

Vipshop Reports Third Quarter 2013 Financial Results

3Q13 Total Net Revenues Up 146.1% YOY

3Q13 Gross Margin Increased to 24.2%

Achieved Net Profit of US\$12.0 Million

Conference Call to be Held at 8:00 AM U.S. Eastern Time on November 12, 2013

Guangzhou, China, November 11, 2013 – Vipshop Holdings Limited (NYSE: VIPS), China's leading online discount retailer for brands (“Vipshop” or the “Company”) today announced its unaudited financial results for the quarter ended September 30, 2013.

Third Quarter 2013 Highlights

- Total net revenues increased by 146.1% over the prior year period to US\$383.7 million, primarily attributable to a 131.7% increase in the number of active customers¹ from 1.7 million to 4.0 million and a 115.6% increase in total orders² from 5.4 million to 11.7 million over the prior year period.
- Gross margin increased to 24.2% from 22.3% in the prior year period.
- Non-GAAP income from operations³ was US\$15.1 million, as compared to a non-GAAP loss from operations of US\$1.2 million in the prior year period. Non-GAAP operating income margin⁴ was 3.9%, compared to a non-GAAP operating loss margin of 0.7% in the prior year period.
- Net income was US\$12.0 million, compared to a net loss of US\$1.5 million in the prior year period. Net income margin was 3.1%, compared to a net loss margin of 0.9% in the prior year period.
- Non-GAAP net income⁵ increased to US\$15.1 million from US\$0.6 million in the prior year period. Non-GAAP net income margin⁶ increased to 3.9% from 0.4% in the prior year period.

Mr. Eric Shen, Chairman and CEO of Vipshop, stated, “During the third quarter, our business continued to deliver solid financial and operational results with revenues growing by 146% year-over-year. We are pleased with the growth in our customer base, brand partnerships as well as our warehouse capacity. Our strong improvements in scale, warehousing capacity, merchandizing and logistical expertise and mobile capabilities speak to the continuing attractiveness of our distinguished discount retail platform. Looking ahead, we will continue to focus on strengthening our market leadership and expertise in online discount retail and capitalize on the robust growth of online retail sector in China. We are very confident in our ability to leverage our core competencies to embrace future opportunities and are committed to ensure that Vipshop is a long-standing leader in China’s discount retail market.”

Mr. Donghao Yang, CFO of Vipshop, commented, “Despite the third quarter traditionally being a slow season, we were still able to expand our gross margin to 24.2% thanks to the pronounced scale effects in

¹ Active customers are defined as any registered member who has purchased products from the Company at least once during the period.

² Total orders are defined as the total number of orders placed during the period.

³ Non-GAAP income/(loss) from operations is a non-GAAP financial measure, which is defined as income/(loss) from operations excluding share-based compensation expenses.

⁴ Non-GAAP operating income/(loss) margin is a non-GAAP financial measure, which is defined as non-GAAP income/(loss) from operations as a percentage of total net revenues.

⁵ Non-GAAP net income/(loss) is a non-GAAP financial measure, which is defined as net income/(loss) excluding share-based compensation expenses.

⁶ Non-GAAP net income/(loss) margin is a non-GAAP financial measure, which is defined as non-GAAP net income/(loss) as a percentage of total net revenues.

our growing business. Moreover, since we achieved non-GAAP net income profitability one year ago, we have thereafter successfully continued to increase our profitability, achieving 3.1% net margin and 3.9% non-GAAP net margin this quarter. These results are a testament to the strength of our reputation as a channel for brand partners to liquidate overstocked products and for customers to purchase discounted quality products, as well as our improving ability to control costs and achieve greater operational efficiency. We believe that our strong internal capabilities and multifaceted growth strategies, coupled with the exogenous trends of middle class expansion and e-commerce growth in China, positions us optimally to achieve sustainable long-term growth.”

