



November 10, 2011

PFSweb Reports 40% Service Fee Revenue Growth In Third Quarter Of 2011 Compared To Prior Year

PFSweb, Inc. (Nasdaq: PFSW), an international provider of end-to-end web commerce solutions, today announced its financial results for the third quarter and nine months ended September 30, 2011.

[This is an exciting time for PFSweb as our Service Fee business growth continues to exceed our own expectations and we expand our business globally. Overall, our consolidated revenue growth for the third quarter was driven by a 40% increase in service fee revenue, which is attributable to new client programs launched during the year and organic growth of existing client programs. In order to support this ongoing expansion as well as future growth, we continue to make incremental investments in personnel, facilities, sales and marketing and technology infrastructure, ■ stated Mark Layton, Chairman and Chief Executive Officer of PFSweb.

[During the third quarter, we added several new End2End eCommerce programs from a diverse group of manufacturers, including Salomon and Clarins Group. These and other new client programs implemented this year, coupled with existing client activity, are expected to drive continued strong service fee revenue growth and have put us on track to significantly exceed our previously targeted 20% increase in service fee revenue for the year. This anticipated increase in revenue is expected to be partially offset by higher costs from our expansion efforts. Overall, we are reiterating our targeted adjusted EBITDA of between \$6.0 million and \$7.0 million for CY2011, ■ continued Mr. Layton.

Summary of consolidated results for the third quarter ended September 30, 2011:

Total revenue increased 11% to \$70.9 million for the third quarter of 2011 compared, to \$63.6 million for third quarter of 2010; Service Fee revenue increased 40% to \$22.9 million, compared with \$16.4 million for the same period in 2010; Adjusted EBITDA (as defined) was \$0.7 million for the third quarter of 2011 compared to \$1.1 million for the same period in 2010.
Net loss was \$1.8 million, or \$0.14 per basic and diluted share, compared to net loss of \$1.9 million, or \$0.16 per basic and diluted share, for the third quarter of 2010. Net loss for the third quarter of 2011 included approximately \$0.3 million of relocation related costs. Net loss for the third quarter of 2011 also included \$20,000 of net income from discontinued operations related to eCOST.com, compared to a \$0.3 million net loss from discontinued operations related to eCOST.com for the same period last year;
Non-GAAP net loss (as defined) was \$1.5 million, or \$0.12 per basic and diluted share for the quarter ended September 30, 2011 compared to a Non-GAAP net loss \$0.7 million, or \$0.06 per basic and diluted share for the quarter ended September 30, 2010;
Total cash, cash equivalents and restricted cash was \$20.0 million as of September 30, 2011 compared to \$20.3 million as of December 31, 2010.

Summary of consolidated results for the nine months ended September 30, 2011:

Total reported revenue increased 7% to \$211.3 million, compared to \$198.2 million for the nine months ended September 30, 2010;
Service Fee revenue increased 28% to \$62.8 million, compared with \$48.9 million for the nine months ended September 30, 2010;
Adjusted EBITDA (as defined) was \$2.2 million compared to \$3.0 million for the nine months ended September 30, 2010;
Net loss was \$5.3 million, or \$0.43 per basic and diluted share, compared to net loss of \$4.6 million or \$0.42 per basic and diluted share, for the nine months ended September 30, 2010. Net loss for the first nine months of 2011 included approximately \$0.3 million of relocation related costs. Net loss for the first nine months of 2011 also included a \$0.6 million net loss from discontinued operations related to eCOST.com compared to a \$0.8 million net loss from discontinued operations related to eCOST.com in the same period last year;
Non-GAAP net loss was \$3.7 million, or \$0.30 per basic and diluted share, compared to a non-GAAP net loss of \$2.6 million, or \$0.24 per basic and diluted share, for the nine months ended September 30, 2010.

[As we look to the future, we see the potential for many new partnerships on the horizon with renowned brands across the world. These brands are realizing the need for an expanded online presence to meet their customers' ever changing shopping behavior. As we continue to prove the value of our End2End e-commerce solution, we have built awareness for our customizable solutions among leading brands in the consumer packaged goods (CPG), fashion and health and beauty industries, ■ concluded Mr. Layton.

