

Baidu, Inc.  
Form 424B5  
June 03, 2014  
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**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-184757**

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell the securities and is not soliciting offers to buy the securities in any jurisdiction where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED JUNE 3, 2014**

**Preliminary Prospectus Supplement**

(To Prospectus dated November 5, 2012)

**Baidu, Inc.**

	<b>US\$</b>	<b>% Notes due 20</b>	
We are offering US\$	of our	% notes due 20	(the Notes ). The Notes will mature on , 20 .
Interest on the Notes will accrue from	, 20	and be payable on	and of each
year, beginning on	, 20	.	

We may at our option redeem the Notes at any time, in whole or in part, at a price equal to the greater of 100% of the principal amount of such Notes and the make whole amount plus accrued and unpaid interest, if any, to (but not including) the redemption date. We may also redeem the Notes at any time upon the occurrence of certain tax events. Upon the occurrence of a triggering event, we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. For a more detailed description of the Notes, see Description of the Notes in this prospectus supplement.

The Notes are our senior unsecured obligations and will rank senior in right of payment to all of our existing and future obligations expressly subordinated in right of payment to the Notes; rank at least equal in right of payment with all of our existing and future unsecured unsubordinated obligations (subject to any priority rights pursuant to applicable law); be effectively subordinated to all of our existing and future secured obligations, to the extent of the value of the assets serving as security therefor; and be structurally subordinated to all existing and future obligations and other liabilities of our subsidiaries and consolidated affiliated entities.

See **Risk Factors** beginning on page S-11 for a discussion of certain risks that should be considered in connection with an investment in the Notes.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

	Per Note	Total
Public Offering Price <sup>(1)</sup>	%	US\$
Underwriting Discount	%	US\$
Proceeds to Baidu <sup>(1)</sup>	%	US\$

<sup>(1)</sup> Plus accrued interest, if any, from \_\_\_\_\_, 2014.

Application has been made for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited, or the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. The listing and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of us, or any of our subsidiaries or consolidated affiliated entities or of the Notes. Currently, there is no public trading market for the Notes.

We expect to deliver the Notes to investors through the book-entry delivery system of The Depository Trust Company and its direct participants, including Euroclear Bank S.A./N.V., or Euroclear, and Clearstream Banking, société anonyme, or Clearstream, on or about \_\_\_\_\_, 2014, which is the third business day following the date of this prospectus supplement.

*Joint Bookrunners*

(in alphabetical order)

**Goldman Sachs (Asia) L.L.C.**

**J.P. Morgan**

The date of this prospectus supplement is \_\_\_\_\_, 2014.

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## Prospectus

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**You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of each of their respective dates. Our business, financial condition, results of operations and prospects**

**may have changed since those dates.**

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of Notes by us. The second part, the base prospectus, presents more general information about this offering. The base prospectus was included in the registration statement on Form F-3 (File No. 333-184757) that we filed with the SEC on November 5, 2012, and has been updated since that time with additional information that is incorporated by reference. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus as updated through incorporation by reference.

If the description of the offering of the Notes varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding the purchase of any of the Notes offered by this prospectus supplement.

In this prospectus supplement, unless otherwise indicated or unless the context otherwise requires, the terms we, us, our company, our Baidu, and issuer refer to Baidu, Inc., its subsidiaries and, in the context of describing our operations and consolidated financial information, our consolidated affiliated entities in China; China and PRC refer to the People's Republic of China and, solely for the purpose of this prospectus, exclude Taiwan, Hong Kong and Macau; and all references to RMB and Renminbi are to the legal currency of China and all references to U.S. dollars, US\$, dollars and \$ are to the legal currency of the United States.

All discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

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**WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, in accordance with the Exchange Act, we file annual reports and other information with the SEC. Information we file with the SEC can be obtained over the internet at the SEC's website at [www.sec.gov](http://www.sec.gov) or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 or visit the SEC website for further information on the operation of the public reference rooms.

