

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

	<u>January 2, 2010</u>	<u>July 3, 2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 228,430	\$ 63,660
Accounts receivable, net	70,582	61,078
Inventory	55,678	61,945
Deferred tax assets	12,347	15,484
Prepaid expenses and other current assets	13,187	15,155
Total current assets	<u>380,224</u>	<u>217,322</u>
Property and equipment, net	163,329	172,981
Goodwill	373,003	395,541
Intangible assets, net	132,875	154,614
Long-term deferred tax assets	-	10,925
Other assets, net	12,417	30,667
Total assets	<u>\$ 1,061,848</u>	<u>\$ 982,050</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 126,914	\$ 70,107
Accrued expenses	150,173	114,194
Deferred revenue	20,645	21,026
Convertible notes	55,443	-
Current portion - long-term debt	5,260	7,529
Total current liabilities	<u>358,435</u>	<u>212,856</u>
Convertible notes	116,948	120,102
Long-term debt	28,142	27,138
Deferred acquisition payments	63,763	67,161
Deferred tax liabilities	8,534	-
Deferred revenue and other long-term liabilities	9,686	9,447
Total liabilities	<u>585,508</u>	<u>436,704</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value:		
Authorized shares - 5,000		
Issued and outstanding shares - none	-	-
Common stock, \$0.01 par value:		
Authorized shares - 90,000 and 180,000		
Issued and outstanding shares - 60,033 and 66,327	600	663
Additional paid in capital	642,852	747,160
Accumulated other comprehensive loss	(1,498)	(3,007)
Accumulated deficit	(165,614)	(199,470)
Total stockholders' equity	<u>476,340</u>	<u>545,346</u>
Total liabilities and stockholders' equity	<u>\$ 1,061,848</u>	<u>\$ 982,050</u>

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

	Three Months Ended		Six Months Ended	
	July 4, 2009	July 3, 2010	July 4, 2009	July 3, 2010
Revenues:				
Net revenues from product sales	\$ 91,192	\$ 146,154	\$ 197,383	\$ 305,429
Service fee revenues	95,989	118,075	186,273	231,391
Net revenues	187,181	264,229	383,656	536,820
Costs and expenses (1):				
Cost of revenues from product sales	70,442	107,452	149,797	224,926
Marketing	7,054	7,702	17,915	18,509
Account management and operations	59,055	79,295	116,796	156,989
Product development	28,101	42,062	56,475	76,379
General and administrative	19,527	27,689	38,804	52,087
Depreciation and amortization	15,279	20,575	30,680	39,335
Changes in fair value of deferred acquisition payments	-	2,074	-	4,148
Total costs and expenses	199,458	286,849	410,467	572,373
Loss from operations	(12,277)	(22,620)	(26,811)	(35,553)
Other (income) expense:				
Interest expense	4,759	4,739	9,555	9,947
Interest income	(54)	(71)	(205)	(305)
Other (income) expense	(394)	938	(165)	1,412
Total other expense	4,311	5,606	9,185	11,054
Loss before income taxes	(16,588)	(28,226)	(35,996)	(46,607)
Benefit for income taxes	(3,475)	(2,495)	(10,773)	(12,751)
Net loss	\$ (13,113)	\$ (25,731)	\$ (25,223)	\$ (33,856)
Basic and diluted loss per share	\$ (0.27)	\$ (0.41)	\$ (0.52)	\$ (0.55)
Weighted average shares outstanding - basic and diluted	48,681	63,286	48,304	61,866
(1) Includes stock-based compensation as follows:				
Account management and operations	\$ 2,394	\$ 3,422	\$ 4,650	\$ 5,868
Product development	\$ 1,185	\$ 1,759	\$ 2,636	\$ 3,628
General and administrative	\$ 2,513	\$ 2,558	\$ 5,760	\$ 5,174

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

	Six Months Ended	
	July 4, 2009	July 3, 2010
Cash Flows from Operating Activities:		
Net loss	\$ (25,223)	\$ (33,856)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	25,821	30,252
Amortization	4,859	9,083
Amortization of discount on convertible notes	5,092	5,180
Changes in fair value of deferred acquisition payments	-	4,148
Stock-based compensation	13,046	14,670
Foreign currency transaction (gains) losses	(153)	1,414
Deferred income taxes	(10,737)	(13,812)
Changes in operating assets and liabilities:		
Accounts receivable, net	28,156	12,701
Inventory	5,721	(6,267)
Prepaid expenses and other current assets	(923)	(1,263)
Other assets, net	1,824	352
Accounts payable and accrued expenses	(97,290)	(95,832)
Deferred revenue	155	(1,817)
Net cash used in operating activities	(49,652)	(75,047)
Cash Flows from Investing Activities:		
Payments for acquisitions of businesses, net of cash acquired	(2,273)	(47,355)
Cash paid for property and equipment, including internal use software	(17,929)	(34,298)
Purchase of investments	-	(18,391)
Release from restricted cash escrow funds	1,052	-
Net cash used in investing activities	(19,150)	(100,044)
Cash Flows from Financing Activities:		
Debt issuance costs paid	(42)	(887)
Repayments of capital lease obligations	(2,353)	(2,912)
Repayments of mortgage note	(91)	(97)
Excess tax benefit in connection with exercise of stock options and awards	-	978
Proceeds from exercise of common stock options	522	14,675
Net cash provided by (used in) financing activities	(1,964)	11,757
Effect of exchange rate changes on cash and cash equivalents	284	(1,436)
Net decrease in cash and cash equivalents	(70,482)	(164,770)
Cash and cash equivalents, beginning of period	130,315	228,430
Cash and cash equivalents, end of period	\$ 59,833	\$ 63,660

