



Alibaba.com Reports 12 Percent Year-on-Year Profit Growth in Q3

On-going trust & safety initiatives leading the way to future growth

Highlights

- Revenue in Q3 2011 up 11 percent year-on-year (y-o-y) to RMB1,602 million (US\$250.4 million)
- Value-added services continue to improve revenue mix for a more balanced business model
- Profit attributable to equity owners grew 12 percent y-o-y to RMB410 million (US\$64.0 million); diluted EPS grew 18 percent y-o-y
- User experience improvements and trust & safety measures continue on the platform
- Recent repurchase of company shares demonstrates confidence in the fundamentals of the business as well as efforts to enhance shareholder returns

HONG KONG, November 24, 2011 – Amidst a depressed global economy and the decline in manufacturing, Alibaba.com Limited (HKSE: 1688) (1688.HK), the world's leading small business e-commerce company, today announced unaudited financial results for the quarter ended September 30, 2011. With weaknesses in the US economy and debt troubles in the Eurozone threatening to spin out of control, Alibaba.com remains cautious of the global economic outlook, which may have a prolonged impact on China's export sector. Despite these challenges, Alibaba.com announced a revenue increase of 10.6 percent year-on-year (y-o-y), driving y-o-y diluted EPS growth by 18.1 percent. Revenue from Alibaba.com's international marketplace also increased by 11.8 percent y-o-y, attributable primarily to the increase in revenue from Value-Added Service (VAS) and contributions from new businesses, including Vendio, Auctiva and One-Touch. In addition, revenue from the China marketplace increased 13.9 percent y-o-y, attributable to the increase in revenue from VAS.

Alibaba.com's quarterly results reflect the Company's on-going platform enhancement activities, announced earlier this year, which have not yielded immediate meaningful financial contributions. The continuous platform enhancements are set to improve the user experience, supplier quality and trust and safety measures.

Q3 2011 Financial and Operational Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED)	Q3 2010 RMB million	Q3 2011 RMB million	YoY Change	Q2 2011 RMB million	QoQ Change	
Revenue	1,449.3	1,602.4	+10.6%	1,623.8	-1.3%	
Earnings before interest, taxes and amortization (“EBITA”)	410.1	410.4	+0.1%	486.3	-15.6%	
Profit attributable to equity owners	366.1	409.7	+11.9%	464.5	-11.8%	
Share-based compensation expense	108.9	93.2	-14.5%	90.7	+2.8%	
Deferred revenue and customer advances	3,868.9	4,141.7	+7.0%	4,059.7	+2.0%	
Recurring free cash flow	731.9	413.4	-43.5%	451.4	-8.4%	
Pre-share-based compensation expense EBITA margin (%)	35.8%	31.4%	-4.4%pts	35.5%	-4.1%pts	
Earnings per share, basic (HK\$)	8.3 cents	9.8 cents	+18.1%	11.0 cents	-10.9%	
Earnings per share, diluted (HK\$)	8.3 cents	9.8 cents	+18.1%	11.0 cents	-10.9%	
OPERATIONAL HIGHLIGHTS	September 30, 2010	September 30, 2011	YoY Change	June 30, 2011	QoQ Change	Q3 2011 Net change
Registered users	56,722,482	72,777,255	+28.3%	68,900,278	+5.6%	+3,876,977
<i>International marketplace</i>	14,921,668	23,751,148	+59.2%	21,625,081	+9.8%	+2,126,067
<i>China marketplace</i>	41,800,814	49,026,107	+17.3%	47,275,197	+3.7%	+1,750,910
Storefronts	8,199,384	9,557,596	+16.6%	9,195,763	+3.9%	+361,833
<i>International marketplace</i>	1,622,597	1,973,129	+21.6%	1,867,452	+5.7%	+105,677
<i>China marketplace</i>	6,576,787	7,584,467	+15.3%	7,328,311	+3.5%	+256,156
Paying members	750,937	787,653	+4.9%	815,378	-3.4%	-27,725
<i>China Gold Supplier</i>	108,572	107,177	-1.3%	112,191	-4.5%	-5,014
<i>Global Gold Supplier</i>	11,017	8,285	-24.8%	9,245	-10.4%	-960
<i>China TrustPass</i>	631,348	672,191	+6.5%	693,942	-3.1%	-21,751

