UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED OCTOBER 29, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 1-32637

GameStop Corp.

(Exact name of registrant as specified in its Charter)

Delaware *(State or other jurisdiction of* *incorporation or organization)*	**20-2733559** *(I.R.S. Employer* *Identification No.)*
625 Westport Parkway, **Grapevine, Texas** *(Address of principal executive offices)*	**76051** *(Zip Code)*

Registrant s telephone number, including area code:

(817) 424-2000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Number of shares of $.001 par value Class A Common Stock outstanding as of November 23, 2011: 136,424,174

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PART I FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

GAMESTOP CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

	October 29, 2011 (Unaudited)	October 30, 2010 (Unaudited)	January 29, 2011
	(In millions, except per share data)		
ASSETS:			
Current assets:			
Cash and cash equivalents	$ 442.6	$ 181.1	$ 710.8
Receivables, net	58.1	58.8	65.5
Merchandise inventories, net	1,778.3	1,942.4	1,257.5
Deferred income taxes current	30.4	21.8	28.8
Prepaid taxes	24.9	11.5	
Prepaid expenses	87.9	70.7	75.7
Other current assets	13.9	13.8	16.5
Total current assets	2,436.1	2,300.1	2,154.8
Property and equipment:			
Land	25.0	24.3	24.0
Buildings and leasehold improvements	613.2	564.9	577.2
Fixtures and equipment	866.2	785.8	817.8
Total property and equipment	1,504.4	1,375.0	1,419.0
Less accumulated depreciation and amortization	901.5	768.9	805.2
Net property and equipment	602.9	606.1	613.8
Goodwill, net	2,060.3	2,004.6	1,996.3
Other intangible assets	270.2	263.2	254.6
Other noncurrent assets	63.1	41.1	44.3
Total noncurrent assets	2,996.5	2,915.0	2,909.0
Total assets	$ 5,432.6	$ 5,215.1	$ 5,063.8
LIABILITIES AND STOCKHOLDERS EQUITY:			
Current liabilities:			
Accounts payable	$ 1,464.3	$ 1,514.6	$ 1,028.1
Accrued liabilities	709.8	564.3	657.0
Taxes payable			62.7
Senior notes payable, current portion, net	124.7		
Total current liabilities	2,298.8	2,078.9	1,747.8
Senior notes payable, long-term portion, net		248.9	249.0

Deferred taxes	67.0	18.0	74.9
Other long-term liabilities	105.3	100.1	96.2
Total long-term liabilities	172.3	367.0	420.1
Total liabilities	2,471.1	2,445.9	2,167.9
Commitments and Contingencies (Note 8)			
Stockholders equity:			
Preferred stock authorized 5.0 shares; no shares issued or outstanding			
Class A common stock $.001 par value; authorized 300.0 shares; 138.4, 151.4 and 146.0 shares outstanding, respectively	0.1	0.2	0.1
Additional paid-in-capital	762.0	1,034.8	928.9
Accumulated other comprehensive income	230.0	167.6	162.5
Retained earnings	1,971.0	1,568.0	1,805.8
Equity attributable to GameStop Corp. stockholders	2,963.1	2,770.6	2,897.3
Equity (deficit) attributable to noncontrolling interest	(1.6)	(1.4)	(1.4)
Total equity	2,961.5	2,769.2	2,895.9
Total liabilities and stockholders equity	$ 5,432.6	$ 5,215.1	$ 5,063.8

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions, except per share data) (Unaudited)			
Sales	$ 1,946.8	$ 1,899.2	$ 5,971.9	$ 5,780.9
Cost of sales	1,373.9	1,352.9	4,235.6	4,147.0
Gross profit	572.9	546.3	1,736.3	1,633.9
Selling, general and administrative expenses	443.3	408.8	1,328.5	1,217.6
Depreciation and amortization	47.0	44.7	140.4	129.4
Operating earnings	82.6	92.8	267.4	286.9
Interest income	(0.2)	(0.3)	(0.7)	(1.3)
Interest expense	5.4	10.0	18.5	30.6
Debt extinguishment expense	0.6	6.0	0.6	6.0
Earnings before income tax expense	76.8	77.1	249.0	251.6
Income tax expense	23.1	22.8	84.8	82.6
Consolidated net income	53.7	54.3	164.2	169.0
Net loss attributable to noncontrolling interests	0.2	0.4	1.0	1.2
Consolidated net income attributable to GameStop	$ 53.9	$ 54.7	$ 165.2	$ 170.2
Basic net income per common share[1]	$ 0.39	$ 0.36	$ 1.17	$ 1.12
Diluted net income per common share[1]	$ 0.39	$ 0.36	$ 1.16	$ 1.10
Weighted average shares of common stock-basic	138.8	150.7	140.8	151.8
Weighted average shares of common stock-diluted	139.8	153.3	141.9	154.6

1 Basic net income per share and diluted net income per share are calculated based on consolidated net income attributable to GameStop.

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	GameStop Corp. Stockholders						
	Class A Common Stock			Accumulated			
	Shares	Common Stock	Additional Paid-in Capital	Other Comprehensive Income	Retained Earnings	Noncontrolling Interest	Total
			(In millions) (Unaudited)				
Balance at January 29, 2011	146.0	$ 0.1	$ 928.9	$ 162.5	$ 1,805.8	$ (1.4)	$ 2,895.9
Purchase of subsidiary shares from noncontrolling interest			(1.1)			1.0	(0.1)
Comprehensive income:							
Net income (loss) for the 39 weeks ended October 29, 2011					165.2	(1.0)	164.2
Foreign currency translation				67.5		(0.2)	67.3
Total comprehensive income							231.5
Stock-based compensation			14.5				14.5
Purchase of treasury stock	(9.2)		(194.9)				(194.9)
Exercise of stock options and issuance of shares upon vesting of restricted stock grants (including tax benefit of $0.2)	1.6		14.6				14.6
Balance at October 29, 2011	138.4	$ 0.1	$ 762.0	$ 230.0	$ 1,971.0	$ (1.6)	$ 2,961.5

