



Alibaba.com Reports Record High Total Customer Net Additions in Q1 2009

- Record high quarterly net addition of 49,544 paying members to reach 481,575, up 47 percent y-o-y
- Registered users topped 40 million, up 36 percent y-o-y, as more buyers move their sourcing online to achieve higher efficiency and greater selection of suppliers and products
- Revenue up 19 percent y-o-y
- Deferred revenue and recurring free cash flow both up 28 percent and 25 percent y-o-y respectively
- Net income declined 16 percent y-o-y, as expected, as a result of previously announced investments in customers, people and technology to position the Company for future growth
- Most cash-rich Internet company in China with RMB6.9 billion (US\$1 billion*) and no debt

Hong Kong, May 6, 2009 – Alibaba.com Limited (HKSE:1688) (HK.1688), the world's leading business-to-business e-commerce company, today announced unaudited financial results for the quarter ended March 31, 2009 that show steps taken in 2008 and ongoing investments to help small and medium-size enterprises (SMEs) through the economic downturn are bearing fruit for both buyers and sellers and for the Company.

First Quarter 2009 Unaudited Financial and Operating Highlights

	Q1 2009 RMB million	Q1 2008 RMB million	Change	Q4 2008 RMB million	Change	
Revenue	806.6	680.1	+18.6%	805.9	+0.1%	
Operating income	276.7	311.9	-11.3%	177.1	+56.2%	
Net income (Profit attributable to equity owner)	253.4	300.7	-15.7%	199.4	+27.1%	
Share-based compensation expense	39.2	44.9	-12.7%	46.2	-15.2%	
Deferred revenue and customer advances	2,447.4	1,913.6	+27.9%	2,256.9	+8.4%	
Recurring free cash flow	342.9	273.4	+25.4%	506.2	-32.3%	
Cash and bank balances	6,948.0	5,432.6	+27.9%	6,612.3	+5.1%	
Earnings per share, basic (HK\$)	5.69 cents	6.47 cents	-12.1%	4.48 cents	+27.0%	
Earnings per share, diluted (HK\$)	5.68 cents	6.47 cents	-12.2%	4.48 cents	+26.8%	
	Q1 2009	Q1 2008	Change	Q4 2008	Change	Q1 2009 Net adds
Registered users	40,250,413	29,706,067	+35.5%	38,075,335	+5.7%	2,175,078
International marketplace	8,623,701	4,888,391	+76.4%	7,914,630	+9.0%	709,071
China marketplace	31,626,712	24,817,676	+27.4%	30,160,705	+4.9%	1,466,007
Storefronts	5,041,063	3,221,346	+56.5%	4,614,250	+9.2%	426,813
International marketplace	1,042,926	753,066	+38.5%	965,747	+8.0%	77,179
China marketplace	3,998,137	2,468,280	+62.0%	3,648,503	+9.6%	349,634
Paying members (Note 1)	481,575	327,118	+47.2%	432,031	+11.5%	49,544
Gold Supplier	55,810	28,548	+95.5%	43,028	+29.7%	12,782
International TrustPass	17,580	12,533	+40.3%	16,136	+8.9%	1,444
China TrustPass	408,185	286,037	+42.7%	372,867	+9.5%	35,318

* All US dollar conversions are based on an exchange rate of 1USD=6.82RMB

Note 1 Includes paying members with active storefront listings on our international and China marketplaces as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated



“Our results show, above all, that investing in our customers and helping them achieve their business goals was also good for Alibaba.com, and that the launch of the Gold Supplier Starter Pack in November was what our customers wanted as it has led to record increases in net additions of our paying members,” said David Wei, chief executive officer of Alibaba.com. “Although the worldwide economy weakened during the first quarter and China’s export sector declined by nearly 20 percent, our increase in revenue and paying members shows that we are providing SMEs around the world with an affordable and effective global trade solution when they need it most. We are pleased that Alibaba.com helps sustain the operations of so many SMEs which are the backbone of most economies around the world.

“While our Q1 revenues increased 19 percent year-on-year, we have taken the decision, as previously announced, to reinvest our profit margin into customers, people, and technology innovation in order to position ourselves for future growth. Our strong recurring free cash flow, growing 25 percent year-on-year, affords us the financial strength to make these investments. Although this resulted in a year-on-year decline in GAAP net income, we have conviction that investment today will reward Alibaba.com’s shareholders in the long run. Our investments in customer satisfaction include the introduction of the Gold Supplier Starter Pack, the free trial of value-added services for China TrustPass members, and our global marketing campaign to drive even greater worldwide buyer awareness. At the same time, we are hiring new employees and increasing our performance-based incentive compensation as well as increasing investments in R&D to support these initiatives and drive growth. Effective e-commerce solutions are in ever-increasing demand by global traders and entrepreneurs because they bring efficiency and greater selection of suppliers and products. As a result, we will continue to invest in the coming quarters to develop more advanced and useful products for our customers.”