Management will host a conference call at 11:00 am Eastern Time (10:00 am Central Time) on Thursday, November 10, 2011,

to discuss the latest corporate developments and results. To listen to the call, please dial (888) 562-3356 and enter the pin number 24695850 at least five minutes before the scheduled start time. Investors can also access the call in a [listen only] mode via the Internet at the Company's website, www.pfsweb.com. Please allow extra time prior to the call to visit the site and download any necessary audio software.

A digital replay of the conference call will be available through December 10, 2011 at (855) 859-2056, pin number 24695850. The replay also will be available at the Company's website for a limited time.

Non-GAAP Financial Measures

This news release may contain certain non-GAAP measures, including non-GAAP net income (loss), Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA.

Non-GAAP net income (loss) represents net income (loss) calculated in accordance with U.S. GAAP as adjusted for the impact of non-cash stock-based compensation expense, income (loss) from discontinued operations and executive disability benefits.

EBITDA represents earnings (or losses) before income (loss) from discontinued operations, interest, income taxes, depreciation, and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation, executive disability benefits and certain relocation related costs.

Non-GAAP net income (loss), EBITDA and Adjusted EBITDA are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry. The calculation of non-GAAP net income (loss) eliminates the effect of stock-based compensation, income (loss) from discontinued operations and executive disability benefits and EBITDA and Adjusted EBITDA further eliminate the effect of financing, income taxes, the accounting effects of capital spending and certain relocation related costs, which items may vary from different companies for reasons unrelated to overall operating performance.

PFSweb believes these non-GAAP measures provide useful information to both management and investors by excluding certain expenses that may not be indicative of its core operating results. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. The non-GAAP measures included in this press release have been reconciled to the GAAP results in the attached tables.

About PFSweb, Inc.

Iconic brands engage PFSweb to enable their eCommerce initiatives. PFSweb's End2End eCommerce solution includes interactive marketing services, robust eCommerce technology, global fulfillment and logistics, high-touch customer care, financial services, and order management. PFSweb's eCommerce solutions provide international reach and expertise in both direct-to-consumer and business-to-business initiatives, supporting organizations across multiple industries including Procter & Gamble, LEGO, Carter's, Lucky Brand Jeans, Kate Spade New York, Juicy Couture, AAFES, Riverbed, Ricoh, Hawker Beechcraft Corp, Roots Canada Ltd., and Xerox. PFSweb is headquartered in Plano, TX with additional locations in Tennessee, Mississippi, Canada, Belgium, and the Philippines.

To find out more about PFSweb, Inc. (NASDAQ: PFSW), visit the company's website at <http://www.pfsweb.com>.

The matters discussed herein consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and is subject to and involves risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. PFSweb's Annual Report on Form 10-K for the year ended December 31, 2010 and Quarterly Report on Form 10-Q for the three months and six months ended June 30, 2011 identify certain factors that could cause actual results to differ materially from those projected in any forward looking statements made and investors are advised to review the Annual and Quarterly Reports and the Risk Factors described therein. PFSweb undertakes no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future. There may be additional risks that we do not currently view as material or that are not presently known.

PFSweb, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Operations (A) (In Thousands, Except Per Share Data)

Three Months Ended Nine Months Ended

September 30, September 30,

2011 2010 2011 2010

REVENUES:

Product revenue, net \$ 37,923 \$ 39,316 \$ 122,005 \$ 128,592

Service fee revenue 22,949 16,402 62,819 48,948

Pass-thru revenue 9,999 7,842 26,444 20,662

Total revenues 70,871 63,560 211,268 198,202

COSTS OF REVENUES:

Cost of product revenue 35,304 36,392 113,181 119,377
Cost of service fee revenue 17,663 11,981 47,241 35,422
Cost of pass-thru revenue 9,999 7,842 26,444 20,662
Total costs of revenues 62,966 56,215 186,866 175,461
Gross profit 7,905 7,345 24,402 22,741
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 9,385 8,605 28,103 25,591
Loss from operations (1,480) (1,260) (3,701) (2,850)
INTEREST EXPENSE, NET 308 250 769 738
Loss before income taxes (1,788) (1,510) (4,470) (3,588)
INCOME TAX PROVISION 57 73 287 253
LOSS FROM CONTINUING OPERATIONS (1,845) (1,583) (4,757) (3,841)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX 20 (337) (569) (783)
NET LOSS \$ (1,825) \$ (1,920) \$ (5,326) \$ (4,624)
NON-GAAP LOSS \$ (1,499) \$ (708) \$ (3,702) \$ (2,608)