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	39 Weeks Ended	
	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)	
Cash flows from operating activities:		
Consolidated net income	$ 164.2	$ 169.0
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Depreciation and amortization (including amounts in cost of sales)	142.1	130.9
Amortization and retirement of deferred financing fees and issue discounts	2.3	4.3
Stock-based compensation expense	14.5	22.1
Deferred income taxes	(10.5)	(8.5)
Excess tax (benefits) expense realized from exercise of stock-based awards	0.2	(18.4)
Loss on disposal of property and equipment	9.5	4.4
Changes in other long-term liabilities	1.3	(3.5)
Changes in operating assets and liabilities, net:		
Receivables, net	8.5	7.0
Merchandise inventories	(502.4)	(873.2)
Prepaid expenses and other current assets	(7.8)	(2.3)
Prepaid income taxes and accrued income taxes payable	(88.0)	(53.8)
Accounts payable and accrued liabilities	477.1	537.7
Net cash flows provided by (used in) operating activities	211.0	(84.3)
Cash flows from investing activities:		
Purchase of property and equipment	(127.3)	(141.6)
Acquisitions, net of cash acquired	(27.9)	(38.1)
Other	(7.6)	(3.9)
Net cash flows used in investing activities	(162.8)	(183.6)
Cash flows from financing activities:		
Repurchase of notes payable	(125.0)	(200.0)
Purchase of treasury shares	(216.9)	(286.8)
Borrowings from the revolver	35.0	
Repayments of revolver borrowings	(35.0)	
Issuance of shares relating to stock options	14.5	10.1
Excess tax benefits (expense) realized from exercise of stock-based awards	(0.2)	18.4
Net cash flows used in financing activities	(327.6)	(458.3)
Exchange rate effect on cash and cash equivalents	11.2	1.9
Net decrease in cash and cash equivalents	(268.2)	(724.3)
Cash and cash equivalents at beginning of period	710.8	905.4
Cash and cash equivalents at end of period	$ 442.6	$ 181.1

See accompanying notes to condensed consolidated financial statements.

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company), a Delaware corporation, is the w largest multichannel retailer of physical and digital video game products and PC entertainment software. The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting only of normal, recurring adjustments) which are, in the opinion of the Company s management, necessary for a fair presentation of the information for the periods presented. These unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all disclosures required under GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the Company s annual report on Form 10-K for the 52 weeks ended January 29, 2011 (fiscal 2010). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. Changes in the estimates and assumptions used by management could have a significant impact on the Company s financial results. Actual results could differ from those estimates.

Due to the seasonal nature of the business, the results of operations for the 39 weeks ended October 29, 2011 are not indicative of the results to be expected for the 52 weeks ending January 28, 2012 (fiscal 2011).

Certain reclassifications have been made to conform the prior period data to the current interim period presentation.

2. Accounting for Stock-Based Compensation

For options granted, the Company records share-based compensation expense in earnings based on the grant-date fair value. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. This valuation model requires the use of subjective assumptions, including expected option life, expected volatility and the expected employee forfeiture rate. The Company uses historical data to estimate the option life and the employee forfeiture rate, and uses historical volatility when estimating the stock price volatility. There were no stock options granted during the 39 weeks ended October 29, 2011 and the 13 weeks ended October 30, 2010. There were 1,177,000 options to purchase common stock granted during the 39 weeks ended October 30, 2010, with a weighted-average fair value estimated at $7.88 per share, using the following assumptions:

	39 Weeks Ended October 30, 2010
Volatility	51.6%
Risk-free interest rate	1.6%
Expected life (years)	3.5
Expected dividend yield	0%

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In the 13 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to stock option grants of $1.6 million and $3.1 million, respectively, in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. In the 39 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to stock option grants of $4.8 million and $9.1 million, respectively, in selling, general and administrative expenses. As of October 29, 2011, the unrecognized compensation expense related to the unvested portion of our stock options was $4.4 million which is expected to be recognized over a weighted average period of 1.1 years. The total intrinsic value of options exercised during the 13 weeks ended October 29, 2011 and October 30, 2010 was $1.3 million and $58.0 million, respectively. The total intrinsic value of options exercised during the 39 weeks ended October 29, 2011 and October 30, 2010 was $11.3 million and $59.2 million, respectively.

During the 13 weeks ended October 29, 2011 and October 30, 2010, the Company had no restricted share grants. During the 39 weeks ended October 29, 2011, the Company granted 452,270 shares of restricted stock, which had a weighted-average fair market value of $20.90 per share. Of these shares, 372,270 vest in equal annual installments over three years and 80,000 vest over three years subject to performance targets based on fiscal 2011 operating results. During the 39 weeks ended October 30, 2010, the Company granted 743,000 shares of restricted stock, which had a weighted-average fair market value of $20.43 per share. The restricted shares vest in equal annual installments over three years. During the 13 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to the restricted share grants in the amount of $3.1 million and $4.4 million, respectively, in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations. During the 39 weeks ended October 29, 2011 and October 30, 2010, the Company included compensation expense relating to the restricted share grants in the amount of $9.7 million and $13.1 million, respectively, in selling, general and administrative expenses. As of October 29, 2011, there was $14.3 million of unrecognized compensation expense related to nonvested restricted stock awards that is expected to be recognized over a weighted average period of 1.8 years.

3. Computation of Net Income per Common Share

A reconciliation of shares used in calculating basic and diluted net income per common share is as follows:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions, except per share data)			
Net income attributable to GameStop	$ 53.9	$ 54.7	$ 165.2	$ 170.2
Weighted average common shares outstanding	138.8	150.7	140.8	151.8
Dilutive effect of options and restricted shares on common stock	1.0	2.6	1.1	2.8
Common shares and dilutive potential common shares	139.8	153.3	141.9	154.6
Net income per common share:				
Basic	$ 0.39	$ 0.36	$ 1.17	$ 1.12
Diluted	$ 0.39	$ 0.36	$ 1.16	$ 1.10

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table contains information on restricted shares and options to purchase shares of Class A common stock which were excluded from the computation of diluted earnings per share because they were anti-dilutive:

	Anti-Dilutive Shares	Range of Exercise Prices	Expiration Dates
	(In millions, except per share data)		
13 Weeks Ended October 29, 2011	3.5	$ 20.32 - 49.95	2017 - 2020
13 Weeks Ended October 30, 2010	5.3	$ 20.32 - 49.95	2011 - 2020

4. Fair Value Measurements and Financial Instruments

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting guidance applies to our forward exchange contracts, foreign currency options and cross-currency swaps (together, the Foreign Currency Contracts), Company-owned life insurance policies with a cash surrender value and certain nonqualified deferred compensation liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition.

Fair value accounting guidance requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability reflecting our assumptions about pricing by market participants.

We value our Foreign Currency Contracts, Company-owned life insurance policies with cash surrender values and certain nonqualified deferred compensation liabilities based on Level 2 inputs using quotations provided by major market news services, such as Bloomberg and The Wall Street Journal, and industry-standard models that consider various assumptions, including quoted forward prices, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures. When appropriate, valuations are adjusted to reflect credit considerations, generally based on available market evidence.

The following table provides the fair value of our assets and liabilities measured on a recurring basis and recorded on our condensed consolidated balance sheets (in millions):

	October 29, 2011 Level 2	October 30, 2010 Level 2	January 29, 2011 Level 2
Assets			
Foreign Currency Contracts	$ 12.2	$ 12.6	$ 14.0
Company-owned life insurance	3.0	2.9	3.1
Total assets	$ 15.2	$ 15.5	$ 17.1
Liabilities			
Foreign Currency Contracts	$ 11.0	$ 15.5	$ 12.8
Nonqualified deferred compensation	0.8	0.9	0.9

Total liabilities	$	11.8	$	16.4	$	13.7

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company uses Foreign Currency Contracts to manage currency risk primarily related to intercompany loans denominated in non-functional currencies and certain foreign currency assets and liabilities. These Foreign Currency Contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the re-measurement of related intercompany loans and foreign currency assets and liabilities.