"With our strong brand and innovative team, we remain very confident in the long-term future of Alibaba.com," said Jonathan Lu, CEO of Alibaba.com. "Despite the stress posed by the external environment, we will stay focused on upgrading our business model and building quality, trustworthy e-commerce platforms. We remain committed to our world's largest B2B customer base and will continue to evolve our business to better serve them with a number of initiatives designed to improve supplier quality and the buyer experience. We expect these initiatives will positively enhance our financial health, providing additional performance-based revenue streams, which will take time to fully implement. While the investments associated with these upgrades to our business will have an impact on near-term financials, we are confident we are doing what is right for our customers, both sellers and buyers, for years to come."

Business highlights and review

The latest export data shows that China's export growth has begun to decline. Under current complex macro conditions, China's domestic consumption will take a considerable amount of time before again achieving strong growth. As expected, the number of paying members declined in the third quarter due to the execution of long-term plans set out earlier this year to enhance the

user experience as well as trust and safety measures. As of September 30, 2011, Alibaba.com registered a total of 787,653 paying members.

During the third quarter, Alibaba.com attracted approximately 3.9 million new users for a total of 72.8 million registered users and now hosts more than 360,000 new storefronts for a total of 9.6 million.

Alibaba.com's business fundamentals remain solid with the implementation of initiatives that provide significant value for new and existing customers. Confidence in the organization is reflected in the decision to launch a share buy-back program enabled by the Company's ample cash balance in September, with a purchase of 67.8 million shares amounting to HKD509 million (USD65.3 million) in September and October of 2011.

International marketplace:

- **Registered users:** In the third quarter, the number of registered users on Alibaba.com increased by 2.1 million for a total of 23.8 million.
- **Storefronts:** The number of storefronts on Alibaba.com totaled 2.0 million as of September 30, 2011, signifying a growth of 5.7 percent over last quarter.
- **Trust & Safety:** During the third quarter, Alibaba.com developed services to enhance the level of trust between buyers and suppliers on the marketplace. These initiatives to enhance a quality e-commerce platform are paying off. The Company has continued to execute plans announced earlier this year that centered around (1) enhancing user quality and user experience, as well as strengthening the depth and the breadth of user information captured on the platform; and (2) evolving the business model by developing the performance-based and transaction-based services. For example, in September 2011, Alibaba.com announced its "on-site inspection" program which represents a second level of verification that members are legitimate business. A platform-wide escrow service (beta) and a paid order-inspection service are also giving Alibaba.com buyers extra protection when sourcing online. The number of complaints on frauds committed by paying members received in September has decreased by 75 percent, y-o-y.
- **Traffic:** Traffic growth on the Alibaba.com e-commerce platform remains buoyant. The platform's higher quality supplier base has attracted more buyers and generated more activities. In September, overseas daily average traffic in terms of unique visitors saw a y-o-y growth of 65 percent. Alibaba.com is also developing a multi-lingual system to present product information in multiple languages to enable buyers around the world to source more easily, and has brought more overseas traffic to the international marketplace.
- **Gold Supplier:** As of September 30, 2011, Alibaba.com recorded 107,000 China Gold Supplier members, representing a decline of 5,000 members quarter-over-quarter (q-o-q). Alibaba.com recorded a total of more than 8,200 Global Gold Supplier members in the third quarter. The sequential decline in China Gold Supplier memberships was expected, mainly

due to the ongoing tightening of quality control of suppliers that sets the bar higher for customer acquisition. The price hikes for membership, effective January 2011, also partly slowed the pace of new member acquisition. The renewal rate of CGS members, however, has been relatively stable throughout the year.