NET LOSS PER SHARE:

Basic and Diluted \$ (0.14) \$ (0.16) \$ (0.43) \$ (0.42)

WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:

Basic and Diluted 12,688 12,237 12,509 10,998

EBITDA \$ 57 \$ 199 \$ 874 \$ 1,743
ADJUSTED EBITDA \$ 707 \$ 1,074 \$ 2,233 \$ 2,976

(A) The financial data above should be read in conjunction with the audited consolidated financial statements of PFSweb, Inc. included in its Form 10-K for the year ended December 31, 2010.

PFSweb, Inc. and Subsidiaries

Reconciliation of certain Non-GAAP Items to GAAP

(In Thousands, Except Per Share Data)

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
NET LOSS	\$ (1,825)	\$ (1,920)	\$ (5,326)	\$ (4,624)
(Income) loss from discontinued operations, net of tax	(20)	337	569	783
Income tax expense	57	73	287	253
Interest expense	308	250	769	738
Depreciation and amortization	1,537	1,459	4,575	4,593
EBITDA	\$ 57	\$ 199	\$ 874	\$ 1,743
Stock-based compensation	346	225	1,055	583
Executive disability benefits	- 650	- 650	-	-
Relocation related costs	304	- 304	-	-
ADJUSTED EBITDA	\$ 707	\$ 1,074	\$ 2,233	\$ 2,976

Three Months Ended Three Months Ended

September 30, September 30,
2011 2010 2011 2010

NET LOSS	\$ (1,825)	\$ (1,920)	\$ (5,326)	\$ (4,624)
(Income) loss from discontinued operations, net of tax	(20)	337	569	783
Stock-based compensation	346	225	1,055	583
Executive disability benefits	- 650	- 650	-	-
NON-GAAP LOSS	\$ (1,499)	\$ (708)	\$ (3,702)	\$ (2,608)

NET LOSS PER SHARE:

Basic and Diluted \$ (0.14) \$ (0.16) \$ (0.43) \$ (0.42)

NON-GAAP LOSS Per Share:

Basic and Diluted \$ (0.12) \$ (0.06) \$ (0.30) \$ (0.24)

PFSweb, Inc. and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets
(In Thousands, Except Share Data)

September 30, December 31,
2011 2010
ASSETS

CURRENT ASSETS:

Cash and cash equivalents \$ 19,538 \$ 18,430
Restricted cash 468 1,853
Accounts receivable, net of allowance for doubtful accounts of \$670 and
\$754 at September 30, 2011 and December 31, 2010, respectively 38,906 41,438
Inventories, net of reserves of \$1,453 and \$1,561 at September 30, 2011 and
December 31, 2010, respectively 41,292 35,161
Assets of discontinued operations - 2,776
Other receivables 11,034 14,539
Prepaid expenses and other current assets 4,710 3,580
Total current assets 115,948 117,777

PROPERTY AND EQUIPMENT, net 13,059 9,124
ASSETS OF DISCONTINUED OPERATIONS - 1,126
OTHER ASSETS 2,200 2,203
Total assets 131,207 130,230

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt and capital lease obligations \$ 18,259 \$ 18,320
Trade accounts payable 55,007 55,692
Deferred revenue 6,481 5,254
Accrued expenses 17,987 15,870
Total current liabilities 97,734 95,136

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion 1,806 2,136
OTHER LIABILITIES 4,410 3,608
Total liabilities 103,950 100,880

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued
and outstanding - -
Common stock, \$.001 par value; 35,000,000 shares authorized;
12,782,712 and 12,255,064 shares issued at September 30, 2011 and
December 31, 2010, respectively; and 12,764,351 and 12,236,703
outstanding as of September 30, 2011 and December 31, 2010, respectively 13 12
Additional paid-in capital 104,298 101,229
Accumulated deficit (78,658) (73,332)
Accumulated other comprehensive income 1,689 1,526
Treasury stock at cost, 18,361 shares (85) (85)
Total shareholders' equity 27,257 29,350
Total liabilities and shareholders' equity \$ 131,207 \$ 130,230