Third Quarter 2013 Financial Results

REVENUES

Total net revenues for the third quarter of 2013 increased by 146.1% to US\$383.7 million from US\$155.9 million in the prior year period, primarily driven by growth in the number of active customers and total orders.

The number of active customers for the third quarter of 2013 increased by 131.7% to 4.0 million from approximately 1.7 million in the prior year period. The number of total orders for the third quarter of 2013 increased by 115.6% to 11.7 million from 5.4 million in the prior year period. This increase was primarily due to the Company’s continued efforts to optimize and increase brand and product selections available on its website. In addition, the Company has expanded its warehouse capacity to help facilitate and accommodate increased demands from customers as well as accelerate the delivery of purchased products.

GROSS PROFIT

Gross profit for the third quarter of 2013 increased by 167.4% to US\$93.0 million from US\$34.8 million in the prior year period. This reflects both the significant increase in total net revenues as well as continued margin expansion. Gross margin increased to 24.2% in the third quarter of 2013 from 22.3% in the prior year period. This increase is attributable to the Company’s increased bargaining power with its suppliers due to increased scale of the Company’s business.

OPERATING INCOME AND EXPENSES

Total operating expenses for the third quarter of 2013 increased by 115.3% to US\$83.0 million from US\$38.6 million in the prior year period. As a percentage of total net revenues, total operating expenses decreased to 21.6% from 24.7% in the prior year period.

- ***Fulfillment expenses*** increased by 103.2% to US\$44.1 million from US\$21.7 million in the prior year period, primarily reflecting the increase in sales volume and number of orders fulfilled. As a percentage of total net revenues, fulfillment expenses decreased to 11.5% from 13.9% in the prior year period, which reflects the Company’s strategy of shifting towards using regional and local delivery services to reduce the Company’s shipping and handling expenses per order as well as the capacity expansion of regional warehouses.
- ***Marketing expenses*** increased by 137.7% to US\$17.4 million from US\$7.3 million in the prior year period. As a percentage of total net revenues, marketing expenses decreased to 4.5% from 4.7% in the prior year period, demonstrating the Company’s ability to control marketing expenses by retaining repeat customers and achieving high growth of new customers through word-of-mouth referrals.
- ***Technology and content expenses*** increased by 199.1% to US\$9.6 million from US\$3.2 million in the prior year period, primarily reflecting the Company’s continued efforts to invest in its

website and IT systems to better support future growth. As a percentage of total net revenues, technology and content expenses increased to 2.5%, from 2.1% in the prior year period.

- **General and administrative expenses** increased by 88.5% to US\$11.9 million from US\$6.3 million in the prior year period, primarily due to increased headcount and office rentals associated with the growth in the Company's overall business. As a percentage of total net revenues, general and administrative expenses decreased to 3.1% from 4.1% in the prior year period, reflecting the Company's increased operational leverage as well as continued cost-control efforts.

Income from operations increased to US\$12.0 million, compared to a loss from operations of US\$3.3 million in the prior year period, reflecting the growing scale of the Company's operations, improved gross margin and cost control. Operating income margin increased to 3.1%, compared to an operating loss margin of 2.1% in the prior year period.

Non-GAAP income from operations, which excludes the impact of share-based compensation expenses, increased to US\$15.1 million, compared to a non-GAAP loss from operations of US\$1.2 million in the prior year period. Non-GAAP operating income margin increased to 3.9%, compared to a non-GAAP operating loss margin of 0.7% in the prior year period.

NET INCOME/LOSS

Net income increased to US\$12.0 million, compared to a net loss of US\$1.5 million in the prior year period. Net income margin increased to 3.1%, compared with a net loss margin of 0.9% in the prior year period. Net income per diluted ADS⁷ increased to US\$0.21, compared to a net loss per diluted ADS of US\$0.03 in the prior year period.

