115)	(150)
Impairment on investment	-	1,647
	(225)	785
Loss before income taxes and cumulative effect of change in accounting principle	(1,554)	(4,637)
Provision for income taxes	-	2
	(1,554)	(4,639)
Net loss before cumulative effect of change in accounting principle	(1,554)	(4,639)
Cumulative effect of change in accounting principle	-	(268)
Net loss	\$ (1,554)	\$ (4,371)
Basic and diluted loss per share:		
Prior to cumulative effect of change in accounting principle	\$ (0.04)	\$ (0.11)
Cumulative effect of change in accounting principle	\$ -	\$ 0.01
Net loss	\$ (0.04)	\$ (0.10)
Weighted average shares outstanding - basic and diluted	41,662	44,680

GSI COMMERCE, INC. AND SUBSIDIARIES
 ADJUSTED EBITDA AND RECONCILIATION TO GAAP RESULTS

(In thousands)

(Unaudited)

	Three Months Ended	
	April 2, 2005	April 1, 2006
	<u> </u>	<u> </u>
Adjusted EBITDA:		
Net gain (loss) excluding interest income and expense, income taxes, impairment and charges for stock-based compensation and depreciation and amortization	<u>\$ 1,213</u>	<u>\$ 2,737</u>
Reconciliation of Adjusted EBITDA to GAAP results:		
Adjusted EBITDA	\$ 1,213	\$ 2,737
Interest expense	233	778
Interest income	(343)	(1,490)
Impairment on Investment	-	1,647
Income Taxes	-	2
Stock-based compensation	(245)	1,923
Depreciation and amortization	3,122	4,516
Cumulative effect of change in accounting principle	<u>-</u>	<u>(268)</u>
Net loss	<u>\$ (1,554)</u>	<u>\$ (4,371)</u>

GSI COMMERCE, INC. AND SUBSIDIARIES
MERCHANDISE SALES ⁽¹⁾ AND RECONCILIATION TO GAAP RESULTS
(Dollars in thousands)
(Unaudited)

	Three Months Ended		Variance	
	April 2, 2005	April 1, 2006	Amount	%
Merchandise sales ⁽¹⁾ - (a non-GAAP financial measure):				
Category:				
Sporting goods	\$ 47,497	\$ 67,448	\$ 19,951	42%
Other	88,745	123,502	34,757	39%
Total merchandise sales ⁽¹⁾ - (a non-GAAP financial measure)	<u>\$ 136,242</u>	<u>\$ 190,950</u>	<u>\$ 54,708</u>	<u>40%</u>
Net revenues - (GAAP basis):				
Net revenues from product sales:				
Category:				
Sporting goods	\$ 39,787	\$ 55,837	\$ 16,050	40%
Other	36,865	35,820	(1,045)	-3%
Total net revenues from product sales	76,652	91,657	15,005	20%
Service fee revenues	14,706	22,586	7,880	54%
Total net revenues - (GAAP basis)	<u>\$ 91,358</u>	<u>\$ 114,243</u>	<u>\$ 22,885</u>	<u>25%</u>
Reconciliation of merchandise sales ⁽¹⁾ to net revenues:				
Merchandise sales ⁽¹⁾ - (a non-GAAP financial measure):				
Category:				
Sporting goods	\$ 47,497	\$ 67,448	\$ 19,951	42%
Other	88,745	123,502	34,757	39%
Total merchandise sales ⁽¹⁾ - (a non-GAAP financial measure)	136,242	190,950	54,708	40%
Less:				
Sales by partners ⁽²⁾ :				
Category:				
Sporting goods	(7,710)	(11,611)	(3,901)	51%
Other	(51,880)	(87,682)	(35,802)	69%
Total sales by partners ⁽²⁾	(59,590)	(99,293)	(39,703)	67%
Add:				
Service fee revenues	14,706	22,586	7,880	54%
Net revenues - (GAAP basis)	<u>\$ 91,358</u>	<u>\$ 114,243</u>	<u>\$ 22,885</u>	<u>25%</u>

(1) Merchandise sales represents the retail value of all sales transactions, inclusive of freight charges and net of allowances for returns and discounts, which flow through the GSI Commerce platform, whether or not GSI Commerce is the seller of the merchandise or records the full amount of such sales on its financial statements. It also includes product sales related to Aspherio.

(2) Represents the retail value of all product sales through the GSI Commerce platform where the inventory is owned by the partner and the partner is the seller of the merchandise. GSI Commerce records service fee revenues on these sales.

GSI COMMERCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	April 2, 2005	April 1, 2006
Cash Flows from Operating Activities:		
Net loss	\$ (1,554)	\$ (4,371)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,122	4,516
Stock-based compensation	(245)	1,923
Investment impairment	-	1,647
Loss on disposal of equipment	-	55
Cumulative effect of change in accounting principle	-	(268)
Changes in operating assets and liabilities:		
Accounts receivable, net	5,438	5,182
Inventory	3,760	3,272
Prepaid expenses and other current assets	189	(222)
Other assets, net	9	146
Accounts payable and accrued expenses and other	(35,546)	(32,016)
Deferred revenue	(691)	(412)
Net cash used in operating activities	(25,518)	(20,548)
Cash Flows from Investing Activities:		
Acquisition of a controlling interest of a business, net of cash acquired	-	(2,629)
Cash paid for property and equipment	(6,761)	(3,721)
Proceeds from government grant for building	-	2,925
Other deferred cost	(247)	41
Cash paid for equity investments	(136)	(2,408)
Purchases of marketable securities	(9,177)	(63,405)
Sales of marketable securities	32,000	71,975
Net cash provided by investing activities	15,679	2,778
Cash Flows from Financing Activities:		
Repayments of loan	(339)	-
Repayments of capital lease obligations	(160)	(152)
Repayments of mortgage note	(38)	(55)
Common stock repurchases	-	(154)
Deferred costs paid	(199)	-
Proceeds from exercise of common stock options	1,247	2,183
Net cash provided by financing activities	511	1,822
Effect of exchange rate changes on cash and cash equivalents	-	5
Net decrease in cash and cash equivalents	(9,328)	(15,943)
Cash and cash equivalents, beginning of period	20,064	48,361
Cash and cash equivalents, end of period	\$ 10,736	\$ 32,418