PFSweb, Inc. and Subsidiaries

Unaudited Consolidating Statements of Operations
For the Three Months Ended September 30, 2011
(In Thousands)

Business &
PFSweb Retail Connect eCOST Eliminations Consolidated
REVENUES:

Product revenue, net \$ - \$ 37,923 \$ - \$ - \$ 37,923
Service fee revenue 22,949 - - - 22,949
Service fee revenue - affiliate 1,518 - - (1,518) -
Pass-thru revenue 9,999 - - - 9,999
Total revenues 34,466 37,923 - (1,518) 70,871

COSTS OF REVENUES:

Cost of product revenue - 35,304 - - 35,304
Cost of service fee revenue 18,204 - - (541) 17,663
Cost of pass-thru revenue 9,999 - - - 9,999
Total costs of revenues 28,203 35,304 - (541) 62,966
Gross profit 6,263 2,619 - (977) 7,905
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 8,398 1,964 - (977) 9,385
Income (loss) from operations (2,135) 655 - - (1,480)
INTEREST EXPENSE (INCOME), NET (30) 338 - - 308
Income (loss) before income taxes (2,105) 317 - - (1,788)
INCOME TAX PROVISION (BENEFIT) (74) 131 - - 57
INCOME (LOSS) FROM CONTINUING OPERATIONS (2,031) 186 - - (1,845)
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX - - 20 20
NET INCOME (LOSS) \$ (2,031) \$ 186 \$ 20 \$ - \$ (1,825)
NON-GAAP NET INCOME (LOSS) \$ (1,685) \$ 186 \$ - \$ - \$ (1,499)

EBITDA \$ (606) \$ 663 \$ - \$ - \$ 57
ADJUSTED EBITDA \$ 44 \$ 663 \$ - \$ - \$ 707

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS) \$ (2,031) \$ 186 \$ 20 \$ - (1,825)
Income from discontinued operations, net of tax - - (20) - (20)
Income tax expense (benefit) (74) 131 - - 57
Interest expense (income) (30) 338 - - 308
Depreciation and amortization 1,529 8 - - 1,537
EBITDA \$ (606) \$ 663 \$ - \$ - \$ 57
Stock-based compensation 346 - - - 346
Relocation related costs 304 304
ADJUSTED EBITDA \$ 44 \$ 663 \$ - \$ - \$ 707

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS) \$ (2,031) \$ 186 \$ 20 \$ - \$ (1,825)
Income from discontinued operations, net of tax - - (20) - (20)
Stock-based compensation 346 - - - 346
NON-GAAP NET INCOME (LOSS) \$ (1,685) \$ 186 \$ - \$ - \$ (1,499)

Note: Business and Retail Connect includes our Supplies Distributors and PFSweb Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFSweb Retail Connect include certain ongoing activity formerly reported as eCOST.

PFSweb, Inc. and Subsidiaries

Unaudited Consolidating Statements of Operations
For the Nine Months Ended September 30, 2011
(In Thousands)

**Business &
PFSweb Retail Connect eCOST Eliminations Consolidated
REVENUES:**

Product revenue, net \$ - \$ 122,005 \$ - \$ - \$ 122,005
Service fee revenue 62,819 - - - 62,819
Service fee revenue - affiliate 4,769 - - (4,769) -
Pass-thru revenue 26,446 - - (2) 26,444
Total revenues 94,034 122,005 - (4,771) 211,268

COSTS OF REVENUES:

Cost of product revenue - 113,181 - - 113,181

Cost of service fee revenue 48,904 - - (1,663) 47,241
 Cost of pass-thru revenue 26,446 - - (2) 26,444
 Total costs of revenues 75,350 113,181 - (1,665) 186,866
 Gross profit 18,684 8,824 - (3,106) 24,402
 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 24,974 6,235 - (3,106) 28,103
 Income (loss) from operations (6,290) 2,589 - - (3,701)
 INTEREST EXPENSE (INCOME), NET (146) 915 - - 769
 Income (loss) before income taxes (6,144) 1,674 - - (4,470)
 INCOME TAX PROVISION (BENEFIT) (350) 637 - - 287
 INCOME (LOSS) FROM CONTINUING OPERATIONS (5,794) 1,037 - - (4,757)
 LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX - - (569) (569)
 NET INCOME (LOSS) \$ (5,794) \$ 1,037 \$ (569) \$ - \$ (5,326)
 NON-GAAP NET INCOME (LOSS) \$ (4,739) \$ 1,037 \$ - \$ - \$ (3,702)

