

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

	January 3, 2009 (1)(2)	July 4, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,315	\$ 59,833
Accounts receivable, less allowance for doubtful accounts of \$2,747 and \$2,622	78,544	51,247
Inventory	42,856	37,135
Deferred tax assets	18,125	18,697
Prepaid expenses and other current assets	11,229	12,341
Total current assets	281,069	179,253
Property and equipment, net	164,833	158,159
Goodwill	194,996	197,854
Intangible assets, net of accumulated amortization of \$18,340 and \$23,302	46,663	43,586
Long-term deferred tax assets	11,296	21,579
Other assets, net of accumulated amortization of \$16,384 and \$17,569	17,168	13,520
Total assets	\$ 716,025	\$ 613,951
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 98,100	\$ 49,248
Accrued expenses	116,747	69,359
Deferred revenue	20,397	20,853
Convertible notes	-	53,118
Current portion - long-term debt	4,887	4,938
Total current liabilities	240,131	197,516
Convertible notes	161,951	113,924
Long-term debt	32,609	30,114
Deferred revenue and other long-term liabilities	6,838	9,297
Total liabilities	441,529	350,851
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding as of January 3, 2009 and July 4, 2009	-	-
Common stock, \$0.01 par value, 90,000,000 shares authorized; 47,630,824 and 49,037,690 shares issued as of January 3, 2009 and July 4, 2009, respectively; 47,630,621 and 49,037,487 shares outstanding as of January 3, 2009 and July 4, 2009, respectively	476	490
Additional paid in capital	430,933	443,964
Accumulated other comprehensive loss	(2,327)	(1,545)
Accumulated deficit	(154,586)	(179,809)
Total stockholders' equity	274,496	263,100
Total liabilities and stockholders' equity	\$ 716,025	\$ 613,951

⁽¹⁾ On January 4, 2009 the Company adopted Financial Accounting Standards Board Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." The impact of this adoption has been retrospectively applied to prior period results.

⁽²⁾ In the second quarter of fiscal 2009, the Company discovered an immaterial misstatement in its stock-based compensation expense that impacted fiscal 2006, 2007, 2008, and the first fiscal quarter of fiscal 2009. The Company has corrected its prior period results as if its stock-based compensation expense had been properly recorded in each prior period. The corrections to prior periods will be presented in the Company's future filings.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 28, 2008 (1)(2)</u>	<u>July 4, 2009</u>	<u>June 28, 2008 (1)(2)</u>	<u>July 4, 2009</u>
Revenues:				
Net revenues from product sales	\$ 107,055	\$ 91,192	\$ 230,175	\$ 197,383
Service fee revenues	86,154	95,989	158,577	186,273
Net revenues	193,209	187,181	388,752	383,656
Costs and expenses:				
Cost of revenues from product sales	78,444	70,442	163,861	149,797
Marketing	11,853	7,054	28,729	17,915
Account management and operations, inclusive of \$1,364, \$2,394, \$2,831 and \$4,650 of stock-based compensation	57,550	59,055	116,993	116,796
Product development, inclusive of \$687, \$1,185, \$1,297 and \$2,636 of stock-based compensation	25,214	28,101	47,835	56,475
General and administrative, inclusive of \$2,273, \$2,513, \$4,864 and \$5,760 of stock-based compensation	18,694	19,527	34,948	38,804
Depreciation and amortization	18,826	15,279	32,635	30,680
Total costs and expenses	210,581	199,458	425,001	410,467
Loss from operations	(17,372)	(12,277)	(36,249)	(26,811)
Other (income) expense:				
Interest expense	4,539	4,759	8,909	9,555
Interest income	(168)	(54)	(1,207)	(205)
Other (income) expense	208	(394)	353	(165)
Total other expense	4,579	4,311	8,055	9,185
Loss before income taxes	(21,951)	(16,588)	(44,304)	(35,996)
Benefit for income taxes	(1,604)	(3,475)	(12,459)	(10,773)
Net loss	\$ (20,347)	\$ (13,113)	\$ (31,845)	\$ (25,223)
Basic and diluted loss per share	\$ (0.43)	\$ (0.27)	\$ (0.68)	\$ (0.52)
Weighted average shares outstanding - basic and diluted	47,364	48,681	47,144	48,304

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GSI COMMERCE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	June 28, 2008 (1)(2)	July 4, 2009
Cash Flows from Operating Activities:		
Net loss	\$ (31,845)	\$ (25,223)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	26,827	25,821
Amortization	5,808	4,859
Amortization of discount on convertible notes	4,617	5,092
Stock-based compensation	8,992	13,046
Foreign currency transaction gains	-	(153)
Gain on disposal of equipment	(282)	-
Deferred income taxes	(10,834)	(10,737)
Changes in operating assets and liabilities:		
Accounts receivable, net	15,248	28,156
Inventory	6,336	5,721
Prepaid expenses and other current assets	(2,081)	(923)
Other assets, net	683	1,824
Accounts payable and accrued expenses	(68,115)	(97,290)
Deferred revenue	7,181	155
Net cash used in operating activities	(37,465)	(49,652)
Cash Flows from Investing Activities:		
Payments for acquisitions of businesses, net of cash acquired	(145,001)	(2,273)
Cash paid for property and equipment, including internal use software	(29,866)	(17,929)
Proceeds from disposition of assets	1,500	-
Release of restricted cash escrow funds	-	1,052
Net cash used in investing activities	(173,367)	(19,150)
Cash Flows from Financing Activities:		
Borrowings on revolving credit loan	30,000	-
Debt issuance costs paid	(550)	(42)
Repayments of capital lease obligations	(1,004)	(2,353)
Repayments of mortgage note	(110)	(91)
Proceeds from exercise of common stock options	572	522
Net cash provided by (used in) financing activities	28,908	(1,964)
Effect of exchange rate changes on cash and cash equivalents	(29)	284
Net decrease in cash and cash equivalents	(181,953)	(70,482)
Cash and cash equivalents, beginning of period	231,511	130,315
Cash and cash equivalents, end of period	\$ 49,558	\$ 59,833