Activity related to the trading of derivative instruments and the offsetting impact of related intercompany loans and foreign currency assets and liabilities recognized in selling, general and administrative expense is as follows (in millions):

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
Gains (losses) on the changes in fair value of derivative instruments	$ (1.7)	$ (11.0)	$ 0.2	$ (6.9)
Gains on the re-measurement of related intercompany loans and foreign currency assets and liabilities	1.4	14.2	1.3	8.7
Total	$ (0.3)	$ 3.2	$ 1.5	$ 1.8

We do not use derivative financial instruments for trading or speculative purposes. We are exposed to counterparty credit risk on all of our derivative financial instruments and cash equivalent investments. The Company manages counterparty risk according to the guidelines and controls established under comprehensive risk management and investment policies. We continuously monitor our counterparty credit risk and utilize a number of different counterparties to minimize our exposure to potential defaults. We do not require collateral under derivative or investment agreements.

The fair values of derivative instruments not receiving hedge accounting treatment in the condensed consolidated balance sheets presented herein were as follows (in millions):

	October 29, 2011	October 30, 2010	January 29, 2011
Assets			
Foreign Currency Contracts			
Other current assets	$ 10.2	$ 10.1	$ 13.0
Other noncurrent assets	2.0	2.5	1.0
Liabilities			
Foreign Currency Contracts			
Accrued liabilities	(9.8)	(14.0)	(11.2)
Other long-term liabilities	(1.2)	(1.5)	(1.6)
Total derivatives	$ 1.2	$ (2.9)	$ 1.2

As of October 29, 2011, the Company had a series of Foreign Currency Contracts outstanding, with a gross notional value of $483.3 million and a net notional value of $192.4 million. As of October 30, 2010, the Company had a series of Foreign Currency Contracts outstanding, with a gross notional value of $446.7 million and a net notional value of $211.5 million.

The Company s carrying value of financial instruments approximates their fair value, except for differences with respect to the Company s senior notes. The fair value of the Company s senior notes payable in the

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accompanying consolidated balance sheets is estimated based on recent quotes from brokers. As of October 29, 2011, the senior notes payable had a carrying value of $124.7 million and a fair value of $125.3 million. As of October 30, 2010, the senior notes payable had a carrying value of $248.9 million and a fair value of $255.6 million.

5. Debt

On January 4, 2011, the Company entered into a $400 million credit agreement (the Revolver), which amended and restated, in its entirety, the Company s prior credit agreement entered into in October 2005 (the Credit Agreement). The Revolver provides for a five-year, $400 million asset-based facility, including a $50 million letter of credit sublimit, secured by substantially all of the Company s and its domestic subsidiaries assets. The Company has the ability to increase the facility, which matures in January 2016, by $150 million under certain circumstances. The extension of the Revolver to January 2016 reduces our exposure to potential tightening in the credit markets.

The availability under the Revolver is limited to a borrowing base which allows the Company to borrow up to 90% of the appraisal value of the inventory, in each case plus 90% of eligible credit card receivables, net of certain reserves. Letters of credit reduce the amount available to borrow by their face value. The Company s ability to pay cash dividends, redeem options and repurchase shares is generally permitted, except under certain circumstances, including if Revolver excess availability is less than 20%, or is projected to be within 12 months after such payment. In addition, if Revolver usage is projected to be equal to or greater than 25% of the borrowing base during the prospective 12-month period, the Company is subject to meeting a fixed charge coverage ratio of 1.1:1.0 prior to making such payments. In the event that excess availability under the Revolver is at any time less than the greater of (1) $40.0 million or (2) 12.5% of the lesser of the total commitment or the borrowing base, the Company will be subject to a fixed charge coverage ratio covenant of 1.1:1.0.

The Revolver places certain restrictions on the Company and its subsidiaries, including limitations on asset sales, additional liens, investments, loans, guarantees, acquisitions and the incurrence of additional indebtedness. Absent consent from its lenders, the Company may not incur more than $750 million of additional unsecured indebtedness to be limited to $250 million in general unsecured obligations and $500 million in unsecured obligations to finance acquisitions valued at $500 million or more. The per annum interest rate under the Revolver is variable and is calculated by applying a margin (1) for prime rate loans of 1.25% to 1.50% above the highest of (a) the prime rate of the administrative agent, (b) the federal funds effective rate plus 0.50% or (c) the LIBO rate for a 30-day interest period as determined on such day plus 1.00%, and (2) for LIBO rate loans of 2.25% to 2.50% above the LIBO rate. The applicable margin is determined quarterly as a function of the Company s average daily excess availability under the facility. In addition, the Company is required to pay a commitment fee of 0.375% or 0.50%, depending on facility usage, for any unused portion of the total commitment under the Revolver. As of October 29, 2011, the applicable margin was 1.25% for prime rate loans and 2.25% for LIBO rate loans, while the required commitment fee was 0.50% for the unused portion of the Revolver.

The Revolver provides for customary events of default with corresponding grace periods, including failure to pay any principal or interest when due, failure to comply with covenants, any material representation or warranty made by the Company or the borrowers proving to be false in any material respect, certain bankruptcy, insolvency or receivership events affecting the Company or its subsidiaries, defaults relating to certain other indebtedness, imposition of certain judgments and mergers or the liquidation of the Company or certain of its subsidiaries. As of October 29, 2011, there were no borrowings outstanding under the Revolver and letters of credit outstanding totaled $8.8 million.

In September 2007, the Company s Luxembourg subsidiary entered into a discretionary $20.0 million Uncommitted Line of Credit (the Line of Credit) with Bank of America. There is no term associated with the

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Line of Credit and Bank of America may withdraw the facility at any time without notice. The Line of Credit will be made available to the Company s foreign subsidiaries for use primarily as a bank overdraft facility for short-term liquidity needs and for the issuance of bank guarantees and letters of credit to support operations. As of October 29, 2011, there were no cash overdrafts outstanding under the Line of Credit and bank guarantees outstanding totaled $5.7 million.

In September 2005, the Company, along with GameStop, Inc. as co-issuer (together with the Company, the Issuers), completed the offering of $300 million aggregate principal amount of Senior Floating Rate Notes due 2011 (the Senior Floating Rate Notes) and $650 million aggregate principal amount of Senior Notes due 2012 (the Senior Notes and, together with the Senior Floating Rate Notes, the Notes). The Notes were issued under an Indenture, dated September 28, 2005 (the Indenture), by and among the Issuers, the subsidiary guarantors party thereto, and Citibank, N.A., as trustee. In November 2006, Wilmington Trust Company was appointed as the new trustee for the Notes (the Trustee).