Non-GAAP net income, which excludes share-based compensation expenses, increased to US\$15.1 million from US\$0.6 million in the prior year period. Non-GAAP net income margin increased to 3.9% from 0.4% in the prior year period. Non-GAAP net income per diluted ADS increased to US\$0.26 in the third quarter of 2013 from US\$0.01 in the prior year period.

For the quarter ended September 30, 2013, the Company's weighted average number of ADSs used in computing diluted income per ADS was 58,471,791.

As of September 30, 2013, the Company had cash and cash equivalents of US\$279.0 million and held-to-maturity securities of US\$202.7 million.

For the third quarter of 2013, net cash from operating activities was US\$98.6 million.

Business Outlook

For the fourth quarter of 2013, the Company expects its total net revenues to be between US\$580 million and US\$590 million, representing a year-over-year growth rate of approximately 94% to 97%. These forecasts reflect the Company's current and preliminary view on the market and operational conditions, which are subject to change.

Conference Call Information

The Company will hold a conference call on Tuesday, November 12, 2013 at 8:00 AM U.S. Eastern Time or 9:00 pm Beijing Time to discuss its financial results and operating performance for the third quarter 2013.

⁷ "ADS" means American Depositary Share. Each ADS represents two ordinary shares, par value US\$0.0001 per share, of the Company.

United States: +1-845-675-0438
International Toll Free: +1-855-500-8701
China Domestic: 400-1200654
Hong Kong: +852-3051-2745
Conference ID: #90567955

The replay will be accessible through November 20, 2013 by dialing the following numbers:

United States Toll Free: +1-855-452-5696
International: +61 2 8199 0299
Conference ID: #90567955

A live and archived webcast of the conference call will also be available at the Company's investor relations website at <http://ir.vipshop.com>.

About Vipshop Holdings Limited

Vipshop Holdings Limited is China's leading online discount retailer for brands. Vipshop offers high quality and popular branded products to consumers throughout China at a significant discount to retail prices. Since it was founded in August 2008, the Company has rapidly built a sizeable and growing base of customers and brand partners. For more information, please visit ir.vipshop.com.

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the business outlook and quotations from management in this announcement, as well as Vipshop's strategic and operational plans, contain forward-looking statements. Vipshop may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the "SEC"), in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Vipshop's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Vipshop's goals and strategies; Vipshop's future business development, results of operations and financial condition; the expected growth of the online discount retail market in China; Vipshop's ability to attract customers and brand partners and further enhance its brand recognition; Vipshop's expectations regarding demand for and market acceptance of flash sales products and services; competition in the discount retail industry; fluctuations in general economic and business conditions in China and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Vipshop's filings with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and Vipshop does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

Use of Non-GAAP Financial Measures

The unaudited condensed consolidated financial information is prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except that the consolidated statement of shareholders' equity, consolidated statements of cash flows, and the detailed notes required by Accounting Standards Codification 270 Interim Reporting ("ASC270"), have not been presented. Vipshop uses non-GAAP net income/(loss), non-GAAP net income/(loss) per diluted ADS, non-GAAP income/(loss) from operations, non-GAAP net income/(loss) margin, and non-GAAP

operating income/(loss) margin, each of which is a non-GAAP financial measure. Non-GAAP net income/(loss) is net income/(loss) excluding share-based compensation expenses. Non-GAAP net income/(loss) per diluted ADS is non-GAAP net income/(loss) divided by weighted average number of diluted ADS. Non-GAAP income/(loss) from operations is income/(loss) from operations excluding share-based compensation expenses. Non-GAAP operating income/(loss) margin is non-GAAP income/(loss) from operations as a percentage of total net revenues. Non-GAAP net income/(loss) margin is non-GAAP net income/(loss) as a percentage of total net revenues. The Company believes that separate analysis and exclusion of the non-cash impact of share-based compensation adds clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses these non-GAAP financial measures for planning, forecasting and measuring results against the forecast. The Company believes that non-GAAP financial measures are useful supplemental information for investors and analysts to assess its operating performance without the effect of non-cash share-based compensation expenses, which have been and will continue to be significant recurring expenses in its business. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact the Company's net income/(loss) for the period. In addition, because non-GAAP financial measures are not measured in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider non-GAAP financial measure in isolation from or as an alternative to the financial measure prepared in accordance with U.S. GAAP.