- **VAS:** Overall, the progress of VAS development has been on track. Ali-ADvance has seen adoption increase in the third quarter. Based on Alibaba.com's experience in the China marketplace, usage and penetration of Ali-ADvance will likely require several more quarters to gain awareness and momentum. VAS revenue contribution has crept up over the first three quarters of 2011 and approached 30 percent of China Gold Supplier revenue in the third quarter.
- **AliExpress:** AliExpress continued to grow. Gross merchandise value (GMV) in the third quarter reduced slightly due to the termination of PayPal as a payment option on AliExpress in August 2011. This impact was much milder than expected and the average daily GMV is again trending upward. AliExpress is still undergoing investment and refinement to focus on platform development, trust and safety measures and product delivery systems. In particular, during the third quarter, buyer protection enhancements provided a payment protection and refund program. The recently-launched "Assurance Plus" program not only makes the buyer experience on AliExpress safer and easier, but also serves to raise sellers' trustworthiness. The "Assurance Plus" status is available only to qualified suppliers able to meet necessary requirements and will have the "Assurance Plus" logo clearly shown on their storefronts.

China marketplace:

- **Registered users:** As of September 30, 2011, Alibaba.com's Chinese platform, 1688.com, recorded 49.0 million users marking an increase of 1.8 million users q-o-q.
- **Storefronts:** The third quarter registered an increase in storefronts by 256,000, or 3.5 percent.
- **China TrustPass:** By the end of third quarter, 1688.com saw a decrease of 21,751 China TrustPass members (total of 672,000) mainly due to the slowing of member acquisition since discontinuing the individual China TrustPass edition in the second quarter of 2011. Focus shifted to more user authenticity and, buyer traffic and experience. The membership renewal rate, however, has remained steady.
- **Trust & Safety:** The Company's drive to improve the quality of suppliers on the platform is paying off. Alibaba.com's Chinese platform has moved further into capturing more comprehensive user information on the platform. Since September, all suppliers on the China marketplace have had to register their real name. This requirement not only enhances the credibility of information posted by suppliers on 1688.com but also creates a more extensive user database. As for user experience enhancement, the 1688.com platform was overhauled to make it more buyer-oriented and user-friendly. The GMV of online transactions on 1688.com continue to grow healthily. With improvements made to suit wholesale buying behavior, wholesale activities are again beginning to gain traction. 1688.com will continue

efforts in driving more transactions from offline to online and provide a trusted environment for buyers and suppliers to safely trade on the platform.

- **VAS:** 1688.com has seen a gradual but modest growth in VAS revenue over the past few quarters. VAS revenue contributed to nearly 25 percent of China TrustPass revenue in the third quarter.
- **Liang Wu Xian** (previously Wu Ming Liang Pin): Since launching Liang Wu Xian in the first quarter of 2011 as a B2C transaction platform, it has undergone continuous refinement. In August, it was renamed which clearly positioned Liang Wu Xian as a supply chain management service for Chinese manufacturers that involves manufacturing control, product quality control, dedicated logistics and distribution. To ensure buyers can source high quality products from Liang Wu Xian suppliers, they and their products are required to be vetted by third-party verification service providers. The value proposition of Liang Wu Xian is now far beyond that of a pure transaction platform. The initial focus has been on refining the business model rather than driving monetization; once quality service and value are well established, revenue will follow.

Financial results

Alibaba.com continues to report solid financial performance in the third quarter of 2011.

Alibaba.com continues to play an important role in heading off challenges and uncertainties in the macro environment by creating value for users in China and around the world, cementing its position as the world's leading small business e-commerce service provider.

Revenue:

- **Total GAAP revenue:** Total GAAP revenue in the third quarter grew 10.6 percent y-o-y to RMB1.6 billion (USD250.4 million).
- **International marketplace:** Revenue from Alibaba.com's international marketplace increased to RMB947.5 million (USD148.0 million) in the period, an 11.8 percent increase y-o-y and remained flat q-o-q. The y-o-y growth was primarily due to the increase in VAS revenue as well as the contributions from new businesses, including Vendio, Auctiva and One-Touch, acquired in the latter half of 2010 and the first half of 2011, and from an increase in transaction-based revenue from AliExpress. Despite the q-o-q decline in paying members, an increased contribution from non-membership revenue has offset the reduction in revenue from subscription fees.
- **China marketplace:** Revenue from Alibaba.com's China marketplace (1688.com) increased to RMB560.7 million (USD87.6 million) in the period, representing a 13.9 percent increase y-o-y and a 1.5 percent increase q-o-q. The growth in revenue for both y-o-y and q-o-q was mainly attributable to the increase in revenue from Ali-ADvance and premium placements.
- **Other revenue:** Other revenue was RMB94.2 million (USD14.7 million) in third quarter, representing a 14.3 percent decrease y-o-y and a 23.0 percent decrease from last quarter.