This prospectus supplement is part of a registration statement that we filed with the SEC, using a shelf registration process under the Securities Act of 1933, as amended, or the Securities Act, relating to the securities to be offered. This prospectus supplement does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to Baidu, Inc. and the Notes, reference is hereby made to the registration statement and the prospectus contained therein. The registration statement, including the exhibits thereto, may be inspected on the SEC's website or at the Public Reference Room maintained by the SEC.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference the information we file with or submit to the SEC, which means that we can disclose important information to you by referring you to those documents that are considered part of the accompanying prospectus. Information that we file with or submit to the SEC in the future and incorporate by reference will automatically update and supersede the previously filed information. See Incorporation of Certain Documents by Reference in the accompanying prospectus for more information. All of the documents incorporated by reference are available at [www.sec.gov](http://www.sec.gov) under Baidu, Inc., CIK number 0001329099.

Our annual report on Form 20-F for the fiscal year ended December 31, 2013 originally filed with the SEC on March 28, 2014 (File No. 000-51469), or our 2013 Form 20-F, is incorporated by reference into the accompanying prospectus.

As you read the documents incorporated by reference, you may find inconsistencies in information from one document to another. If you find inconsistencies, you should rely on the statements made in the most recent document.

We will provide a copy of any or all of the information that has been incorporated by reference into the accompanying prospectus, upon written or oral request, to any person, including any beneficial owner of the Notes, to whom a copy of this prospectus supplement is delivered, at no cost to such person. You may make such a request by writing or telephoning us at the following mailing address or telephone number:

IR Department

Baidu, Inc.

Baidu Campus

No. 10 Shangdi 10th Street

Haidian District, Beijing 100085

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People's Republic of China

Telephone: +86 (10) 5992-8888

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**FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference contain forward-looking statements that reflect our current expectations and views of future events. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as may, will, expect, anticipate, future, intend, plan, believe, estimate, is/are likely to or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things:

our growth strategies;

our future business development, results of operations and financial condition;

our proposed use of proceeds from the sale of debt securities;

our ability to attract and retain users and customers and generate revenue and profit from our customers;

our ability to retain key personnel and attract new talent;

competition in the internet search, online marketing and other businesses in which we engage;

the outcome of ongoing or any future litigation, including those relating to intellectual property rights; and

PRC governmental regulations and policies relating to the internet and internet search providers and to the implementation of a corporate structure involving variable interest entities in China.

The forward-looking statements included in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference are subject to risks, uncertainties and assumptions about our company. Our actual results of operations may differ materially from the forward-looking statements as a result of the risk factors disclosed in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference.

We would like to caution you not to place undue reliance on these forward-looking statements and you should read these statements in conjunction with the risk factors disclosed herein, in the accompanying prospectus and in the documents incorporated by reference for a more complete discussion of the risks of an investment in our securities. We operate in a rapidly evolving environment. New risks emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in any



forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information presented in greater detail elsewhere. This summary is not complete and does not contain all the information you should consider before investing in the Notes. You should carefully read the entire prospectus before investing, including Risk Factors, and including the documents incorporated by reference. See Incorporation of Certain Documents by Reference. Our 2013 Form 20-F, which contains our audited consolidated financial statements as of December 31, 2012 and 2013 and for each of the three years ended December 31, 2013, is incorporated by reference.*

**Baidu, Inc.**

**Overview**

We are the leading Chinese language internet search provider. As a technology-based media company, we aim to provide the best way for people to find information and connect users with services. In addition to serving users, we provide an effective platform for businesses to reach potential customers.

Our *Baidu.com* website is the largest website in China and the fifth largest website globally, as measured by average daily visitors and page views over the month preceding the date of this prospectus, according to Alexa.com, an internet analytics firm. We are the most used internet search provider in China, with our combined share of PC and mobile search page views standing at 73%, according to Analysys International, a market research firm. Our Baidu brand is one of the highest ranking brands in China in BrandZ Top 50 Most Valuable Chinese Brands 2013, a study published by Millward Brown Optimor, a brand strategy research firm. In December 2013, approximately 87% of Chinese internet search users choose Baidu as the first-choice internet search engine, according to China Internet Network Information Center.

**We serve three types of online participants and have achieved significant scale and diversity in our business:**

*Users.* We offer a Chinese language search platform on our *Baidu.com* website that enables users to find relevant information online, including web pages, news, images, documents and multimedia files, through links provided on our website. We also provide a broad range of products and services to enrich user experience and facilitate easy and quick search, including search products, social-networking products, user-generated-content-based (UGC-based) knowledge products, location-based products and services, entertainment products, security products, mobile related products and services, products and services for developers and webmasters and other products and services. Our products and services can be accessed through PCs and mobile devices. We aspire to provide the best search experience to our users. To this end, we have invested in advanced technology such as deep learning and semantic intelligence.