EBITDA \$ (1,737) \$ 2,611 \$ - \$ - \$ 874
 ADJUSTED EBITDA \$ (378) \$ 2,611 \$ - \$ - \$ 2,233

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS) \$ (5,794) \$ 1,037 \$ (569) \$ - (5,326)
 Loss from discontinued operations, net of tax - - 569 - 569
 Income tax expense (benefit) (350) 637 - - 287
 Interest expense (income) (146) 915 - - 769
 Depreciation and amortization 4,553 22 - - 4,575
 EBITDA \$ (1,737) \$ 2,611 \$ - \$ - \$ 874
 Stock-based compensation 1,055 - - - 1,055
 Relocation related costs 304 304
 ADJUSTED EBITDA \$ (378) \$ 2,611 \$ - \$ - \$ 2,233

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS) \$ (5,794) \$ 1,037 \$ (569) \$ - \$ (5,326)
 Loss from discontinued operations, net of tax - - 569 - 569
 Stock-based compensation 1,055 - - - 1,055
 NON-GAAP NET INCOME (LOSS) \$ (4,739) \$ 1,037 \$ - \$ - \$ (3,702)

Note: Business and Retail Connect includes our Supplies Distributors and PFSweb Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFSweb Retail Connect include certain ongoing activity formerly reported as eCOST.

PFSweb, Inc. and Subsidiaries

Unaudited Consolidating Statements of Operations
 For the Three Months Ended September 30, 2010
 (In Thousands)

Business &
 PFSweb Retail Connect eCOST Eliminations Consolidated
 REVENUES:
 Product revenue, net \$ - \$ 39,316 \$ - \$ - \$ 39,316
 Service fee revenue 16,402 - - - 16,402
 Service fee revenue - affiliate 1,484 - - (1,484) -
 Pass-thru revenue 7,843 - - (1) 7,842
 Total revenues 25,729 39,316 - (1,485) 63,560

COSTS OF REVENUES:
 Cost of product revenue - 36,392 - - 36,392
 Cost of service fee revenue 12,543 - - (562) 11,981
 Cost of pass-thru revenue 7,843 - - (1) 7,842
 Total costs of revenues 20,386 36,392 - (563) 56,215
 Gross profit 5,343 2,924 - (922) 7,345
 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 7,556 1,971 - (922) 8,605
 Income (loss) from operations (2,213) 953 - - (1,260)
 INTEREST EXPENSE (INCOME), NET (63) 313 - - 250
 Income (loss) before income taxes (2,150) 640 - - (1,510)

INCOME TAX PROVISION (BENEFIT) (134) 207 - - 73
 INCOME (LOSS) FROM CONTINUING OPERATIONS (2,016) 433 - - (1,583)
 LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX - - (337) (337)
 NET INCOME (LOSS) \$ (2,016) \$ 433 \$ (337) \$ - \$ (1,920)
 NON-GAAP NET INCOME (LOSS) \$ (1,141) \$ 433 \$ - \$ - \$ (708)

EBITDA \$ (761) \$ 960 \$ - \$ - \$ 199
 ADJUSTED EBITDA \$ 114 \$ 960 \$ - \$ - \$ 1,074

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS) \$ (2,016) \$ 433 \$ (337) \$ - (1,920)
 Loss from discontinued operations, net of tax - - 337 - 337
 Income tax expense (benefit) (134) 207 - - 73
 Interest expense (income) (63) 313 - - 250
 Depreciation and amortization 1,452 7 - - 1,459
 EBITDA \$ (761) \$ 960 \$ - \$ - \$ 199
 Stock-based compensation 225 - - - 225
 Executive disability benefit 650 650
 ADJUSTED EBITDA \$ 114 \$ 960 \$ - \$ - \$ 1,074

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS) \$ (2,016) \$ 433 \$ (337) \$ - \$ (1,920)
 Loss from discontinued operations, net of tax - - 337 - 337
 Stock-based compensation 225 - - - 225
 Executive disability benefit 650 - - - 650
 NON-GAAP NET INCOME (LOSS) \$ (1,141) \$ 433 \$ - \$ - \$ (708)

Note: Business and Retail Connect includes our Supplies Distributors and PFSweb Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFSweb Retail Connect include certain ongoing activity formerly reported as eCOST.

