

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

	January 3, 2009	January 2, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 130,315	\$ 228,430
Accounts receivable, less allowance for doubtful accounts of \$2,747 and \$4,648	78,544	70,582
Inventory	42,856	55,678
Deferred tax assets	18,125	12,347
Prepaid expenses and other current assets	11,229	13,187
Total current assets	281,069	380,224
Property and equipment, net	164,833	163,329
Goodwill	194,996	373,003
Intangible assets, net of accumulated amortization of \$18,340 and \$29,172	46,663	132,875
Long-term deferred tax assets	11,296	-
Other assets, net of accumulated amortization of \$16,384 and \$17,264	17,168	12,417
Total assets	\$ 716,025	\$ 1,061,848
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 98,100	\$ 126,914
Accrued expenses	116,747	150,173
Deferred revenue	20,397	20,645
Convertible notes	-	55,443
Current portion - long-term debt	4,887	5,260
Total current liabilities	240,131	358,435
Convertible notes	161,951	116,948
Long-term debt	32,609	28,142
Deferred acquisition payments	-	63,763
Deferred tax liabilities	-	8,534
Deferred revenue and other long-term liabilities	6,838	9,686
Total liabilities	441,529	585,508
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 January 2, 2010	-	-
Common stock, \$0.01 par value, 90,000,000 shares authorized; 47,630,824 and 60,033,393 shares issued as of January 3, 2009 and January 2, 2010, respectively; 47,630,621 and 60,033,190 shares outstanding as of January 3, 2009 and January 2, 2010, respectively	476	600
Additional paid in capital	430,933	642,852
Accumulated other comprehensive loss	(2,327)	(1,498)
Accumulated deficit	(154,586)	(165,614)
Total stockholders' equity	274,496	476,340
Total liabilities and stockholders' equity	\$ 716,025	\$ 1,061,848

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>January 3, 2009 (1)(2)</u>	<u>January 2, 2010</u>	<u>January 3, 2009</u>	<u>January 2, 2010</u>
Revenues:				
Net revenues from product sales	\$ 244,759	\$ 254,099	\$ 577,073	\$ 542,249
Service fee revenues	146,621	176,149	389,853	461,966
Net revenues	391,380	430,248	966,926	1,004,215
Costs and expenses:				
Cost of revenues from product sales	168,304	181,259	405,254	398,604
Marketing	30,141	27,829	70,282	54,831
Account management and operations, inclusive of \$3,301 \$2,344, \$7,505 and \$9,028 of stock-based compensation	84,599	96,101	260,325	273,070
Product development, inclusive of \$2,115, \$1,897, \$4,118 and \$5,740 of stock-based compensation	30,637	35,305	104,208	120,176
General and administrative, inclusive of \$440, \$1,799, \$7,780 and \$9,994 of stock-based compensation	16,527	24,753	68,964	82,922
Depreciation and amortization	18,650	17,060	68,153	63,395
Changes in fair value of deferred acquisition payments	-	951	-	951
Total costs and expenses	348,858	383,258	977,186	993,949
Income (loss) from operations	42,522	46,990	(10,260)	10,266
Other (income) expense:				
Interest expense	5,023	4,978	18,841	19,430
Interest income	(375)	(174)	(1,772)	(478)
Other (income) expense	729	195	1,562	(2)
Impairment of equity investments	1,665	-	1,665	-
Total other expense	7,042	4,999	20,296	18,950
Income (loss) before income taxes	35,480	41,991	(30,556)	(8,684)
Provision (benefit) for income taxes	12,411	18,390	(7,585)	2,344
Net income (loss)	\$ 23,069	\$ 23,601	\$ (22,971)	\$ (11,028)
Basic earnings (loss) per share	\$ 0.48	\$ 0.41	\$ (0.49)	\$ (0.21)
Diluted earnings (loss) per share	\$ 0.45	\$ 0.38	\$ (0.49)	\$ (0.21)
Weighted average shares outstanding - basic	47,595	57,310	47,347	51,457
Weighted average shares outstanding - diluted	56,729	68,595	47,347	51,457

⁽¹⁾ On January 4, 2009 the Company adopted Financial Accounting Standards Board's accounting standards on "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.