The Senior Notes bear interest at 8.0% per annum, mature on October 1, 2012 and were priced at 98.688%, resulting in a discount at the time of issue of $8.5 million. The discount is being amortized using the effective interest method. As of October 29, 2011, the unamortized original issue discount was $0.3 million. The Issuers pay interest on the Senior Notes semi-annually, in arrears, every April 1 and October 1, to holders of record on the immediately preceding March 15 and September 15, and at maturity.

The Indenture contains affirmative and negative covenants customary for such financings, including, among other things, limitations on (1) the incurrence of additional debt, (2) restricted payments, (3) liens, (4) sale and leaseback transactions and (5) asset sales. The debt limitation under the Indenture does not provide an effective restriction on the amount the Company may borrow under current or foreseeable circumstances. Events of default provided for in the Indenture include, among other things, failure to pay interest or principal on the Notes, other breaches of covenants in the Indenture, and certain events of bankruptcy and insolvency. As of October 29, 2011, the Company was in compliance with all covenants associated with the Revolver and the Indenture.

Under certain conditions, the Issuers may on any one or more occasions prior to maturity redeem up to 100% of the aggregate principal amount of Senior Notes issued under the Indenture at redemption prices at or in excess of 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the redemption date. The circumstances which would limit the percentage of the Notes which may be redeemed or which would require the Company to pay a premium in excess of 100% of the principal amount are defined in the Indenture. Upon a Change of Control (as defined in the Indenture), the Issuers are required to offer to purchase all of the Notes then outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The Issuers may acquire Senior Notes by means other than redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisitions do not otherwise violate the terms of the Indenture.

Between May 2006 and October 2010, the Company repurchased and redeemed the $300 million of Senior Floating Rate Notes and $400 million of Senior Notes under previously announced buybacks authorized by the Company s Board of Directors. The repurchased Notes were delivered to the Trustee for cancellation. The associated loss on the retirement of debt was $6.0 million for the 39-week period ended October 30, 2010, which consisted of the premium paid to retire the Notes and the write-off of deferred financing fees and original issue discount on the retired Senior Notes.

In February 2011, the Board of Directors authorized the Company to use $500 million to repurchase shares of the Company s common stock and/or retire the Company s Senior Notes. Under the repurchase program, the Company may purchase the Company s Senior Notes and/or shares of issued and outstanding Class A Common Stock through open market purchases, debt calls or privately negotiated transactions. The timing and actual

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amount of debt or share repurchases will be determined by the Company s management based on their evaluation of market conditions and other factors. In addition, repurchases may be suspended or discontinued at any time. As of October 29, 2011, the Company has repurchased $194.9 million of common stock, representing 9.2 million shares at an average purchase price of $21.16 per share, and $125.0 million of the Senior Notes, leaving $180.1 million remaining under the February 2011 authorization. The $125.0 million of Senior Notes were retired on October 1, 2011. The associated loss on the retirement of debt was $0.6 million for the 39-week period ended October 29, 2011, which consisted of the write-off of deferred financing fees and original issue discount on the retired Senior Notes.

As of October 29, 2011, there was no long-term debt outstanding and short-term debt consisted of the $125.0 million in Senior Notes maturing October 1, 2012, gross of the unamortized original issue discount of $0.3 million. As of October 30, 2010, the only long-term debt outstanding was the Senior Notes.

6. Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination by the Internal Revenue Service for years before and including the fiscal year ended January 28, 2006.

We accrue for the effects of uncertain tax positions and the related potential penalties and interest. The net decrease to our recorded liability for unrecognized tax benefits during the 13 and 39 weeks ended October 29, 2011 was attributable to the closure of open tax years and the settlement of open audits. It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions could significantly increase or decrease during the next 12 months. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

The tax provisions for the 13 weeks and 39 weeks ended October 29, 2011 and October 30, 2010 are based upon management s estimate of the Company s annualized effective tax rate.

7. Certain Relationships and Related Transactions

The Company has various relationships with Barnes & Noble, Inc. (Barnes & Noble), a related party through a common stockholder who is the Chairman of the Board of Directors of Barnes & Noble and was a member of the Company s Board of Directors until June 2011. The Company operates departments within eight bookstores operated by Barnes & Noble, whereby the Company pays a license fee to Barnes & Noble on the gross sales of such departments. Additionally, until April 30, 2011, www.gamestop.com was the exclusive specialty video game retailer listed on www.bn.com, Barnes & Noble s e-commerce site, whereby the Company paid a fee to Barnes & Noble for sales of video game or PC entertainment products sold through www.bn.com. The Company also continues to incur costs related to its participation in Barnes & Noble s workers compensation, property and general liability insurance programs prior to June 2005. During both of the 13-week periods ended October 29, 2011 and October 30, 2010, these charges amounted to $0.2 million. During the 39 weeks ended October 29, 2011 and October 30, 2010, these charges amounted to $0.7 million and $0.8 million, respectively.

8. Commitments and Contingencies

In the ordinary course of the Company s business, the Company is, from time to time, subject to various legal proceedings, including matters involving wage and hour employee class actions. The Company may enter into discussions regarding settlement of these and other types of lawsuits, and may enter into settlement

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

agreements, if it believes settlement is in the best interest of the Company s stockholders. Management does not believe that any such existing legal proceedings or settlements, individually or in the aggregate, will have a material adverse effect on the Company s financial condition, results of operations or liquidity.

9. Significant Products

The following table sets forth sales by significant product category for the periods indicated:

	13 Weeks Ended				39 Weeks Ended			
	October 29, 2011		October 30, 2010		October 29, 2011		October 30, 2010	
	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total	Sales	Percent of Total
	(In millions) (Unaudited)							
Sales:								
New video game hardware	$ 277.6	14.3%	$ 276.0	14.5%	$ 985.6	16.5%	$ 938.5	16.2%
New video game software	879.1	45.1%	839.1	44.2%	2,393.6	40.1%	2,375.3	41.1%
Used video game products	544.5	28.0%	528.0	27.8%	1,802.6	30.2%	1,664.3	28.8%
Other	245.6	12.6%	256.1	13.5%	790.1	13.2%	802.8	13.9%
Total	$ 1,946.8	100.0%	$ 1,899.2	100.0%	$ 5,971.9	100.0%	$ 5,780.9	100.0%

The following table sets forth gross profit and gross profit percentages by significant product category for the periods indicated:

	13 Weeks Ended				39 Weeks Ended			
	October 29, 2011		October 30, 2010		October 29, 2011		October 30, 2010	
	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent	Gross Profit	Gross Profit Percent
	(In millions) (Unaudited)							
Gross Profit:								
New video game hardware	$ 22.9	8.2%	$ 21.7	7.9%	$ 73.8	7.5%	$ 68.7	7.3%
New video game software	194.1	22.1%	182.4	21.7%	500.9	20.9%	498.6	21.0%
Used video game products	250.3	46.0%	250.2	47.4%	842.7	46.7%	784.7	47.1%
Other	105.6	43.0%	92.0	35.9%	318.9	40.4%	281.9	35.1%
Total	$ 572.9	29.4%	$ 546.3	28.8%	$ 1,736.3	29.1%	$ 1,633.9	28.3%

10. Segment Information

The Company operates its business in the following segments: United States, Canada, Australia and Europe. Segment results for the United States include retail operations in all 50 states, the District of Columbia, Guam and Puerto Rico, the electronic commerce Web site www.gamestop.com, *Game Informer* magazine, the online video gaming Web site www.kongregate.com, a digital PC game distribution platform available at www.gamestop.com/pcgames and the streaming technology company Spawn Labs. Segment results for Canada include retail and e-commerce operations in Canada and segment results for Australia include retail and e-commerce operations in Australia and New Zealand. Segment results for Europe include retail operations in 13 European countries and e-commerce operations in six countries. The Company measures segment profit using operating earnings, which is defined as income from continuing operations before intercompany royalty fees, net

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

interest expense and income taxes. There has been no material change in total assets by segment since January 29, 2011. Transactions between reportable segments consist primarily of royalties, management fees, intersegment loans and related interest. Information on segments appears in the following tables:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)			
Sales by operating segment were as follows:				
United States	$ 1,311.3	$ 1,300.3	$ 4,169.0	$ 4,112.0
Canada	108.0	109.5	303.9	307.4
Australia	128.7	117.9	385.6	344.3
Europe	398.8	371.5	1,113.4	1,017.2
Total	$ 1,946.8	$ 1,899.2	$ 5,971.9	$ 5,780.9
Segment operating earnings (loss) were as follows:				
United States	$ 67.5	$ 70.3	$ 256.8	$ 260.7
Canada	2.7	3.8	1.1	7.6
Australia	3.6	6.8	10.8	14.3
Europe	8.8	11.9	(1.3)	4.3
Total	$ 82.6	$ 92.8	$ 267.4	$ 286.9

11. Supplemental Cash Flow Information

	39 Weeks Ended	
	October 29, 2011	October 30, 2010
	(In millions) (Unaudited)	
Cash paid during the period for:		
Interest	$ 21.6	$ 36.2
Income taxes	$ 183.3	$ 150.9
Other non-cash financing activities:		
Treasury stock repurchases settled in Nov. 2010	$	$ 4.2

12. Consolidating Financial Statements

As described in Note 5, in September 2005, the Company, along with GameStop, Inc. as co-issuer, completed the offering of the Notes. The direct and indirect U.S. wholly-owned subsidiaries of the Company, excluding GameStop, Inc., as co-issuer, have guaranteed the Senior Notes on a senior unsecured basis with unconditional guarantees.

The following condensed consolidating financial statements present the financial position as of October 29, 2011, October 30, 2010 and January 29, 2011 and results of operations for the 13 and 39 weeks ended October 29, 2011 and October 30, 2010 and cash flows for the 39 weeks ended October 29, 2011 and October 30, 2010 of the Company s guarantor and non-guarantor subsidiaries.

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Balance Sheet

	Issuers and Guarantor Subsidiaries October 29, 2011	Non-Guarantor Subsidiaries October 29, 2011	Eliminations	Consolidated October 29, 2011
	(Amounts in millions, except per share amounts)			
	(Unaudited)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 167.1	$ 275.5	$	$ 442.6
Receivables, net	171.7	631.4	(745.0)	58.1
Merchandise inventories, net	1,074.4	703.9		1,778.3
Deferred income taxes current	26.7	3.7		30.4
Prepaid taxes	5.1	19.8		24.9
Prepaid expenses	43.1	44.8		87.9
Other current assets	10.2	3.7		13.9
Total current assets	1,498.3	1,682.8	(745.0)	2,436.1
Property and equipment:				
Land	4.7	20.3		25.0
Buildings and leasehold improvements	323.8	289.4		613.2
Fixtures and equipment	704.5	161.7		866.2
Total property and equipment	1,033.0	471.4		1,504.4
Less accumulated depreciation and amortization	655.1	246.4		901.5
Net property and equipment	377.9	225.0		602.9
Investment	2,213.6	596.4	(2,810.0)	
Goodwill, net	1,150.7	909.6		2,060.3
Other intangible assets	23.3	246.9		270.2
Other noncurrent assets	25.4	37.7		63.1
Total noncurrent assets	3,790.9	2,015.6	(2,810.0)	2,996.5
Total assets	$ 5,289.2	$ 3,698.4	$ (3,555.0)	$ 5,432.6
LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 951.1	$ 513.2	$	$ 1,464.3
Accrued liabilities	1,125.8	329.0	(745.0)	709.8
Senior notes payable, current portion, net	124.7			124.7

Total current liabilities	2,201.6	842.2	(745.0)	2,298.8
Deferred taxes	40.1	26.9		67.0
Other long-term liabilities	85.9	19.4		105.3
Total long-term liabilities	126.0	46.3		172.3
Total liabilities	2,327.6	888.5	(745.0)	2,471.1
Stockholders equity:				
Preferred stock authorized 5.0 shares; no shares issued or outstanding				
Class A common stock $.001 par value; authorized 300.0 shares; 138.4 shares outstanding	0.1			0.1
Additional paid-in-capital	760.5	2,450.2	(2,448.7)	762.0
Accumulated other comprehensive income	230.0	82.9	(82.9)	230.0
Retained earnings	1,971.0	278.4	(278.4)	1,971.0
Equity attributable to GameStop Corp. stockholders	2,961.6	2,811.5	(2,810.0)	2,963.1
Equity (deficit) attributable to noncontrolling interest		(1.6)		(1.6)
Total equity	2,961.6	2,809.9	(2,810.0)	2,961.5
Total liabilities and stockholders equity	$ 5,289.2	$ 3,698.4	$ (3,555.0)	$ 5,432.6