We offer a broad range of mobile products, including Baidu Mobile Search, Baidu Mobile Maps, Baidu Mobile Assistant, 91 Assistant, HiMarket, Baidu Mobile Guardian, Baidu Mobile Browser, Baidu Photo Wonder and Baidu Yun. Baidu Mobile Search enables users to access our products and services and to perform search on mobile devices via text, voice or image. Baidu Mobile Search offers a user friendly and productive mobile internet search experience. As we continually improve our offering and strengthen channel distribution, we have solidified our leading position in mobile search market. Baidu Mobile Maps increasingly serves as a gateway for users to conduct local searches. It is an open platform that integrates location-based services from third-party partners. According to Analysys International, Baidu Mobile Maps has approximately 54% market share in terms of number of daily active users. We acquired 91 Wireless Websoft Limited, an application distribution platform

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in China, in October 2013, and are integrating 91 Wireless into the Baidu platform. The combined Baidu and 91 Wireless application distribution platform has become a leader in application distribution in China.

Since we acquired the online video business of PPStream Inc. and merged it with iQiyi in May 2013, the combined entity has become the largest online video platform in China as of December 2013, in terms of number of mobile users, according to iResearch.

**Customers.** We deliver online marketing services to a diverse customer base operating in a variety of industries. In 2013, we had approximately 753,000 active online marketing customers, as compared to 596,000 in 2012 and 488,000 in 2011. In the three months ended March 31, 2014, we had approximately 446,000 active online marketing customers, compared to approximately 410,000 in the three months ended March 31, 2013. Our online marketing customers consist of small and medium enterprises, or SMEs, throughout China, large domestic companies and Chinese divisions and subsidiaries of large, multinational companies. We reach and serve our customers through our direct sales force as well as a network of third-party distributors across China. As many of our customers are SMEs, we use distributors to help us identify potential SME customers, collect payments and assist SMEs in setting up accounts with us and using our online marketing services. To better enable our customers to adopt the mobile opportunity, we provide free tools to customers to help them build and modify mobile landing pages and proactively educate customers about mobile marketing. We also have an integrated bidding system to better streamline the bidding experience for PC and mobile channels for our customers. Since the fourth quarter of 2013, our revenue from mobile offerings has exceeded 20% of our total revenues.

**Baidu Union Members.** Baidu Union consists of a large number of third-party web content and software providers. Baidu Union members can display on their properties our customers' promotional links that match the content of such members' properties. Some Baidu Union members also embed some of our products and services into their properties. We allow Baidu Union members to provide high-quality and relevant search results to their users without the cost of building and maintaining advanced search capabilities in-house and to monetize their traffic through revenue sharing arrangements with us.

### **Technology and people are critical to our long-term success:**

**Technology.** We focus on research and development and innovation. To stay at the forefront of the internet industry and to achieve long-term growth and success, we expanded the number of our research and development employees from 6,392 as of December 31, 2011 to 14,055 as of December 31, 2013. We have developed a proprietary technological infrastructure consisting of technologies for web search, mobile, pay-for-performance, or P4P, targetization and large-scale systems. We believe our established infrastructure, which serves as the backbone for both our PC and mobile platforms, creates a significant competitive advantage for us.

We invest in mobile technology to better serve our users and customers. For our users, our mobile search technology enables superior user experiences by providing relevant and accurate mobile search results and flexible mobile search input methods. For our customers, we provide free tools to optimize landing pages for mobile devices, by analyzing the content and features and automatically converting to the layouts suitable for mobile devices. We offer an integrated bidding systems to streamline the bidding experience on both PC and mobile channels. We also provide a series of mobile specific management and analytic tools to help our customers improve return on investments (ROI).

We have three labs under the umbrella of Baidu Research, the Silicon Valley Artificial Intelligence (AI) Lab, the Beijing Deep Learning Lab and the Beijing Big Data Lab. We recently opened the Silicon Valley AI Lab in May 2014, enhancing our research and development capabilities in Silicon Valley. We established the Baidu Institute of Deep Learning, currently known as the Beijing Deep Learning Lab, in 2013. Deep learning

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technology has helped us develop cutting-edge speech and image recognition technologies, enhance the search experience we provide to users and improve our ad targeting technology and monetization capability. Today, we believe we are the market leader in China in terms of Mandarin Chinese voice recognition capabilities and image matching technology.