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GSI COMMERCE, INC. AND SUBSIDIARIES
NON-GAAP INCOME FROM OPERATIONS AND RECONCILIATION TO GAAP RESULTS
(In thousands)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 28, 2008</u>	<u>July 4, 2009</u>	<u>June 28, 2008</u>	<u>July 4, 2009</u>
Reconciliation of GAAP loss from operations to non-GAAP income from operations:				
GAAP loss from operations	\$ (17,372)	\$ (12,277)	\$ (36,249)	\$ (26,811)
Acquisition related integration, transaction and due diligence expenses	957	165	2,072	1,624
Stock-based compensation	4,324	6,092	8,992	13,046
Depreciation and amortization ⁽¹⁾	<u>18,826</u>	<u>15,279</u>	<u>32,635</u>	<u>30,680</u>
Non-GAAP income from operations	<u>\$ 6,735</u>	<u>\$ 9,259</u>	<u>\$ 7,450</u>	<u>\$ 18,539</u>

⁽¹⁾ Includes amortization expense of acquisition related intangibles of \$2,514 and \$4,962 for the three- and six-months ended July 4, 2009 and \$3,899 and \$5,785 for the three- and six-months ended June 28, 2008.

GSI COMMERCE, INC. AND SUBSIDIARIES
NON-GAAP NET REVENUES AND RECONCILIATION TO GAAP RESULTS
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 28, 2008	July 4, 2009	June 28, 2008	July 4, 2009
Reconciliation of GAAP net revenues to non-GAAP net revenues:				
GAAP net revenues	\$ 193,209	\$ 187,181	\$ 388,752	\$ 383,656
Cost of revenues from product sales	(78,444)	(70,442)	(163,861)	(149,797)
Marketing expenses	(11,853)	(7,054)	(28,729)	(17,915)
Non-GAAP net revenues	<u>\$ 102,912</u>	<u>\$ 109,685</u>	<u>\$ 196,162</u>	<u>\$ 215,944</u>

GSI COMMERCE, INC. AND SUBSIDIARIES
 FREE CASH FLOW AND RECONCILIATION TO GAAP RESULTS
 (In thousands)
 (Unaudited)

	Twelve Months Ended	
	June 28, 2008	July 4, 2009
Reconciliation of GAAP operating cash flow to free cash flow:		
GAAP cash flow from operating activities	\$ 58,661	\$ 83,782
Cash paid for property and equipment, including internal use software	(61,346)	(45,243)
Free cash flow	\$ (2,685)	\$ 38,539

GSI COMMERCE, INC. AND SUBSIDIARIES
RESULTS BY SEGMENT
(In thousands)
(Unaudited)

	Three Months Ended June 28, 2008			
	E-Commerce Services	Interactive Marketing Services	Intersegment Eliminations	Consolidated
Net revenues	\$ 175,936	\$ 21,529	\$ (4,256)	\$ 193,209
Costs and expenses before depreciation, amortization and stock-based compensation expense	173,860	17,827	(4,256)	187,431
Operating income before depreciation, amortization and stock-based compensation expense	<u>\$ 2,076</u>	<u>\$ 3,702</u>	<u>\$ -</u>	<u>\$ 5,778</u>
	Three Months Ended July 4, 2009			
	E-Commerce Services	Interactive Marketing Services	Intersegment Eliminations	Consolidated
Net revenues	\$ 163,770	\$ 28,486	\$ (5,075)	\$ 187,181
Costs and expenses before depreciation, amortization and stock-based compensation expense	161,336	21,826	(5,075)	178,087
Operating income before depreciation, amortization and stock-based compensation expense	<u>\$ 2,434</u>	<u>\$ 6,660</u>	<u>\$ -</u>	<u>\$ 9,094</u>
	Six Months Ended June 28, 2008			
	E-Commerce Services	Interactive Marketing Services	Intersegment Eliminations	Consolidated
Net revenues	\$ 363,535	\$ 33,614	\$ (8,397)	\$ 388,752
Costs and expenses before depreciation, amortization and stock-based compensation expense	362,752	29,019	(8,397)	383,374
Operating income before depreciation, amortization and stock-based compensation expense	<u>\$ 783</u>	<u>\$ 4,595</u>	<u>\$ -</u>	<u>\$ 5,378</u>
	Six Months Ended July 4, 2009			
	E-Commerce Services	Interactive Marketing Services	Intersegment Eliminations	Consolidated
Net revenues	\$ 342,280	\$ 53,608	\$ (12,232)	\$ 383,656
Costs and expenses before depreciation, amortization and stock-based compensation expense	336,177	42,796	(12,232)	366,741
Operating income before depreciation, amortization and stock-based compensation expense	<u>\$ 6,103</u>	<u>\$ 10,812</u>	<u>\$ -</u>	<u>\$ 16,915</u>