The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. For more information on these non-GAAP financial measures, please see the table captioned "Vipshop Holdings Limited Reconciliations of GAAP and Non-GAAP Results" at the end of this release.

Investor Relations Contact

Vipshop Holdings Limited
Millicent Tu
Tel: +86 (20) 2233-0732
Email: IR@vipshop.com

ICR, Inc.
Jeremy Peruski
Tel: +1 (646) 405-4866
Email: IR@vipshop.com

Vipshop Holdings Limited
Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(In US dollars, except for share data)

	Three Months Ended		
	September 30, 2012	September 30, 2013	June 30, 2013
	USD (Unaudited)	USD (Unaudited)	USD (Unaudited)
Net revenues	155,944,583	381,209,303	351,027,738
Other revenues (1)	-	2,499,249	261,475
Total net revenues	155,944,583	383,708,552	351,289,213
Cost of goods sold	(121,180,318)	(290,742,385)	(268,659,461)
Gross profit	34,764,265	92,966,167	82,629,752
Operating expenses			
Fulfillment expenses(2)	(21,703,487)	(44,094,258)	(42,815,750)
Marketing expenses	(7,310,957)	(17,377,035)	(15,092,686)
Technology and content expenses	(3,218,857)	(9,628,377)	(8,656,210)
General and administrative expenses	(6,321,337)	(11,916,875)	(10,755,077)
Total operating expenses	(38,554,638)	(83,016,545)	(77,319,723)
Other income	538,739	2,090,512	1,438,012
(Loss) income from operations	(3,251,634)	12,040,134	6,748,041
Interest expense	(1,197)	-	-
Interest income	1,372,350	3,750,788	3,607,987
Exchange gain	424,454	287,799	1,039,605
(Loss) income before income taxes	(1,456,027)	16,078,721	11,395,633
Income tax expenses	-	(4,051,836)	(2,362,458)
Net (loss) income	(1,456,027)	12,026,885	9,033,175
Weighted average numbers of shares used in calculating earnings per share:			
—Basic	101,139,801	110,802,643	110,564,733
—Diluted	101,139,801	116,943,581	116,073,470
Net earnings (loss) per share			
—Basic	(0.01)	0.11	0.08
—Diluted	(0.01)	0.10	0.08
Net earnings (loss) per ADS (2 ordinary shares equal to 1 ADS)			
—Basic	(0.03)	0.22	0.16
—Diluted	(0.03)	0.21	0.16
<i>(1) Other revenues primarily consist of fees charged to third-party merchants which the Company provides platform access for sales of their products.</i>			
<i>(2) Including shipping and handling expenses, which amounted US\$13 million, US\$26.6 million and US\$23.5 million in the three month periods ended September 30, 2012, September 30, 2013 and June 30, 2013, respectively.</i>			
Net (loss) income	(1,456,027)	12,026,885	9,033,175
Other comprehensive income, net of tax:			

Foreign currency translation adjustments	274,895	347,096	929,198
Comprehensive (loss)income	(1,181,132)	12,373,981	9,962,373

	Three Months Ended		
	September 30,2012	September 30,2013	June 30,2013
	USD (Unaudited)	USD (Unaudited)	USD (Unaudited)
Share-based compensation charges included are follows			
Fulfillment expenses	79,090	211,958	184,945
Marketing expenses	30,203	100,734	91,117
Technology and content expenses	258,947	919,511	689,445
General and administrative expenses	1,728,329	1,825,952	1,826,200
Total	2,096,569	3,058,155	2,791,707

