

Innotrac Corporation Announces 2010 First Quarter Results

ATLANTA, GA (May 17, 2010) – Innotrac Corporation (NASDAQ-GM: INOC) announced financial results today for the first quarter ended March 31, 2010. The Company reported revenues of \$19.4 million for the quarter versus \$28.8 million reported in the comparable period in 2009. The decrease in revenue for the quarter ended March 31, 2010 was primarily due to the loss of two large fulfillment service contracts, combined with lower volumes from our existing customers due to general economic conditions.

The Company reported a net loss of \$973,000, or \$0.08 per share, fully diluted, for the three months ended March 31, 2010, versus net income of \$1.9 million or \$0.15 per share in the comparable period of 2009.

Innotrac

Innotrac Corporation, founded in 1984 and based in Atlanta, Georgia, is a full-service fulfillment and logistics provider serving enterprise clients and world-class brands. The Company employs sophisticated order processing and warehouse management technology and operates seven fulfillment centers and a call center in six cities spanning all time zones across the continental United States. For more information about Innotrac, visit the Innotrac Website, www.innotrac.com.

Information contained in this press release, other than historical information, may be considered forward-looking in nature. Forward-looking statements are subject to various risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on Innotrac's operating results, performance or financial condition are competition, the demand for Innotrac's services, Innotrac's ability to retain its current clients, Innotrac's success in growing its existing client base, developing new business, reducing operating costs in response to reduced service revenues, realization of expected revenues from new clients, the general state of the industries that the Company serves, changing technologies, Innotrac's ability to maintain profit margins in the face of pricing pressures and numerous other factors discussed in Innotrac's 2009 Annual Report on Form 10-K and other filings on file with the Securities and Exchange Commission. Innotrac disclaims any intention or obligation to update or revise any forward-looking statement whether as a result of new information, future events or otherwise.

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INNOTRAC CORPORATION
Condensed Statements of Operations
(in thousands, except per share amounts)

| | Three Months Ended | |
|---|---------------------------|--------------------|
| | March 31, | |
| | (Unaudited) | |
| | <u>2010</u> | <u>2009</u> |
| Service revenue | \$ 16,028 | \$ 24,656 |
| Freight revenue | 3,325 | 4,119 |
| Total revenue | <u>19,353</u> | <u>28,775</u> |
| Cost of service revenues | 7,346 | 10,660 |
| Cost of freight revenues | 3,291 | 4,058 |
| Selling, general and administrative expenses | 8,802 | 10,810 |
| Depreciation and amortization | 848 | 1,208 |
| Total operating expenses | <u>20,287</u> | <u>26,736</u> |
| Operating (loss) income | (934) | 2,039 |
| Interest expense | 39 | 106 |
| Total other expense | <u>39</u> | <u>106</u> |
| (Loss) income before income taxes | (973) | 1,933 |
| Income tax (benefit) | - | - |
| Net (loss) income | <u>\$ (973)</u> | <u>\$ 1,933</u> |
| (Loss) earnings per share: | | |
| Basic | <u>\$ (0.08)</u> | <u>\$ 0.15</u> |
| Diluted | <u>\$ (0.08)</u> | <u>\$ 0.15</u> |
| Weighted average shares | | |
| outstanding: | | |
| Basic | 12,607 | 12,601 |
| Diluted | 12,607 | 12,601 |

INNOTRAC CORPORATION
Condensed Balance Sheets
(in thousands)

| | March 31, 2010 | December 31, 2009 |
|--|-----------------------|--------------------------|
| ASSETS | (Unaudited) | (Audited) |
| Current Assets: | | |
| Cash | \$ 1,784 | \$ 1,118 |
| Accounts receivable (net of allowance for doubtful accounts of \$118 at March 31, 2010 and \$172 at December 31, 2009) | 12,824 | 14,521 |
| Inventory | 3,973 | 3,093 |
| Prepaid expenses and other | 936 | 1,693 |
| Total current assets | 19,517 | 20,425 |
| Property and equipment, net | 13,148 | 13,717 |
| Other assets, net | 1,084 | 1,061 |
| Total assets | \$ 33,749 | \$ 35,203 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 4,767 | \$ 5,309 |
| Line of credit | - | - |
| Accrued expenses and other | 4,495 | 4,524 |
| Total current liabilities | 9,262 | 9,833 |
| Noncurrent Liabilities: | | |
| Other non-current liabilities | 1,567 | 1,491 |
| Total noncurrent liabilities | 1,567 | 1,491 |
| | | |
| Total shareholders' equity | 22,920 | 23,879 |
| Total liabilities and shareholders' equity | \$ 33,749 | \$ 35,203 |

INNOTRAC CORPORATION
Condensed Statements of Cash Flows
(in thousands)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | (Unaudited) | |
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income | \$ (973) | \$ 1,933 |
| Adjustments to net (loss) income: | | |
| Depreciation and amortization | 848 | 1,208 |
| Provision for bad debts | (48) | (41) |
| Loss on disposal of fixed assets | 1 | - |
| Stock compensation expense-stock options | (5) | 11 |
| Stock compensation expense-restricted stock | 19 | 19 |
| Decrease in other long-term assets | 12 | - |
| Increase in other long-term liabilities | 108 | 5 |
| Changes in working capital: | | |
| Accounts receivable, gross | 1,745 | 4,563 |
| Inventory | (880) | 640 |
| Prepaid assets and other | 757 | (160) |
| Accounts payable, accrued expenses and other | (566) | (2,830) |
| Net cash provided by operating activities | 1,018 | 5,348 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (285) | (268) |
| Net change in noncurrent assets and liabilities | (8) | (8) |
| Cash used in investing activities | (293) | (276) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net repayments under line of credit | - | (4,912) |
| Capital lease funding | (59) | - |
| Loan fees paid | - | (115) |
| Cash used in financing activities | (59) | (5,027) |
| Net increase in cash | 666 | 45 |
| Cash, beginning of period | 1,118 | 1,056 |
| Cash, end of period | \$ 1,784 | \$ 1,101 |