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Balance Sheet

	Issuers and Guarantor Subsidiaries October 30, 2010	Non-Guarantor Subsidiaries October 30, 2010	Eliminations	Consolidated October 30, 2010
	(Amounts in millions, except per share amounts)			
	(Unaudited)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 45.5	$ 135.6	$	$ 181.1
Receivables, net	122.5	631.2	(694.9)	58.8
Merchandise inventories, net	1,290.2	652.2		1,942.4
Deferred income taxes current	18.2	3.6		21.8
Prepaid taxes	(7.5)	19.0		11.5
Prepaid expenses	40.4	30.3		70.7
Other current assets	6.0	7.8		13.8
Total current assets	1,515.3	1,479.7	(694.9)	2,300.1
Property and equipment:				
Land	4.7	19.6		24.3
Buildings and leasehold improvements	316.7	248.2		564.9
Fixtures and equipment	630.1	155.7		785.8
Total property and equipment	951.5	423.5		1,375.0
Less accumulated depreciation and amortization	564.3	204.6		768.9
Net property and equipment	387.2	218.9		606.1
Investment	2,122.7	595.0	(2,717.7)	
Goodwill, net	1,125.1	879.5		2,004.6
Other intangible assets	12.0	251.2		263.2
Other noncurrent assets	7.0	34.1		41.1
Total noncurrent assets	3,654.0	1,978.7	(2,717.7)	2,915.0
Total assets	$ 5,169.3	$ 3,458.4	$ (3,412.6)	$ 5,215.1
LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 1,084.6	$ 430.0	$	$ 1,514.6
Accrued liabilities	995.1	264.1	(694.9)	564.3

Total current liabilities	2,079.7	694.1	(694.9)	2,078.9
Senior notes payable, long-term portion, net	248.9			248.9
Deferred taxes	(13.9)	31.9		18.0
Other long-term liabilities	84.0	16.1		100.1
Total long-term liabilities	319.0	48.0		367.0
Total liabilities	2,398.7	742.1	(694.9)	2,445.9
Stockholders equity:				
Preferred stock authorized 5.0 shares; no shares issued or outstanding				
Class A common stock $.001 par value; authorized 300.0 shares; 151.4 shares outstanding	0.2			0.2
Additional paid-in-capital	1,034.8	2,427.3	(2,427.3)	1,034.8
Accumulated other comprehensive income	167.6	42.9	(42.9)	167.6
Retained earnings	1,568.0	247.5	(247.5)	1,568.0
Equity attributable to GameStop Corp. stockholders	2,770.6	2,717.7	(2,717.7)	2,770.6
Equity (deficit) attributable to noncontrolling interest		(1.4)		(1.4)
Total equity	2,770.6	2,716.3	(2,717.7)	2,769.2
Total liabilities and stockholders equity	$ 5,169.3	$ 3,458.4	$ (3,412.6)	$ 5,215.1

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Balance Sheet

	Issuers and Guarantor Subsidiaries January 29, 2011	Non-Guarantor Subsidiaries January 29, 2011	Eliminations	Consolidated January 29, 2011
	(Amounts in millions, except per share amounts)			
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 378.7	$ 332.1	$	$ 710.8
Receivables, net	161.3	629.8	(725.6)	65.5
Merchandise inventories, net	783.4	474.1		1,257.5
Deferred income taxes current	24.4	4.4		28.8
Prepaid expenses	40.5	35.2		75.7
Other current assets	10.1	6.4		16.5
Total current assets	1,398.4	1,482.0	(725.6)	2,154.8
Property and equipment:				
Land	4.7	19.3		24.0
Buildings and leasehold improvements	323.3	253.9		577.2
Fixtures and equipment	663.9	153.9		817.8
Total property and equipment	991.9	427.1		1,419.0
Less accumulated depreciation and amortization	595.2	210.0		805.2
Net property and equipment	396.7	217.1		613.8
Investment	2,161.4	595.1	(2,756.5)	
Goodwill, net	1,125.1	871.2		1,996.3
Other intangible assets	11.4	243.2		254.6
Other noncurrent assets	10.8	33.5		44.3
Total noncurrent assets	3,705.4	1,960.1	(2,756.5)	2,909.0
Total assets	$ 5,103.8	$ 3,442.1	$ (3,482.1)	$ 5,063.8
LIABILITIES AND STOCKHOLDERS EQUITY:				
Current liabilities:				
Accounts payable	$ 725.7	$ 302.4	$	$ 1,028.1
Accrued liabilities	1,047.7	334.9	(725.6)	657.0
Taxes payable	63.3	(0.6)		62.7
Total current liabilities	1,836.7	636.7	(725.6)	1,747.8

Senior notes payable, long-term portion, net	249.0			249.0
Deferred taxes	40.5	34.4		74.9
Other long-term liabilities	80.3	15.9		96.2
Total long-term liabilities	369.8	50.3		420.1
Total liabilities	2,206.5	687.0	(725.6)	2,167.9
Stockholders equity:				
Preferred stock authorized 5.0 shares; no shares issued or outstanding				
Class A common stock $.001 par value; authorized 300.0 shares; 146.0 shares outstanding	0.1			0.1
Additional paid-in-capital	928.9	2,430.7	(2,430.7)	928.9
Accumulated other comprehensive income (loss)	162.5	34.4	(34.4)	162.5
Retained earnings	1,805.8	291.4	(291.4)	1,805.8
Equity attributable to GameStop Corp. stockholders	2,897.3	2,756.5	(2,756.5)	2,897.3
Equity (deficit) attributable to noncontrolling interest		(1.4)		(1.4)
Total equity	2,897.3	2,755.1	(2,756.5)	2,895.9
Total liabilities and stockholders equity	$ 5,103.8	$ 3,442.1	$ (3,482.1)	$ 5,063.8

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Statement of Operations

For the 13 Weeks Ended October 29, 2011	Issuers and Guarantor Subsidiaries October 29, 2011	Non-Guarantor Subsidiaries October 29, 2011	Eliminations	Consolidated October 29, 2011
	(Amounts in millions) (Unaudited)			
Sales	$ 1,311.3	$ 635.5	$	$ 1,946.8
Cost of sales	915.5	458.4		1,373.9
Gross profit	395.8	177.1		572.9
Selling, general and administrative expenses	296.2	147.1		443.3
Depreciation and amortization	31.8	15.2		47.0
Operating earnings	67.8	14.8		82.6
Interest income	(8.8)	(5.4)	14.0	(0.2)
Interest expense	4.9	14.5	(14.0)	5.4
Debt extinguishment expense	0.6			0.6
Earnings before income tax expense	71.1	5.7		76.8
Income tax expense	20.9	2.2		23.1
Consolidated net income	50.2	3.5		53.7
Net loss attributable to noncontrolling interests		0.2		0.2
Consolidated net income attributable to GameStop	$ 50.2	$ 3.7	$	$ 53.9

GameStop Corp.