Vipshop Holdings Limited
Condensed Consolidated Balance Sheets
(Amounts in US dollars)

	As of December 31, 2012	As of September 30, 2013
	USD	USD (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	124,472,629	279,039,304
Restricted deposits	—	-
Held-to-maturity securities	86,097,191	202,659,851
Accounts receivable	6,990,560	3,609,461
Amounts due from related parties	177,237	-
Other receivables	9,993,887	8,127,400
Inventories	143,963,931	227,493,444
Advance to suppliers	9,569,795	20,732,646
Prepaid expenses	686,876	2,167,034
Deferred tax assets	—	5,499,247
Total current assets	<u>381,952,106</u>	<u>749,328,387</u>
NON-CURRENT ASSETS		
Property and equipment, net	12,637,567	17,431,851
Deposits for property and equipment	4,322,217	3,528,783
Other assets	5,230	1,973,139
Total non-current assets	<u>16,965,014</u>	<u>22,933,773</u>
TOTAL ASSETS	<u><u>398,917,120</u></u>	<u><u>772,262,160</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable (Including accounts payable of the VIE without recourse to the Company of \$101,556 and \$21,285 as of December 31, 2012 and September 30, 2013, respectively)	193,455,827	325,904,612
Advance from customers (Including advance from customers of the VIE without recourse to the Company of \$55,948,713 and \$87,082,838 as of December 31, 2012 and September 30, 2013, respectively)	55,948,713	87,082,838
Accrued expenses and other current liabilities(Including accrued expenses and other current liabilities of the VIE without recourse to the Company of \$24,908,418 and \$67,606,145 as of December 31, 2012 and September 30, 2013, respectively)	52,676,443	127,529,273
Amounts due to related parties(Including amounts due to related parties of the VIE without recourse to the Company of \$789,057 and \$ 1,389,874 as of December 31, 2012 and September 30, 2013, respectively)	1,335,756	2,377,972

Deferred income (Including deferred income of the VIE without recourse to the Company of \$10,850,319 and \$16,022,211 as of December 31, 2012 and September 30, 2013, respectively)	12,917,567	17,135,944
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Total current liabilities	316,334,306	560,030,639
Total liabilities	316,334,306	560,030,639

EQUITY:

Ordinary shares (US\$0.0001 par value, 471,620,833 shares authorized, and 101,284,881 and 111,313,272 shares issued and outstanding as of December 31, 2012 and September 30, 2013, respectively)	10,128	11,131
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Additional paid-in capital	258,368,448	359,618,956
Accumulated losses	(176,025,335)	(149,124,101)
Accumulated other comprehensive income	229,573	1,725,535
Total shareholders' equity	82,582,814	212,231,521
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	398,917,120	772,262,160

Vipshop Holdings Limited
Reconciliations of GAAP and Non-GAAP Results

	Three Months Ended		
	September 30,2012	September 30,2013	June 30,2013
	USD (Unaudited)	USD (Unaudited)	USD (Unaudited)
(Loss) income from operations	(3,251,634)	12,040,134	6,748,041
Share-based compensation expenses	2,096,569	3,058,155	2,791,707
Non-GAAP (loss) income from operations	(1,155,065)	15,098,289	9,539,748
Net (loss) income	(1,456,027)	12,026,885	9,033,175
Share-based compensation expenses	2,096,569	3,058,155	2,791,707
Non-GAAP net (loss) income	640,542	15,085,040	11,824,882

Non-GAAP weighted average numbers of shares used in calculating net income per share:

—Basic	101,139,801	110,802,643	110,564,733
—Diluted	102,440,611	116,943,581	116,073,470
Non-GAAP net income per share			
—Basic	0.01	0.14	0.11
—Diluted	0.01	0.13	0.10
Non-GAAP net income per ADS (2 ordinary shares equal to 1 ADS)			
—Basic	0.01	0.27	0.21
—Diluted	0.01	0.26	0.20