PFSweb, Inc. and Subsidiaries

Unaudited Consolidating Statements of Operations
 For the Nine Months Ended September 30, 2010
 (In Thousands)

Business &
 PFSweb Retail Connect eCOST Eliminations Consolidated
 REVENUES:

Product revenue, net \$ - \$ 128,592 \$ - \$ - \$ 128,592
 Service fee revenue 48,948 - - - 48,948
 Service fee revenue - affiliate 4,922 - - (4,922) -
 Pass-thru revenue 20,681 - - (19) 20,662
 Total revenues 74,551 128,592 - (4,941) 198,202

COSTS OF REVENUES:

Cost of product revenue - 119,377 - - 119,377
 Cost of service fee revenue 37,216 - - (1,794) 35,422
 Cost of pass-thru revenue 20,681 - - (19) 20,662
 Total costs of revenues 57,897 119,377 - (1,813) 175,461
 Gross profit 16,654 9,215 - (3,128) 22,741
 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES 22,266 6,453 - (3,128) 25,591
 Income (loss) from operations (5,612) 2,762 - - (2,850)
 INTEREST EXPENSE (INCOME), NET (178) 916 - - 738
 Income (loss) before income taxes (5,434) 1,846 - - (3,588)
 INCOME TAX PROVISION (BENEFIT) (406) 659 - - 253
 INCOME (LOSS) FROM CONTINUING OPERATIONS (5,028) 1,187 - - (3,841)
 LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX - - (783) (783)
 NET INCOME (LOSS) \$ (5,028) \$ 1,187 \$ (783) \$ - \$ (4,624)
 NON-GAAP NET INCOME (LOSS) \$ (3,795) \$ 1,187 \$ - \$ - \$ (2,608)

EBITDA \$ (1,041) \$ 2,784 \$ - \$ - \$ 1,743
ADJUSTED EBITDA \$ 192 \$ 2,784 \$ - \$ - \$ 2,976

A reconciliation of NET INCOME (LOSS) to EBITDA and ADJUSTED EBITDA follows:

NET INCOME (LOSS) \$ (5,028) \$ 1,187 \$ (783) \$ - (4,624)
Loss from discontinued operations, net of tax - - 783 - 783
Income tax expense (benefit) (406) 659 - - 253
Interest expense (income) (178) 916 - - 738
Depreciation and amortization 4,571 22 - - 4,593
EBITDA \$ (1,041) \$ 2,784 \$ - \$ - \$ 1,743
Stock-based compensation 583 - - - 583
Executive disability benefit 650 650
ADJUSTED EBITDA \$ 192 \$ 2,784 \$ - \$ - \$ 2,976

A reconciliation of NET INCOME (LOSS) to NON-GAAP NET INCOME (LOSS) follows:

NET INCOME (LOSS) \$ (5,028) \$ 1,187 \$ (783) \$ - \$ (4,624)
Loss from discontinued operations, net of tax - - 783 - 783
Stock-based compensation 583 - - - 583
Executive disability benefit 650 - - - 650
NON-GAAP NET INCOME (LOSS) \$ (3,795) \$ 1,187 \$ - \$ - \$ (2,608)

Note: Business and Retail Connect includes our Supplies Distributors and PFSweb Retail Connect operations, which operate similar financial models on behalf of our client relationships. PFSweb and PFSweb Retail Connect include certain ongoing activity formerly reported as eCOST.