Condensed Consolidating Statement of Operations

For the 13 Weeks Ended October 30, 2010	Issuers and Guarantor Subsidiaries October 30,	Non-Guarantor Subsidiaries October 30, 2010	Eliminations	Consolidated October 30, 2010

	2010			
	(Amounts in millions)			
	(Unaudited)			
Sales	$ 1,300.3	$ 598.9	$	$ 1,899.2
Cost of sales	921.6	431.3		1,352.9
Gross profit	378.7	167.6		546.3
Selling, general and administrative expenses	277.7	131.1		408.8
Depreciation and amortization	29.5	15.2		44.7
Operating earnings	71.5	21.3		92.8
Interest income	(8.6)	(4.0)	12.3	(0.3)
Interest expense	9.7	12.6	(12.3)	10.0
Debt extinguishment expense	6.0			6.0
Earnings before income tax expense	64.4	12.7		77.1
Income tax expense	18.7	4.1		22.8
Consolidated net income	45.7	8.6		54.3
Net loss attributable to noncontrolling interests		0.4		0.4
Consolidated net income attributable to GameStop	$ 45.7	$ 9.0	$	$ 54.7

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Statement of Operations

For the 39 Weeks Ended October 29, 2011	Issuers and Guarantor Subsidiaries October 29, 2011	Non-Guarantor Subsidiaries October 29, 2011	Eliminations	Consolidated October 29, 2011
	(Amounts in millions)			
	(Unaudited)			
Sales	$ 4,169.0	$ 1,802.9	$	$ 5,971.9
Cost of sales	2,938.3	1,297.3		4,235.6
Gross profit	1,230.7	505.6		1,736.3
Selling, general and administrative expenses	878.2	450.3		1,328.5
Depreciation and amortization	94.5	45.9		140.4
Operating earnings	258.0	9.4		267.4
Interest income	(27.4)	(15.2)	41.9	(0.7)
Interest expense	17.3	43.1	(41.9)	18.5
Debt extinguishment expense	0.6			0.6
Earnings (loss) before income tax expense	267.5	(18.5)		249.0
Income tax expense (benefit)	89.4	(4.6)		84.8
Consolidated net income (loss)	178.1	(13.9)		164.2
Net loss attributable to noncontrolling interests		1.0		1.0
Consolidated net income (loss) attributable to GameStop	$ 178.1	$ (12.9)	$	$ 165.2

GameStop Corp.

Condensed Consolidating Statement of Operations

For the 39 Weeks Ended October 30, 2010	Issuers and Guarantor Subsidiaries October 30,	Non-Guarantor Subsidiaries October 30, 2010	Eliminations	Consolidated October 30, 2010

	2010			
		(Amounts in millions)		
		(Unaudited)		
Sales	$ 4,111.6	$ 1,669.3	$	$ 5,780.9
Cost of sales	2,936.4	1,210.6		4,147.0
Gross profit	1,175.2	458.7		1,633.9
Selling, general and administrative expenses	826.1	391.5		1,217.6
Depreciation and amortization	84.4	45.0		129.4
Operating earnings	264.7	22.2		286.9
Interest income	(26.3)	(11.8)	36.8	(1.3)
Interest expense	29.7	37.7	(36.8)	30.6
Debt extinguishment expense	6.0			6.0
Earnings (loss) before income tax expense	255.3	(3.7)		251.6
Income tax expense (benefit)	90.8	(8.2)		82.6
Consolidated net income	164.5	4.5		169.0
Net loss attributable to noncontrolling interests		1.2		1.2
Consolidated net income attributable to GameStop	$ 164.5	$ 5.7	$	$ 170.2

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Statement of Cash Flows

For the 39 Weeks Ended October 29, 2011	Issuers and Guarantor Subsidiaries October 29, 2011	Non-Guarantor Subsidiaries October 29, 2011	Eliminations	Consolidated October 29, 2011
	(Amounts in millions) (Unaudited)			
Cash flows from operating activities:				
Consolidated net income (loss)	$ 178.1	$ (13.9)	$	$ 164.2
Adjustments to reconcile net income (loss) to net cash flows provided by (used in) operating activities:				
Depreciation and amortization (including amounts in cost of sales)	96.1	46.0		142.1
Amortization and retirement of deferred financing fees and issue discounts	2.3			2.3
Stock-based compensation expense	14.5			14.5
Deferred income taxes	(2.7)	(7.8)		(10.5)
Excess tax expense realized from exercise of stock-based awards	0.2			0.2
Loss on disposal of property and equipment	4.4	5.1		9.5
Changes in other long-term liabilities	(1.5)	2.8		1.3
Changes in operating assets and liabilities, net:				
Receivables, net	3.8	4.7		8.5
Merchandise inventories	(303.8)	(198.6)		(502.4)
Prepaid expenses and other current assets	(2.3)	(5.5)		(7.8)
Prepaid income taxes and accrued income taxes payable	(68.3)	(19.7)		(88.0)
Accounts payable and accrued liabilities	311.7	165.4		477.1
Net cash flows provided by (used in) operating activities	232.5	(21.5)		211.0
Cash flows from investing activities:				
Purchase of property and equipment	(85.2)	(42.1)		(127.3)
Acquisitions, net of cash acquired	(27.9)			(27.9)
Other	(3.4)	(4.2)		(7.6)
Net cash flows used in investing activities	(116.5)	(46.3)		(162.8)
Cash flows from financing activities:				
Repurchase of notes payable	(125.0)			(125.0)
Purchase of treasury shares	(216.9)			(216.9)
Borrowings from the revolver	35.0			35.0
Repayments of revolver borrowings	(35.0)			(35.0)

Issuance of shares relating to stock options	14.5			14.5
Excess tax expense realized from exercise of stock-based awards	(0.2)			(0.2)
Net cash flows used in financing activities	(327.6)			(327.6)
Exchange rate effect on cash and cash equivalents		11.2		11.2
Net decrease in cash and cash equivalents	(211.6)	(56.6)		(268.2)
Cash and cash equivalents at beginning of period	378.7	332.1		710.8
Cash and cash equivalents at end of period	$ 167.1	$ 275.5	$	$ 442.6

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

GameStop Corp.

Condensed Consolidating Statement of Cash Flows

For the 39 Weeks Ended October 30, 2010	Issuers and Guarantor Subsidiaries October 30, 2010	Non-Guarantor Subsidiaries October 30, 2010	Eliminations	Consolidated October 30, 2010
	(Amounts in millions) (Unaudited)			
Cash flows from operating activities:				
Consolidated net income	$ 164.5	$ 4.5	$	$ 169.0
Adjustments to reconcile net income to net cash flows used in operating activities:				
Depreciation and amortization (including amounts in cost of sales)	85.7	45.2		130.9
Amortization and retirement of deferred financing fees and issue discounts	4.3			4.3
Stock-based compensation expense	22.1			22.1
Deferred income taxes	(0.3)	(8.2)		(8.5)
Excess tax benefits realized from exercise of stock-based awards	(18.4)			(18.4)
Loss on disposal of property and equipment	1.9	2.5		4.4
Changes in other long-term liabilities	4.1	(7.6)		(3.5)
Changes in operating assets and liabilities, net:				
Receivables, net	5.8	1.2		7.0
Merchandise inventories	(720.0)	(153.2)		(873.2)
Prepaid expenses and other current assets	(2.5)	0.2		(2.3)
Prepaid income taxes and accrued income taxes payable	(46.1)	(7.7)		(53.8)
Accounts payable and accrued liabilities	491.4	46.3		537.7
Net cash flows used in operating activities	(7.5)	(76.8)		(84.3)
Cash flows from investing activities:				
Purchase of property and equipment	(103.3)	(38.3)		(141.6)
Acquisitions, net of cash acquired	(38.1)			(38.1)
Other	(0.3)	(3.6)		(3.9)
Net cash flows used in investing activities	(141.7)	(41.9)		(183.6)
Cash flows from financing activities:				
Repurchase of notes payable	(200.0)			(200.0)
Purchase of treasury shares	(286.8)			(286.8)
Issuance of shares relating to stock options	10.1			10.1
Excess tax benefits realized from exercise of stock-based awards	18.4			18.4