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

	Three Months Ended		Six Months Ended		Twelve Months Ended	
	July 4, 2009	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009	July 3, 2010
Reconciliation of GAAP (loss) income from operations to non-GAAP income from operations:						
GAAP (loss) income from operations	\$ (12,277)	\$ (22,620)	\$ (26,811)	\$ (35,553)	\$ (822)	\$ 1,524
Acquisition related integration, transaction, due diligence expenses, inventory valuation adjustments, and the cash portion of deferred acquisition payments recorded as compensation expense	165	4,046	1,624	6,593	4,188	11,976
Stock-based compensation	6,092	7,738	13,046	14,670	23,457	26,386
Depreciation and amortization ⁽¹⁾	15,279	20,575	30,680	39,335	66,198	72,050
Changes in fair value of deferred acquisition payments	-	2,074	-	4,148	-	5,099
Non-GAAP income from operations	<u>\$ 9,259</u>	<u>\$ 11,813</u>	<u>\$ 18,539</u>	<u>\$ 29,193</u>	<u>\$ 93,021</u>	<u>\$ 117,035</u>
GAAP (loss) income from operations as a percentage of GAAP net revenues	(6.6%)	(8.6%)	(7.0%)	(6.6%)	(0.1%)	0.1%
Non-GAAP income from operations as a percentage of GAAP net revenues	4.9%	4.5%	4.8%	5.4%	9.7%	10.1%

⁽¹⁾ Includes amortization expense of acquisition related intangibles of \$4,959, \$9,064 and \$14,824 for the three-, six-, and twelve-months ended July 3, 2010 and \$2,514, \$4,962, and \$12,728 for the three-, six-, and twelve-months ended July 4, 2009.

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

	Twelve Months Ended	
	July 4, 2009	July 3, 2010
Reconciliation of GAAP operating cash flow to free cash flow:		
GAAP cash flow from operating activities	\$ 83,782	\$ 114,829
Cash paid for property and equipment, including internal use software	(45,243)	(59,376)
Free cash flow	\$ 38,539	\$ 55,453

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

	Three Months Ended July 4, 2009				
	E-Commerce Services	Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 163,770	\$ 28,486	\$ -	\$ (5,075)	\$ 187,181
Segment costs and expenses ⁽¹⁾	<u>160,843</u>	<u>22,154</u>	<u>-</u>	<u>(5,075)</u>	<u>177,922</u>
Segment profit	<u>\$ 2,927</u>	<u>\$ 6,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,259</u>
	Three Months Ended July 3, 2010				
	E-Commerce Services	Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 187,872	\$ 44,040	\$ 51,686	\$ (19,369)	\$ 264,229
Segment costs and expenses ⁽¹⁾	<u>181,959</u>	<u>35,735</u>	<u>54,091</u>	<u>(19,369)</u>	<u>252,416</u>
Segment profit (loss)	<u>\$ 5,913</u>	<u>\$ 8,305</u>	<u>\$ (2,405)</u>	<u>\$ -</u>	<u>\$ 11,813</u>
	Six Months Ended July 4, 2009				
	E-Commerce Services	Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 342,280	\$ 53,608	\$ -	\$ (12,232)	\$ 383,656
Segment costs and expenses ⁽¹⁾	<u>334,242</u>	<u>43,107</u>	<u>-</u>	<u>(12,232)</u>	<u>365,117</u>
Segment profit	<u>\$ 8,038</u>	<u>\$ 10,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,539</u>
	Six Months Ended July 3, 2010				
	E-Commerce Services	Marketing Services	Consumer Engagement	Intersegment Eliminations	Consolidated
Net revenues	\$ 389,244	\$ 82,411	\$ 96,139	\$ (30,974)	\$ 536,820
Segment costs and expenses ⁽¹⁾	<u>374,123</u>	<u>64,775</u>	<u>99,703</u>	<u>(30,974)</u>	<u>507,627</u>
Segment profit (loss)	<u>\$ 15,121</u>	<u>\$ 17,636</u>	<u>\$ (3,564)</u>	<u>\$ -</u>	<u>\$ 29,193</u>

(1) Segment costs and expenses are GAAP costs and expenses before stock-based compensation expenses, depreciation and amortization expenses, and the following expenses related to acquisitions: transaction expenses, due diligence expenses, integration expenses, non-cash inventory valuation adjustments, the cash portion of any deferred acquisition payments recorded as compensation expense and changes in fair value of deferred acquisitions payments.