Outlook

“There are still a lot of uncertainties in front of us and the business environment is expected to remain challenging for some time to come. However, we are seeing clear trends in the growing penetration of e-commerce despite weak economic conditions. While we understand that the healthy growth rate of users and paying members that we have experienced over the past half-year could temper later in 2009, we remain cautiously optimistic, and are committed to executing on our investment and strategic initiatives to drive customer penetration and retention because we believe that leads to long-term and sustainable growth in revenue and profit,” Wei added.

First Quarter 2009 Financial and Operating Results

Paying Members and Revenue

The number of paying members in our two marketplaces continued to grow significantly. As of March 31, 2009, we had 481,575 paying members, representing a 47 percent increase from the first quarter of 2008 and a 12 percent increase from the fourth quarter of 2008. In Q1 2009, Alibaba.com posted record high quarterly net additions of Gold Supplier members of 12,782. The combined net addition of paying members for Q1 2009 across our three key products – Gold Supplier, International TrustPass and China TrustPass – was also a record high of 49,544.



As a result of the strong increase in the number of paying members, **deferred revenue and customer advances** grew by RMB191 million (US\$28 million) during the quarter to reach RMB2.4 billion (US\$359 million) as of March 31, 2009, representing an increase of 28 percent year-on-year and 8 percent quarter-on-quarter. Given our subscription-based revenue model, we believe deferred revenue is a good indicator of future revenue growth.

Total revenue was RMB807 million (US\$118 million) in the first quarter of 2009, representing a 19 percent increase from the same period of 2008 and was flat from the fourth quarter of 2008. The China marketplace continued to grow as a proportion of overall revenue, contributing 37 percent of total revenue in the first quarter compared to 32 percent in the corresponding period in 2008.

International Marketplace

Revenue from our international marketplace was RMB506 million (US\$74 million) for the first quarter, an increase of 9 percent year-on-year and 3 percent quarter-on-quarter. The growth was primarily due to the increase in the number of Gold Supplier Starter Pack members. Revenue in the first quarter of 2008 included other revenue of RMB8 million (US\$1 million) from cross-selling Alisoft Export Edition, which was handed back to Alisoft in November last year as we focused on the acquisition of Gold Supplier members. Excluding Alisoft's contribution, annual growth would have been 11 percent.

The momentum in Gold Supplier membership acquisition continued from the fourth quarter of 2008 into the first quarter of 2009. During the first quarter, we added 12,782 Gold Supplier customers to our marketplace, bringing the total number to 55,810 as of March 31, 2009. Even though China's export sector declined by nearly 20 percent during the quarter, we achieved a historical high in Gold Supplier net adds. We believe Gold Supplier Starter Pack was the right product for our export customers at the right time, and our strong execution on product development, sales, marketing and service made the strategy successful.

International TrustPass members increased in the first quarter by 1,444 to 17,580, which was in line with gains in previous quarters. Steady progress has been made in building awareness and interest in Alibaba.com through our overseas expansion initiatives in key regions where we see promising potential for growth.

Registered users on the international marketplace grew by more than 700,000 in the first quarter to a total of 8.6 million at the end of the quarter, representing an increase of 76 percent year-on-year and 9 percent sequentially. Storefronts on the international marketplace grew by more than 77,000 in the first quarter to a total of 1.0 million at the end of the quarter, representing an increase of 39 percent year-on-year and 8 percent sequentially.

China Marketplace

Revenue from our China marketplace was RMB301 million (US\$44 million), representing an increase of 39 percent year-on-year and a 5 percent decrease quarter-on-quarter. The growth year-on-year was mainly due to the increase in China TrustPass members. The sequential decline was mainly attributable to reduced revenue from the sale of keywords based on the old fixed-placement keyword bidding service. During the quarter we transitioned our



customers to Ali-ADvance™, a new pay-for-performance keyword bidding service, which replaced the old fixed-placement service. We also recognized less display advertising revenue in the first quarter compared to the prior quarter due to seasonality.

China TrustPass members had a net increase of 35,318 during the quarter to reach a total of 408,185 as of March 31, 2009. Although the first quarter is traditionally the slowest season, we achieved the highest net addition of China TrustPass paying members on record for the same quarter of the year.

