

## Alibaba.com Announces Third Quarter 2008 Results

*EPS up 57% and net profit up 49% year-on-year*

*Company authorized to buy back up to HK\$2 billion of its own shares*

Hong Kong, November 11, 2008 – Alibaba.com Limited (HKSE:1688), the world's leading B2B e-commerce company, today posted financial results for the quarter ended September 30, 2008. The company also announced that its board of directors has authorized a share repurchase program of up to HK\$2 billion (approximately US\$258 million\*) through the end of 2009.

### Third Quarter 2008 Highlights

- Delivered continued strong revenue and profit growth with total revenue of RMB780.2 million, an increase of 37% year-on-year; EPS (diluted) of 6.96 Hong Kong cents, up 57% year-on-year; and net income (profit attributable to equity owners) of RMB308.6 million, an increase of 49% year-on-year.
- Expanded our market leadership by adding 3.1 million registered users, 393,142 storefronts and 30,345 paying members during the quarter.
- Achieved a record increase of 1.3 million registered users on our international marketplace during the quarter, up 74% year-on-year, reflecting strong international buyer activity.
- Increased penetration of domestic online trade continued to drive revenue from our China marketplace, which grew 79% year-on-year and contributed 38% of total revenue in the third quarter, compared to 29% a year ago.
- Finished the quarter in an exceptionally strong financial position with third quarter recurring free cash flow of RMB410 million, and over RMB6.1 billion of cash and bank deposits on the balance sheet and no debt.

### Key Operating Data

- As of September 30, 2008, our combined marketplaces had 35.6 million **registered users**, an increase of 40% year-on-year and 10% quarter-on-quarter. We had 6.9 million registered users on our international marketplace and 28.7 million registered users on our China marketplace.
- As of September 30, 2008, the total number of **storefronts** on our marketplaces grew to 4.2 million, an increase of 54% year-on-year and 10% quarter-on-quarter. We had 868,379 storefronts on our international marketplace and 3.3 million storefronts on our China marketplace.

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\* Converted into United States Dollars at an exchange rate of 7.75

- The number of **paying members** of our combined marketplaces was 398,351, an increase of 46% year-on-year and 8% quarter-on-quarter. Paying members consisted of 30,836 Gold Supplier members and 15,016 International TrustPass members from the international marketplace, and 352,499 China TrustPass members from the China marketplace.

“While the global economy is facing extraordinary challenges, our business continues to grow at a steady pace and we delivered another solid performance in the third quarter. Through the first nine months of the year, our net profit grew 100% year-on-year,” said David Wei, chief executive officer of Alibaba.com. “The network effect of our marketplaces continues to strengthen, with the number of registered users, storefronts and paying members all increasing. Our international marketplace attracted a record number of registered users in the third quarter, increasing 74% year-on-year, suggesting that small businesses worldwide are increasingly turning to the Internet as a new channel for international commerce.”

“China’s economy remains one of the relative bright spots in the world economy, driven by domestic investment and consumption growth. Our China marketplace for domestic trade was the main driver of revenue growth during the quarter, and its revenue increased 79% over last year. The China marketplace accounted for 38% of our revenue during the quarter, up from 29% from a year ago. This reflects the success of our strategy to achieve a more balanced mix of revenues from our two core marketplaces.

“We believe that the current difficulties in the macro-economic environment present us with unprecedented opportunities to strengthen our business and build long-term shareholder value. We recently launched two major initiatives to benefit buyers and suppliers on our international marketplace: a Quality Supplier Program, which is aimed at improving the buyer experience, and a new entry-level product, Gold Supplier Starter Pack, which will extend our premium storefront service to a broader group of export suppliers in Greater China. In 2009, we will be investing in a number of areas to support our growing community of members, including user loyalty, customer acquisition and service, product development, technology infrastructure and staff development. We have been encouraged by recent moves of the Chinese government to stimulate the economy and help the local export sector. In the long run we are confident that China will retain its position as the world’s leading export center. With our strong financial foundation and leadership position, we are in an excellent position to capture the opportunities ahead. Our recent initiatives reflect our optimism for China’s e-commerce development and our commitment to being a major driver of this development.”

### **Third Quarter 2008 Financial and Operating Results**

#### ***Paying Members and Revenue***

Alibaba.com had 398,351 **paying members** as of September 30, 2008, representing a 46% increase from the third quarter of 2007 and an 8% increase from the second quarter of 2008.