Net cash flows used in financing activities	(458.3)			(458.3)
Exchange rate effect on cash and cash equivalents		1.9		1.9
Net decrease in cash and cash equivalents	(607.5)	(116.8)		(724.3)
Cash and cash equivalents at beginning of period	653.0	252.4		905.4
Cash and cash equivalents at end of period	$ 45.5	$ 135.6	$	$ 181.1

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GAMESTOP CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Subsequent Events

On November 15, 2011, the Board of Directors authorized the Company to use $500 million to repurchase shares of the Company s common stock and/or retire the Company s Senior Notes. This authorization replaces the $500 million authorization announced in February 2011, which had $180.1 million remaining at the time of the new authorization. Under the new repurchase program, the Company may purchase the Company s Senior Notes and/or shares of issued and outstanding common stock through open market purchases, debt calls or privately negotiated transactions. The timing and actual amount of debt or share repurchases will be determined by the Company s management based on their evaluation of market conditions and other factors. In addition, repurchases may be suspended or discontinued at any time.

As of November 23, 2011, the Company has purchased an additional 2.0 million shares for an average price per share of $22.38. Additionally, on November 15, 2011, at the direction of the Company, the Trustee, under the Indenture, gave notice to the holders of the Senior Notes that on December 16, 2011 (the Redemption Date), the Company will redeem all of the remaining Senior Notes outstanding, in an aggregate principal amount of $125.0 million, pursuant to the Indenture s optional redemption provisions. The redemption price for the redeemed Senior Notes will be 100% of the principal amount plus all accrued and unpaid interest to the Redemption Date.

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ITEM 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management s plans and objectives, and any statements concerning assumptions related to the foregoing contained in Management s Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements. Certain factors, which may cause actual results to vary materially from these forward-looking statements, accompany such statements or appear in GameStop s Annual Report on Form 10-K for the fiscal year ended January 29, 2011 filed with the Securities and Exchange Commission (the SEC) on March 30, 2011 (the Form 10-K), including the factors disclosed under Item 1A. Risk Factors.

General

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company) is the world s largest multichannel game retailer. We sell new and used video game hardware, physical and digital video game software, accessories, as well as PC entertainment software and other merchandise. As of October 29, 2011, GameStop s retail network and family of brands include 6,627 Company-operated stores in the United States, Australia, Canada and Europe, primarily under the names GameStop, EB Games and Micromania. We also operate electronic commerce Web sites www.gamestop.com, www.ebgames.com.au, www.gamestop.ca, www.gamestop.it, www.gamestop.es, www.gamestop.ie, www.gamestop.de, www.gamestop.co.uk and www.micromania.fr. The network also includes: www.Kongregate.com, a leading browser-based game site; *Game Informer* magazine, the leading multi-platform video game publication; Spawn Labs, a streaming technology company; and a digital PC distribution platform available at www.GameStop.com/pcgames.

Our fiscal year is composed of 52 or 53 weeks ending on the Saturday closest to January 31. The fiscal years ending January 28, 2012 (fiscal 2011) and ended January 29, 2011 (fiscal 2010) consist of 52 weeks.

Growth in the video game industry is driven by the introduction of new technology. The current generation of hardware consoles (the Sony PlayStation 3, the Microsoft Xbox 360 and the Nintendo Wii) were introduced between 2005 and 2007. The Sony PlayStation Portable was introduced in 2005. The Nintendo DSi XL was introduced in early 2010 and the Nintendo 3DS was introduced in March 2011. Typically, following the introduction of new video game platforms, sales of new video game hardware increase as a percentage of total sales in the first full year following introduction. As video game platforms mature, the sales mix attributable to complementary video game software and accessories, which generate higher gross margins, generally increases in the subsequent years. The net effect is generally a decline in gross margins in the first full year following new platform releases and an increase in gross margins in the years subsequent to the first full year following the launch period. Unit sales of maturing video game platforms are typically also driven by manufacturer-funded retail price reductions, further driving sales of related software and accessories. We expect that the installed base of the hardware platforms listed above and sales of related software and accessories will increase in the future.

We expect that future growth in the video game industry will also be driven by the sale of video games delivered in digital form and the expansion of other forms of gaming. We currently sell various types of products that relate to the digital category, including digitally downloaded software, Xbox LIVE, PlayStation and Nintendo network point cards, as well as prepaid digital and online timecards. We continue to make significant investments in e-commerce, online game development, digital kiosks and in-store and Web site functionality to enable our customers to access digital content and eliminate friction in the digital sales and delivery process. We plan to continue to invest in these types of processes and channels to grow our digital sales base and enhance our market leadership position in the video game industry and in the digital aggregation and distribution category. We also intend to continue to invest in customer loyalty programs designed to attract and retain customers.

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Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and do not include all disclosures required under GAAP for complete financial statements. Preparation of these statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in these financial statements. For a summary of significant accounting policies and the means by which we develop estimates thereon, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K.

Consolidated Results of Operations

The following table sets forth certain statement of operations items as a percentage of sales for the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
Statement of Operations Data:				
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	70.6	71.2	70.9	71.7
Gross profit	29.4	28.8	29.1	28.3
Selling, general and administrative expenses	22.8	21.5	22.2	21.1
Depreciation and amortization	2.4	2.4	2.4	2.2
Operating earnings	4.2	4.9	4.5	5.0
Interest expense, net	0.3	0.5	0.3	0.5
Debt extinguishment expense		0.3		0.1
Earnings before income tax expense	3.9	4.1	4.2	4.4
Income tax expense	1.1	1.2	1.4	1.5
Consolidated net income	2.8	2.9	2.8	2.9
Net loss attributable to noncontrolling interests				
Consolidated net income attributable to GameStop	2.8%	2.9%	2.8%	2.9%

The Company includes purchasing, receiving and distribution costs in selling, general and administrative expenses, rather than in cost of sales, in the statement of operations. The Company includes processing fees associated with purchases made by check and credit cards in cost of sales, rather than in selling, general and administrative expenses, in the statement of operations. As a res