In response to more sophisticated customer demand, we announced a series of new value-added-services for China TrustPass members with free one-year trial periods. One major feature was “Mobile China TrustPass,” our first step towards providing a mobile e-commerce solution that allows suppliers to enjoy seamless linkage between their mobile phones and Alibaba.com membership account. Other feature upgrades, such as a more vibrant storefront and advanced traffic analyzer tool, will be launched in the coming months and will be available as value-added service options for paying members.

Our Ali-ADvance™ program was officially launched in March 2009 and the market response to date has been positive. Under the program, paying members can bid for keyword placement on a cost-per-click basis while product listings in search results will be determined by factors such as relevance of the customer’s product to the search and the keyword bid price. This will help improve the efficiency of suppliers’ marketing efforts while allowing for better monetization of the ever-increasing user traffic on our China marketplace.

Registered users on the China marketplace grew by 1.5 million in the first quarter to a total of 31.6 million at the end of the quarter, representing an increase of 27 percent year-on-year and 5 percent sequentially. Storefronts on the China marketplace grew by nearly 350,000 in the first quarter to a total of 4.0 million at the end of the quarter, representing an increase of 62 percent year-on-year and 10 percent sequentially.

Gross profit for the first quarter of 2009 was RMB698 million (US\$102 million), an increase of 16 percent year-on-year and nearly 1.5 percent quarter-on-quarter. **Gross margin** reduced slightly from 88.4 percent in the same period last year to 86.5 percent but was better than the 85.3 percent in the fourth quarter of 2008. The year-on-year margin reduction was a result of the launch of Gold Supplier Starter Pack, a new entry-level product, and the upgrade of our Gold Supplier service, which led to higher staff costs and bandwidth and depreciation expenses as a percentage of revenue. Our gross margin improved quarter-on-quarter mainly because we incurred less training expenses in the first quarter of 2009.

Profit from operations (which represents profit from operations after deducting share-based compensation expense) for the first quarter of 2009 was RMB277 million (US\$41 million), representing an 11 percent decrease year-on-year and a 56 percent increase quarter-on-quarter. Our **operating profit margin** was 34.3 percent in the period, a decrease from 45.9 percent in the same period last year and an increase from 22.0 percent in the fourth quarter of 2008. The operating margin decrease year-on-year was mainly due to increased direct acquisition costs to acquire Gold Supplier Starter Pack members, higher product development expenses and lower other operating income as a percentage of revenue. This trend reflected the previously announced strategy of expanding our



market leadership by growing our paying membership base and enhancing our technology. The margin increase quarter-on-quarter represented lower marketing expenses incurred as a percentage of revenue.

Profit from operations before share-based compensation expense (non-GAAP) was RMB316 million (US\$46 million) in the period, down 11 percent year-on-year and up 42 percent quarter-on-quarter. **Operating margin excluding share-based compensation expense (non-GAAP)** was 39.2 percent, a decrease from 52.5 percent in the same period of 2008 and an increase from 27.7 percent in the fourth quarter of 2008 due to the reasons stated above.

Net income (profit attributable to equity owners) for the first quarter of 2009 was RMB253 million (US\$37 million), a decrease of 16 percent year-on-year and an increase of 27 percent quarter-on-quarter. The decrease year-on-year was a result of the ongoing investments we are making in our customers, people and technology to expand our market leadership position and to position the Company for future growth. The sequential increase primarily reflected the seasonality of these investments, which will mainly be incurred in the latter three quarters of the year.

Earnings per share, basic and diluted, were 5.69 Hong Kong cents (0.73 US cents[#]) and 5.68 Hong Kong cents (0.73 US cents), respectively, a decrease of 12 percent compared to 6.47 Hong Kong cents (0.83 US cents) (basic and diluted) in the first quarter of 2008, and an increase of 27 percent compared to 4.48 Hong Kong cents (0.58 US cents) (basic and diluted) in the fourth quarter of 2008.

Recurring free cash flow (non-GAAP) in the period was RMB343 million (US\$50 million), representing a 25 percent increase year-on-year and a 32 percent decrease quarter-on-quarter. The improvement year-on-year was mainly due to the strong increase of paying members, who pre-pay for their full-year memberships, as reflected in the increase in our deferred revenue and customer advances. The sequential decline was mainly due to a refund of prepaid enterprise income tax that was received in the fourth quarter of 2008 as well as the payment of year-end bonuses to employees in the first quarter of 2009.

Cash and bank balances as of March 31, 2009 were RMB6.9 billion (US\$1 billion), representing a 28 percent increase year-on-year and a 5 percent increase quarter-on-quarter.