As a result of the higher number of paying members, Alibaba.com reported **total revenue** of RMB780.2 million in the third quarter of 2008, up 37% from the same period of 2007 and 6% from the second quarter of 2008. The company’s investment in China domestic trade has increased the significance of the China marketplace, which contributed 38% of total revenue for the current quarter, compared to 29% in the third

quarter of 2007 and 36% in the second quarter of 2008.

### ***International Marketplace***

Revenue from the company's international marketplace was RMB484.5 million for the third quarter of 2008, an increase of 19% year-on-year and 3% quarter-on quarter, accounting for 62% of total revenue. The growth was primarily due to an increase in the number of Gold Supplier members and sales of value-added services.

As of September 30, 2008, the international marketplace had 30,836 Gold Supplier members, a net increase of 6,713 from the third quarter of 2007 and a net increase of 1,070 from the prior quarter. The company believes that its newly launched entry-level product, Gold Supplier Start Pack, will enable it to capture a significantly broader group of new customers. This potential customer base will include nimble and entrepreneurial companies that are transforming their business models to find buyers through the Internet in the current economic environment.

The number of International TrustPass members reached 15,016 as of September 30, 2008, a net increase of 3,653 from the third quarter of 2007 and a net increase of 1,104 from the preceding quarter. The company is making significant commitments to explore the India market and has made steady progress towards its customer acquisition initiative through a re-seller arrangement with Infomedia India.

### ***China Marketplace***

The company's China marketplace continued to experience robust growth and has become a more important revenue contributor as the growth of China's domestic trade outpaced exports. During the third quarter, revenue from the China marketplace increased to RMB295.7 million, an increase of 79% year-on-year and 11% quarter-on-quarter. The China marketplace accounted for 38% of total revenue in the current quarter, compared to 29% in the same period last year and 36% in the second quarter of 2008.

Alibaba.com's China marketplace had 352,499 paying China TrustPass members at the end of the third quarter, a net increase of 115,256 from the third quarter of 2007 and a net increase of 28,171 from the second quarter of 2008. The growth of China TrustPass members was driven by the network effect of our China marketplace, our extensive sales and re-seller programs and the launch of our China TrustPass for Individual membership package, which helped us tap into a new market segment of sole proprietors and smaller businesses.

### ***Financial Results***

**Gross profit** for the third quarter of 2008 was RMB681.6 million, an increase of 38% year-on-year and 6% quarter-on-quarter. **Gross margin** stayed at 87%, which was the same as the third quarter of 2007 and slightly lower than 88% in the second quarter of 2008.

**Profit from operations** in the current quarter was RMB364.2 million, representing a 54% increase

year-on-year and a 7% increase quarter-on-quarter. **Operating profit margin** increased to 47% in the current quarter from 41% in the same period last year and from 46% in the second quarter of 2008.

**Profit from operations before share-based compensation expense (non-GAAP)** was RMB402.8 million in the current quarter, an increase of 49% year-on-year and a 4% increase quarter-on-quarter. **Operating margin excluding share-based compensation expense (non-GAAP)** was 52% in the current quarter, up from 47% in the same period of 2007 and declined slightly from 53% in the second quarter of 2008.

**Net income (profit attributable to equity owners)** was RMB308.6 million in the period, representing a 49% increase year-on-year and a 22% decrease compared to the second quarter of 2008. The company's third quarter net income included a RMB8.5 million loss from its associated company, Alibaba.com Japan, and lower net finance income compared to the second quarter of 2008.

**Earnings per share, basic and diluted**, was 6.97 Hong Kong cents and 6.96 Hong Kong cents, respectively, an increase of 57% compared to 4.43 Hong Kong cents (both basic and diluted) in the third quarter of 2007, and a decrease of 21% compared to 8.80 Hong Kong cents (basic) and 8.79 Hong Kong cents (diluted) in the second quarter of 2008.

**Deferred revenue and customer advances** was RMB2,047.0 million as of September 30, 2008, a 23% increase compared to RMB1,659.5 million as of September 30, 2007 and a 3% increase compared to RMB1,987.8 million as of June 30, 2008.