**People.** We have a visionary and experienced management team. Under their leadership, we have developed a strong company culture that encourages individual thinking and creativity, continuous self-improvement and strong commitment to providing the best experience to our users and customers. We value our employees and provide abundant opportunities for training, responsibility and career advancement in our organization.

**We have a robust business model:**

**Online Marketing Services.** We generate almost all of our revenues from online marketing services, a majority of which are derived from services based on search queries on our P4P platform for PC and mobile. Our P4P platform enables customers to bid for priority placement of their links in keyword search results, and provides customers with wide reach, precise targeting capabilities, highly measurable results and superior returns on marketing spending. We generally require our P4P SME customers to pay deposits before using our services and remind them to replenish their accounts when needed. We also provide other forms of online marketing services, including contextual ads, display placements and online video ads.

**Revenue, Profit and Cash Flow.** We have grown substantially by focusing on the organic growth of our core business, complemented by strategic investments and acquisitions. Our total revenues in 2013 were RMB31.9 billion (US\$5.3 billion), a 43.2% increase over 2012. Our operating profit and net income attributable to Baidu, Inc. in 2013 were RMB11.2 billion (US\$1.8 billion) and RMB10.5 billion (US\$1.7 billion), respectively, both representing a slight increase over 2012. Our total revenues, operating profit and net income attributable to Baidu, Inc. in the three months ended March 31, 2014 were RMB9.5 billion (US\$1.5 billion), RMB2.4 billion (US\$381.8 million) and RMB2.5 billion (US\$407.8 million), representing 59.1%, 7.4% and 24.1% increases from the corresponding period in 2013, respectively. For the three months ended March 31, 2014, we generated RMB3.6 billion (US\$581.1 million) net cash from operating activities. As of March 31, 2014, we held a total of RMB39.7 billion (US\$6.4 billion) in cash and cash equivalents and short-term investments.

**Ratio of Earnings to Fixed Charges**

The following table sets forth our unaudited consolidated ratio of earnings to fixed charges for each of the periods indicated using financial information extracted, where applicable, from our audited consolidated financial statements or unaudited interim condensed consolidated financial statements. Our audited consolidated financial statements and unaudited interim condensed consolidated financial statements are prepared in accordance with U.S. GAAP.

	Year Ended December 31,					Three Months
	2009	2010	2011	2012	2013	Ended March 31,
						2014
Ratio of earnings to fixed charges	76.8	94.7	77.6	59.1	23.0	20.3

The ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges. The term earnings means the sum of (a) pre-tax income from continuing operations before adjustment for income or loss from equity investees and (b) fixed charges, less the interest capitalized and the accretion of the carrying value of the redeemable equity

interests of the consolidated subsidiaries. The term "fixed charges" means the sum of the following: (a) interest charges, (b) amortized discounts related to indebtedness, (c) an estimate of the interest within rental expense, and (d) the accretion of the carrying value of redeemable equity interests attributable to the subsidiaries' unaffiliated holders of those equity interests.

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**Corporate Information**

We were incorporated in the Cayman Islands in January 2000. We conduct our operations in China principally through our wholly owned subsidiaries in China. We also conduct part of our operations in China through our consolidated affiliated entities in China, which hold the licenses and permits necessary to operate our websites and provide certain services. Our American depositary shares, ten of which represent one Class A ordinary share, par value US\$0.00005 per share, of our company, currently trade on The NASDAQ Global Select Market under the symbol BIDU.

Our principal executive offices are located at Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, the People's Republic of China. Our telephone number at this address is +86 (10) 5992-8888. We have appointed CT Corporation System, which is located at 111 Eighth Avenue, 13th Floor, New York, NY 10011, as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

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rank at least equal in right of payment with all of our existing and future unsecured unsubordinated obligations (subject to any priority rights pursuant to applicable law);

be effectively subordinated to all of our existing and future secured obligations, to the extent of the value of the assets serving as security therefor; and

be structurally subordinated to all existing and future obligations and other liabilities of our subsidiaries and consolidated affiliated entities.