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

	Twelve Months Ended	
	January 3, 2009	January 2, 2010
Cash Flows from Operating Activities:		
Net loss	\$ (22,971)	\$ (11,028)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	54,557	52,633
Amortization	13,596	10,762
Amortization of discount on convertible notes	9,462	10,440
Changes in fair value of deferred acquisition payments	-	951
Stock-based compensation	19,403	24,762
Foreign currency transaction losses	1,571	14
Impairment of equity investments	1,665	-
Gain on disposal of equipment	(354)	(10)
Deferred income taxes	(7,722)	202
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,130)	10,010
Inventory	4,437	7,677
Prepaid expenses and other current assets	2,142	(544)
Other assets, net	1,724	2,159
Accounts payable and accrued expenses	23,513	33,967
Deferred revenue	3,076	(1,771)
Net cash provided by operating activities	95,969	140,224
Cash Flows from Investing Activities:		
Payments for acquisitions of businesses, net of cash acquired	(145,001)	(88,892)
Cash paid for property and equipment, including internal use software	(57,180)	(43,007)
Proceeds from disposition of assets	1,500	-
Release of restricted cash escrow funds	-	1,052
Net cash used in investing activities	(200,681)	(130,847)
Cash Flows from Financing Activities:		
Borrowings on revolving credit loan	70,000	-
Repayments on revolving credit loan	(70,000)	-
Proceeds from sale of common stock	-	92,596
Equity issuance costs paid	-	(4,728)
Proceeds from lease financing obligations	7,901	-
Debt issuance costs paid	(561)	-
Repayments of capital lease obligations	(3,032)	(4,503)
Repayments of mortgage note	(195)	(184)
Excess tax benefit in connection with exercise of stock options and awards	14	92
Proceeds from exercise of common stock options	1,385	5,320
Net cash provided by financing activities	5,512	88,593
Effect of exchange rate changes on cash and cash equivalents	(1,996)	145
Net increase (decrease) in cash and cash equivalents	(101,196)	98,115
Cash and cash equivalents, beginning of period	231,511	130,315
Cash and cash equivalents, end of period	\$ 130,315	\$ 228,430

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>January 3, 2009</u>	<u>January 2, 2010</u>	<u>January 3, 2009</u>	<u>January 2, 2010</u>
Reconciliation of GAAP income (loss) from operations to non-GAAP income from operations:				
GAAP income (loss) from operations	\$ 42,522	\$ 46,990	\$ (10,260)	\$ 10,266
Acquisition related integration, transaction, due diligence expenses and inventory valuation adjustments	1,697	4,660	4,636	7,007
Stock-based compensation	5,856	6,040	19,403	24,762
Depreciation and amortization ⁽¹⁾	18,650	17,060	68,153	63,395
Changes in fair value of deferred acquisition payments	-	951	-	951
Non-GAAP income from operations	<u>\$ 68,725</u>	<u>\$ 75,701</u>	<u>\$ 81,932</u>	<u>\$ 106,381</u>

⁽¹⁾ Includes amortization expense of acquisition related intangibles of \$3,178 and \$10,722 for the three- and twelve-months ended January 2, 2010 and \$3,923 and \$13,551 for the three- and twelve-months ended January 3, 2009.

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

	Three Months Ended		Twelve Months Ended	
	January 3, 2009	January 2, 2010	January 3, 2009	January 2, 2010
Reconciliation of GAAP net revenues to non-GAAP net revenues:				
GAAP net revenues	\$ 391,380	\$ 430,248	\$ 966,926	\$ 1,004,215
Cost of revenues from product sales	(168,304)	(181,259)	(405,254)	(398,604)
Marketing expenses	(30,141)	(27,829)	(70,282)	(54,831)
Non-GAAP net revenues	<u>\$ 192,935</u>	<u>\$ 221,160</u>	<u>\$ 491,390</u>	<u>\$ 550,780</u>

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

	Twelve Months Ended	
	January 3, 2009	January 2, 2010
Reconciliation of GAAP operating cash flow to free cash flow:		
GAAP cash flow from operating activities	\$ 95,969	\$ 140,224
Cash paid for property and equipment, including internal use software	(57,180)	(43,007)
Free cash flow	<u>\$ 38,789</u>	<u>\$ 97,217</u>

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

	Three Months Ended January 3, 2009				
	E-Commerce Services	Interactive Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 368,408	\$ 27,762	\$ -	\$ (4,790)	\$ 391,380
Costs and expenses before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>308,815</u>	<u>20,327</u>	<u>-</u>	<u>(4,790)</u>	<u>324,352</u>
Operating income before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>\$ 59,593</u>	<u>\$ 7,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,028</u>
	Three Months Ended January 2, 2010				
	E-Commerce Services	Interactive Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 370,654	\$ 42,934	\$ 26,347	\$ (9,687)	\$ 430,248
Costs and expenses before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>310,347</u>	<u>29,102</u>	<u>29,445</u>	<u>(9,687)</u>	<u>359,207</u>
Operating income (loss) before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>\$ 60,307</u>	<u>\$ 13,832</u>	<u>\$ (3,098)</u>	<u>\$ -</u>	<u>\$ 71,041</u>
	Twelve Months Ended January 3, 2009				
	E-Commerce Services	Interactive Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 900,040	\$ 84,508	\$ -	\$ (17,622)	\$ 966,926
Costs and expenses before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>837,648</u>	<u>69,604</u>	<u>-</u>	<u>(17,622)</u>	<u>889,630</u>
Operating income before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>\$ 62,392</u>	<u>\$ 14,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,296</u>
	Twelve Months Ended January 2, 2010				
	E-Commerce Services	Interactive Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 879,575	\$ 127,580	\$ 26,347	\$ (29,287)	\$ 1,004,215
Costs and expenses before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>808,232</u>	<u>96,451</u>	<u>29,445</u>	<u>(29,287)</u>	<u>904,841</u>
Operating income (loss) before depreciation, amortization, changes in fair value of deferred acquisition payments and stock-based compensation expense	<u>\$ 71,343</u>	<u>\$ 31,129</u>	<u>\$ (3,098)</u>	<u>\$ -</u>	<u>\$ 99,374</u>