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[#] All HK dollar conversions are based on an exchange rate of 1USD=7.78HKD



About Alibaba.com Limited

Alibaba.com Limited (HKSE: 1688) (HK.1688) is the global leader in business-to-business (B2B) e-commerce and the flagship company of Alibaba Group. Founded in 1999, Alibaba.com makes it easy for millions of buyers and suppliers around the world to do business online through three marketplaces: a global trade marketplace (www.alibaba.com) for importers and exporters, a Chinese marketplace (www.alibaba.com.cn) for domestic trade in China, and, through an associated company, a Japanese marketplace (www.alibaba.co.jp) facilitating trade to and from Japan. Together, its marketplaces form a community of 40 million registered users from more than 240 countries and regions. Headquartered in Hangzhou, Alibaba.com has offices in more than 40 cities across Greater China as well as in Europe and the United States.

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UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED MARCH 31, 2009

	Q1 2009 RMB'000	Q1 2008 RMB'000	Q1 2009 RMB'000	Q4 2008 RMB'000
Revenue				
- International marketplace	505,559	464,164	505,559	489,104
- China marketplace	301,074	215,917	301,074	316,760
Total revenue	806,633	680,081	806,633	805,864
Cost of revenue	(108,824)	(78,926)	(108,824)	(118,252)
Gross profit	697,809	601,155	697,809	687,612
Sales and marketing expenses	(288,963)	(201,743)	(288,963)	(371,286)
Product development expenses	(60,539)	(36,592)	(60,539)	(62,828)
General and administrative expenses	(83,885)	(72,210)	(83,885)	(93,113)
Other operating income, net	12,325	21,255	12,325	16,758
Profit from operations	276,747	311,865	276,747	177,143
Finance income, net	38,978	48,548	38,978	56,190
Share of losses of associated companies, net of tax	(11,027)	-	(11,027)	(7,544)
Profit before income taxes	304,698	360,413	304,698	225,789
Income tax charges	(51,296)	(59,698)	(51,296)	(26,380)
Profit attributable to equity owners of our Company	253,402	300,715	253,402	199,409
Earnings per share, basic (RMB) <i>(Note 2)</i>	RMB5.02 cents	RMB5.95 cents	RMB5.02 cents	RMB3.95 cents
Earnings per share, diluted (RMB) <i>(Note 2)</i>	RMB5.01 cents	RMB5.95 cents	RMB5.01 cents	RMB3.94 cents
Earnings per share, basic (HK\$) <i>(Note 2)</i>	HK\$5.69 cents	HK\$6.47 cents	HK\$5.69 cents	HK\$4.48 cents
Earnings per share, diluted (HK\$) <i>(Note 2)</i>	HK\$5.68 cents	HK\$6.47 cents	HK\$5.68 cents	HK\$4.48 cents

Notes:

2. The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8815 to HK\$1.0000 for the first quarter of 2009 (first and fourth quarter of 2008: RMB0.9193 and RMB0.8814 to HK\$1.0000, respectively). 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.



ADDITIONAL FINANCIAL DATA (UNAUDITED)

	Q1 2009 RMB'000	Q1 2008 RMB'000	Q1 2009 RMB'000	Q4 2008 RMB'000
Revenue				
International marketplace				
Gold Supplier	492,683	447,630	492,683	475,438
International Trustpass	12,876	8,994	12,876	12,083
Other revenue (Note 3)	-	7,540	-	1,583
	505,559	464,164	505,559	489,104
China marketplace				
China TrustPass	288,468	206,127	288,468	294,070
Other revenue (Note 4)	12,606	9,790	12,606	22,690
	301,074	215,917	301,074	316,760
Total	806,633	680,081	806,633	805,864
Recurring free cash flow (Non-GAAP)				
Net cash generated from operating activities	365,706	287,254	365,706	549,686
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(22,793)	(13,805)	(22,793)	(43,505)
Total	342,913	273,449	342,913	506,181
Share based compensation expense	39,176	44,873	39,176	46,191
	As of March 31, 2009 RMB'000	As of March 31, 2008 RMB'000	As of March 31, 2009 RMB'000	As of December 31, 2008 RMB'000
Cash and bank balances	6,948,025	5,432,622	6,948,025	6,612,324
Deferred revenue and customer advances	2,447,401	1,913,587	2,447,401	2,256,871

Notes:

- Other revenue earned with respect to our international marketplace in 2008 mainly represented commission income from a subsidiary of our controlling shareholder, for cross-selling certain software products to our customers. In November 2008, we handed back this re-selling function and focused our sales efforts on our newly launched products.
- Other revenue earned with respect to our China marketplace mainly represents advertising fees paid by third party advertisers, some of which were earned through an agency arrangement with a subsidiary of our controlling shareholder.