The decrease both y-o-y and q-o-q was mainly due to non-cash accounting adjustments made by HiChina in connection with preparatory work relating to its proposed spin-off.

Gross profit: Gross profit increased to RMB1,297.8 million (USD202.8 million) in the period, up 7.5 percent y-o-y from RMB1,207.2 million (USD188.6 million) and flat from RMB1,308.7 million (USD204.5 million) in the second quarter of 2011.

Gross profit margin: Gross profit margin declined to 81.0 percent compared with 83.3 percent in the same period last year and was flat from 80.6 percent in the second quarter of 2011. The decline y-o-y was primarily due to a higher cost of revenue stemming from the consolidation of financial results from Vendio, Auctiva and AliExpress, which have relatively lower gross profit margins.

Total operating expenses: Total operating expenses were RMB936.5 million (USD146.3 million) in the period, representing a 12.6 percent increase y-o-y from RMB831.9 million (USD130.0 million) and a 9.4 percent increase q-o-q from RMB856.1 million (USD133.8 million). The increase in operating expenses, for both y-o-y and q-o-q, was mainly due to increases in staff costs and the consolidation of expenses incurred by One-Touch. Alibaba.com continues to manage total headcount numbers with a focus on investing in product development to enhance the user experience. As a percentage of revenue, total operating expenses were 58.4 percent for the period, compared with 57.4 percent in the same period last year and 52.7 percent for the second quarter of 2011. The sequential increase was mainly due to the increase in staff costs for salary adjustments and various employee subsidy programs introduced in the third quarter of 2011 for general staff in China (PRC), such as living allowances and child education allowances.

EBITA: Alibaba.com's profit margin before interest, taxes and amortization (**EBITA margin, non-GAAP**) was 25.6 percent for the period, a decrease from 28.3 percent in the same period of 2010 and 29.9 percent in the second quarter of 2011. **EBITA margin (non-GAAP)** before share-based compensation expense was 31.4 percent for the period, a decrease from 35.8 percent in the same period last year and 35.5 percent in the second quarter of 2011. The decrease in **EBITA margin before share-based compensation expense** y-o-y was mainly due to the decrease in gross profit margin while the q-o-q decrease was due to an increase in total operating expenses, mentioned above.

Profit attributable to equity owners: Profit attributable to equity owners was RMB409.7 million (USD64.0 million) in the period, an increase of 11.9 percent from the same period in 2010 but a decrease of 11.8 percent from the second quarter of 2011. The y-o-y increase was largely contributed by the increase in VAS revenue, while the q-o-q decrease was mainly due to the increase in operating expenses.

Deferred revenue and customer advances: Deferred revenue and customer advances were RMB4,141.7 million (USD647.1 million) as of September 30, 2011, representing a 7.0 percent increase from RMB3,868.9 million (USD604.5 million) as of September 30, 2010 and a 2.0 percent increase from RMB4,059.7 million (USD634.3 million) as of June 30, 2011. Excluding the effect of the adjustments made by HiChina, deferred revenue and customer advances were flat from September 30, 2010 and slightly decreased from that as of June 30, 2011 as a result of a lower paying customer base.

Recurring free cash flow (non-GAAP): Recurring free cash flow (non-GAAP) in the period was RMB413.4 million (USD64.6 million), representing a 43.5 percent decrease y-o-y and an 8.4 percent decrease q-o-q. The decrease y-o-y was mainly attributable to the decrease in cash revenue as a result of the tightening of customer acquisition, increase in income tax paid and the increase in staff cost. The sequential decline was mainly due to increases in staff costs.

Cash and bank balances: Cash and bank balances as of September 30, 2011 was RMB10,514.0 million (USD1,642.8 million), representing a 25.7 percent increase y-o-y and a 4.0 percent increase q-o-q.