**Recurring free cash flow (non-GAAP)** in the period was RMB410.1 million, representing a 36% increase year-on-year and a 49% increase compared to the second quarter of 2008.

**Cash and bank deposits** were RMB6,143.6 million as of September 30, 2008 compared to RMB5,772.5 million as of June 30, 2008. As of September 30, 2008, 74.1% of the company's cash and bank balance was in Renmibi, 25.2% in United States dollars and 0.7% in Hong Kong dollars.

### **HK\$2 Billion Share Buy-Back**

Today, Alibaba.com's board of directors authorized the repurchase of up to HK\$2 billion (approximately US\$258 million) of the company's ordinary shares, subject to market conditions and at the discretion of the company. The share-buy back plan is based on the repurchase mandate approved by shareholders at the company's Annual General Meeting on May 5, 2008, and will remain in effect through the end of 2009, subject to renewal of the repurchase mandate by the shareholders at the next Annual General Meeting.

"We believe a buy-back program is appropriate at this time, and it demonstrates the directors' confidence in the fundamentals of our business. With the strong free cash flow of our business, this share buy-back will leave us more than sufficient cash for operations and future business investments, including the ability to be opportunistic about organic and non-organic growth initiatives." said Wei.

### **About Alibaba.com Limited**

Alibaba.com Limited (HKSE:1688) is the world's leading B2B e-commerce company. It connects millions of buyers and suppliers from around the world every day through three marketplaces: an English-language marketplace (alibaba.com) for global importers and exporters, a Chinese-language marketplace (alibaba.com.cn) for domestic trade in China, and, through a joint venture, a Japanese-language marketplace (alibaba.co.jp) facilitating trade to and from Japan. Together, its marketplaces form a community of 36 million registered users from over 240 countries and regions. Headquartered in Hangzhou, Alibaba.com has offices in more than 30 cities across mainland China as well as in Taiwan, Hong Kong, Europe and the United States.

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## FINANCIAL (UNAUDITED) AND OPERATIONAL HIGHLIGHTS

	3Q2008	3Q2007	Change	2Q2008	Change
Revenue (RMB million)	780.2	570.5	+36.8%	735.1	+6.1%
Operating income (RMB million)	364.2	236.2	+54.2%	339.1	+7.4%
Profit attributable to equity owners (RMB million)	308.6	207.3	+48.9%	396.5	-22.2%
Earnings per share, basic (HK\$)	6.97 cents	4.43 cents	+57.3%	8.80 cents	-20.8%
Earnings per share, diluted (HK\$)	6.96 cents	4.43 cents	+57.1%	8.79 cents	-20.8%
<b>Registered users</b>	<b>35,645,270</b>	<b>25,519,254</b>	<b>+39.7%</b>	<b>32,523,290</b>	<b>+9.6%</b>
International marketplace	6,912,692	3,979,612	+73.7%	5,614,887	+23.1%
China marketplace	28,732,578	21,539,642	+33.4%	26,908,403	+6.8%
<b>Storefronts</b>	<b>4,163,756</b>	<b>2,705,244</b>	<b>+53.9%</b>	<b>3,770,614</b>	<b>+10.4%</b>
International marketplace	868,379	648,302	+33.9%	802,286	+8.2%
China marketplace	3,295,377	2,056,942	+60.2%	2,968,328	+11.0%
<b>Paying Members</b> <i>(Note 1)</i>	<b>398,351</b>	<b>272,729</b>	<b>+46.1%</b>	<b>368,006</b>	<b>+8.2%</b>
Gold Supplier	30,836	24,123	+27.8%	29,766	+3.6%
International TrustPass	15,016	11,363	+32.1%	13,912	+7.9%
China TrustPass	352,499	237,243	+48.6%	324,328	+8.7%

Notes:

1. Include 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.

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	3Q 2008 RMB'000	3Q 2007 RMB'000	3Q 2008 RMB'000	2Q 2008 RMB'000
<b>Revenue</b>				
- International marketplace	484,509	405,762	484,509	469,358
- China marketplace	295,656	164,724	295,656	265,726
<b>Total revenue</b>	<b>780,165</b>	570,486	<b>780,165</b>	735,084
Cost of revenue	(98,552)	(76,566)	(98,552)	(91,638)
<b>Gross profit</b>	<b>681,613</b>	493,920	<b>681,613</b>	643,446
Sales and marketing expenses	(278,295)	(178,853)	(278,295)	(240,762)
Product development expenses	(49,636)	(36,289)	(49,636)	(37,457)
General and administrative expenses	(77,912)	(58,889)	(77,912)	(76,909)
Other operating income, net	88,468	16,271	88,468	50,819
<b>Profit from operations</b>	<b>364,238</b>	236,160	<b>364,238</b>	339,137
Finance income, net	19,396	11,884	19,396	115,073
Share of loss of associated companies, net of tax	(8,543)	-	(8,543)	-
<b>Profit before income taxes</b>	<b>375,091</b>	248,044	<b>375,091</b>	454,210
Income tax charges	(66,493)	(40,775)	(66,493)	(57,746)
<b>Profit attributable to equity owners of the Company</b>	<b>308,598</b>	207,269	<b>308,598</b>	396,464
<b>Earnings per share, basic (RMB) (Note 2)</b>	<b>RMB 6.11 cents</b>	RMB 4.30 cents	<b>RMB 6.11 cents</b>	RMB 7.85 cents
<b>Earnings per share, diluted (RMB) (Note 2)</b>	<b>RMB 6.10 cents</b>	RMB 4.30 cents	<b>RMB 6.10 cents</b>	RMB 7.84 cents
<b>Earnings per share, basic (HK\$) (Note 2)</b>	<b>HK\$6.97 cents</b>	HK\$4.43 cents	<b>HK\$6.97 cents</b>	HK\$8.80 cents
<b>Earnings per share, diluted (HK\$) (Note 2)</b>	<b>HK\$6.96 cents</b>	HK\$4.43 cents	<b>HK\$6.96 cents</b>	HK\$8.79 cents

Notes:

2. The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB 0.8769 to HK\$1.0000 for the third quarter of 2008 (third quarter of 2007 and second quarter of 2008: RMB 0.9695 and RMB 0.8920 to HK\$1.0000 respectively). No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars or vice versa, at that rate, or at any rate or at all.

## ADDITIONAL FINANCIAL DATA (UNAUDITED)

	3Q 2008 RMB'000	3Q 2007 RMB'000	3Q 2008 RMB'000	2Q 2008 RMB'000
<b>Revenue</b>				
<b>International marketplace</b>				
Gold Supplier	467,287	394,418	467,287	452,529
International TrustPass	10,723	8,383	10,723	9,282
Other revenue (Note 3)	6,499	2,961	6,499	7,547
	<b>484,509</b>	<b>405,762</b>	<b>484,509</b>	<b>469,358</b>
<b>China marketplace</b>				
China TrustPass	278,237	156,622	278,237	248,449
Other revenue (Note 4)	17,419	8,102	17,419	17,277
	<b>295,656</b>	<b>164,724</b>	<b>295,656</b>	<b>265,726</b>
<b>Total</b>	<b>780,165</b>	<b>570,486</b>	<b>780,165</b>	<b>735,084</b>
<b>Recurring Free Cash Flow (Non-GAAP)</b>				
Net cash generated from operating activities	440,312	314,739	440,312	303,672
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(30,222)	(13,357)	(30,222)	(27,475)
Other non-recurring operating expense	-	499	-	-
<b>Total</b>	<b>410,090</b>	<b>301,881</b>	<b>410,090</b>	<b>276,197</b>
<b>Share based compensation</b>	<b>38,526</b>	<b>33,772</b>	<b>38,526</b>	<b>49,225</b>
	<b>As of September 30, 2008 RMB'000</b>	<b>As of September 30, 2007 RMB'000</b>	<b>As of September 30, 2008 RMB'000</b>	<b>As of June 30, 2008 RMB'000</b>
<b>Cash and bank balance</b>	<b>6,143,613</b>	<b>1,643,431</b>	<b>6,143,613</b>	<b>5,772,480</b>
<b>Deferred revenue and customer advances</b>	<b>2,046,998</b>	<b>1,659,547</b>	<b>2,046,998</b>	<b>1,987,830</b>

Notes:

- Other revenue earned with respect to our international marketplace mainly represents commission income from Alisoft Software (Shanghai) Co., Ltd, a subsidiary of our controlling shareholder, for cross-selling of Alisoft Export Edition to our customers.
- 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 Company's controlling shareholder.