PFSweb, Inc. and Subsidiaries

Unaudited Condensed Consolidating Balance Sheets
as of September 30, 2011
(In Thousands)

Business &
PFSweb Retail Connect Eliminations Consolidated
ASSETS

CURRENT ASSETS:

Cash and cash equivalents \$ 14,508 \$ 5,030 \$ - \$ 19,538
Restricted cash 138 330 - 468
Accounts receivable, net 23,545 15,991 (630) 38,906
Inventories, net - 41,292 - 41,292
Other receivables - 11,034 - 11,034
Prepaid expenses and other current assets 3,252 1,458 - 4,710
Total current assets 41,443 75,135 (630) 115,948

PROPERTY AND EQUIPMENT, net 12,959 100 - 13,059
RECEIVABLE/INVESTMENT IN AFFILIATES 14,465 - (14,465) -
OTHER ASSETS 2,038 162 - 2,200
Total assets 70,905 75,397 (15,095) 131,207

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt and capital lease obligations \$ 8,973 \$ 9,286 \$ - \$ 18,259
Trade accounts payable 9,115 46,522 (630) 55,007
Accrued expenses 18,244 6,224 - 24,468
Total current liabilities 36,332 62,032 (630) 97,734

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion 1,736 70 - 1,806
PAYABLE TO AFFILIATES - 22,245 (22,245) -
OTHER LIABILITIES 4,410 - - 4,410
Total liabilities 42,478 84,347 (22,875) 103,950

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock 13 19 (19) 13
Capital contributions - 1,000 (1,000) -
Additional paid-in capital 104,298 28,059 (28,059) 104,298
Retained earnings (accumulated deficit) (77,493) (40,289) 39,124 (78,658)
Accumulated other comprehensive income 1,694 2,261 (2,266) 1,689
Treasury stock (85) - - (85)
Total shareholders' equity 28,427 (8,950) 7,780 27,257
Total liabilities and shareholders' equity \$ 70,905 \$ 75,397 \$ (15,095) \$ 131,207

PFSweb, Inc. and Subsidiaries

Unaudited Condensed Consolidating Balance Sheets
as of December 31, 2010
(In Thousands)

Supplies

PFSweb Distributors eCOST Eliminations Consolidated
ASSETS

CURRENT ASSETS:

Cash and cash equivalents \$ 13,471 \$ 3,110 \$ 1,849 \$ - \$ 18,430
Restricted cash 777 884 192 - 1,853
Accounts receivable, net 21,234 19,524 987 (307) 41,438
Inventories, net - 35,161 - - 35,161
Assets of discontinued operations - - 2,776 - 2,776
Other receivables - 13,822 717 - 14,539
Prepaid expenses and other current assets 2,006 1,469 105 - 3,580
Total current assets 37,488 73,970 6,626 (307) 117,777

PROPERTY AND EQUIPMENT, net 8,861 22 241 - 9,124
RECEIVABLE/INVESTMENT IN AFFILIATES 14,255 - - (14,255) -
ASSETS OF DISCONTINUED OPERATIONS - - 1,126 - 1,126
OTHER ASSETS 2,013 - 190 - 2,203
Total assets 62,617 73,992 8,183 (14,562) 130,230

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt and capital lease obligations \$ 8,332 \$ 9,953 \$ 35 \$ - \$ 18,320
Trade accounts payable 6,356 44,896 4,747 (307) 55,692
Accrued expenses 12,994 6,260 1,870 - 21,124
Total current liabilities 27,682 61,109 6,652 (307) 95,136

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, less current portion 2,031 - 105 - 2,136
PAYABLE TO AFFILIATES - 4,255 18,490 (22,745) -
OTHER LIABILITIES 3,608 - - - 3,608
Total liabilities 33,321 65,364 25,247 (23,052) 100,880

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock 12 - 19 (19) 12
Capital contributions - 1,000 - (1,000) -
Additional paid-in capital 101,229 - 28,059 (28,059) 101,229
Retained earnings (accumulated deficit) (73,387) 5,410 (45,148) 39,793 (73,332)
Accumulated other comprehensive income 1,527 2,218 6 (2,225) 1,526
Treasury stock (85) - - - (85)
Total shareholders' equity 29,296 8,628 (17,064) 8,490 29,350
Total liabilities and shareholders' equity \$ 62,617 \$ 73,992 \$ 8,183 \$ (14,562) \$ 130,230