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Note: All U.S. dollar conversions are based on an exchange rate of US\$1.00=HK\$7.80 and US\$1.00=RMB6.40.

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About Alibaba.com Limited

Alibaba.com (HKSE: 1688) (1688.HK) is the global leader in e-commerce for small businesses and the flagship company of Alibaba Group. Founded in 1999 in Hangzhou, China, Alibaba.com makes it easy for millions of buyers and suppliers around the world to do business online through three marketplaces: a global trade platform (www.alibaba.com) for importers and exporters; a Chinese platform (www.1688.com) for domestic trade in China; and, through an associated company, a Japanese platform (www.alibaba.co.jp) facilitating trade to and from Japan. In addition, Alibaba.com offers a transaction-based wholesale platform on the global site (www.aliexpress.com) geared for smaller buyers seeking fast shipment of small quantities of goods. Together, these marketplaces form a community of more than 72.8 million registered users in more than 240 countries and regions. As part of its strategy to transition into a holistic platform where small companies can build and manage their online business more easily,

Alibaba.com also offers Chinese traders a wide array of business management software, Internet infrastructure services and export-related services directly or through companies it has acquired including HiChina and One-Touch, as well as educational services to incubate enterprise management and e-commerce professionals. Alibaba.com also owns Vendio and Auctiva, leading providers of third-party e-commerce solutions for online merchants. Alibaba.com has offices in more than 70 cities across Greater China, India, Japan, Korea, Europe and the United States.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Q3 2010	Q3 2011	Q2 2011	Q3 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
International marketplace	847,153	947,470	948,973	947,470
China marketplace	492,177	560,741	552,361	560,741
Others	109,945	94,227	122,430	94,227
Total revenue	1,449,275	1,602,438	1,623,764	1,602,438
Cost of revenue	(242,050)	(304,652)	(315,028)	(304,652)
Gross profit	1,207,225	1,297,786	1,308,736	1,297,786
Sales and marketing expenses	(526,212)	(529,780)	(512,075)	(529,780)
Product development expenses	(160,258)	(208,246)	(186,238)	(208,246)
General and administrative expenses	(145,437)	(198,453)	(157,741)	(198,453)
Other operating income, net	20,783	8,700	7,478	8,700
Profit from operations	396,101	370,007	460,160	370,007
Finance income, net	48,392	94,044	84,323	94,044
Share of profits/(losses) of associated companies and a jointly controlled entity, net of tax:	(1,740)	249	(418)	249
Profit before income taxes	442,753	464,300	544,065	464,300
Income tax charges	(77,036)	(58,915)	(79,446)	(58,915)
Profit for the period	365,717	405,385	464,619	405,385
Other comprehensive income/(expense)				
Net fair value gains/(losses) on available-for-sale investments	220	(940)	(7,358)	(940)
Currency translation differences	(8,894)	(14,810)	(7,595)	(14,810)
Total comprehensive income for the period	357,043	389,635	449,666	389,635
Profit/(loss) for the period attributable to				
Equity owners of our Company	366,066	409,680	464,545	409,680
Non-controlling interests	(349)	(4,295)	74	(4,295)
Profit for the period	365,717	405,385	464,619	405,385
Total comprehensive income/(expense) for the period attributable to				
Equity owners of our Company	357,392	393,930	449,592	393,930
Non-controlling interests	(349)	(4,295)	74	(4,295)
Total comprehensive income for the period	357,043	389,635	449,666	389,635
Earnings per share, basic (RMB)	7.3 cents	8.1 cents	9.2 cents	8.1 cents
Earnings per share, diluted (RMB)	7.2 cents	8.1 cents	9.2 cents	8.1 cents
Earnings per share, basic (HK\$) (Note 1)	8.3 cents	9.8 cents	11.0 cents	9.8 cents
Earnings per share, diluted (HK\$) (Note 1)	8.3 cents	9.8 cents	11.0 cents	9.8 cents

Note 1:

The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8235 to HK\$1.0000 for the third quarter of 2011 (second quarter of 2011: RMB0.8359 to HK\$1.0000 and third quarter of 2010: RMB0.8713 to HK\$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars or vice versa, at that rate, or at any rate or at all.