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Covenants	<p>We will issue the Notes under an indenture with The Bank of New York Mellon, as trustee. The indenture will, among other things, limit our ability to incur liens and consolidate, merge or sell all or substantially all of our assets.</p> <p>These covenants will be subject to a number of important exceptions and qualifications and the Notes and the indenture do not otherwise restrict or limit our ability to incur additional indebtedness or enter into transactions with, or to pay dividends or make other payments to, affiliates. For more details, see Description of the Notes.</p>
Payment of Additional Amounts	<p>All payments of principal, premium and interest made by us in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Description of Debt Securities in the accompanying prospectus) imposed or levied by or within the British Virgin Islands, the Cayman Islands, the PRC or any jurisdiction where we are otherwise considered by a taxing authority to be a resident for tax purposes (in each case, including any political subdivision or any authority therein or thereof having power to tax), unless such withholding or deduction of such Taxes is required by law. If we are required to make such withholding or deduction, we will pay such additional amounts as will result in receipt by each holder of any Note of such amounts as would have been received by such holder had no such withholding or deduction of such Taxes been required, subject to certain exceptions. See Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus.</p>
Tax Redemption	<p>The Notes may be redeemed at any time, at our option, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the redemption date in the event we become obligated to pay additional amounts in respect of such Notes as a result of certain changes in tax law. See Description of Debt Securities Tax Redemption in the accompanying prospectus.</p>
Use of Proceeds	<p>We intend to use the net proceeds from this offering for general corporate purposes. See Use of Proceeds.</p>
Denominations	<p>The Notes will be issued in minimum denominations of US\$200,000 and multiples of US\$1,000 in excess thereof.</p>
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We will issue the Notes in the form of one or more fully registered global Notes registered in the name of the nominee of The Depository Trust Company, or DTC. Investors may elect to hold the interests in the global notes through any of DTC, Clearstream or Euroclear, as described under the heading Description of the Notes Book-Entry; Delivery and Form.

### Further Issuances

We may, from time to time, without the consent of the holders of the Notes, create and issue further securities having the same terms and

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conditions as the Notes in all respects (or in all respects except for the issue date, the issue price and the first payment of interest). Additional Notes issued in this manner will be consolidated with the previously outstanding Notes of the relevant series to constitute a single series of Notes. We will not issue any additional Notes with the same CUSIP, ISIN or other identifying number as the Notes of that series issued hereunder unless the additional Notes are fungible with the Notes for U.S. federal income tax purposes.

**Risk Factors**

You should consider carefully all the information set forth or incorporated by reference in this prospectus supplement and the accompanying prospectus, in particular the risk factors set forth under the heading **Risk Factors** beginning on page S-11 of this prospectus supplement and the risk factors set forth in our 2013 Form 20-F, which is incorporated by reference in the accompanying prospectus, before investing in any of the Notes offered hereby.

**Listing**

Application has been made for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, our company will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the global notes are exchanged for Notes in definitive form. In addition, in the event that the global notes are exchanged for Notes in definitive form, an announcement of such exchange will be made by or on behalf of our company through the SGX-ST. Such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore.

**Governing Law**

New York.

**Trustee, Registrar and Paying Agent**

The Bank of New York Mellon.

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**RISK FACTORS**

*Prospective purchasers of the Notes should carefully consider the risks described below in this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference before deciding to purchase any Notes. If any of these risks actually occurs, our business, financial condition and results of operations could suffer, and you may lose all or part of your investment.*

**Risks Related to the Notes**

***The Notes will be structurally subordinated to all obligations of our existing and future subsidiaries and consolidated affiliated entities.***

The Notes will not be guaranteed by any of our existing or future subsidiaries and consolidated affiliated entities, who together hold substantially all of our operating assets and conduct substantially all of our business. Our subsidiaries and consolidated affiliated entities will have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The Notes will be structurally subordinated to all indebtedness and other obligations of our subsidiaries and consolidated affiliated entities such that in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any of our subsidiaries or consolidated affiliated entities, all of that subsidiary's or consolidated affiliated entity's creditors (including trade creditors) and any holders of preferred stock or shares would be entitled to payment in full out of that subsidiary's or consolidated affiliated entity's assets before any remaining assets would be available to Baidu, Inc. to make payments due on the Notes.

In addition, the indenture governing the Notes will, subject to some limitations, permit these subsidiaries and consolidated affiliated entities to incur additional obligations and will not contain any limitation on the amount of indebtedness or other liabilities, such as trade payables, that may be incurred by these subsidiaries and consolidated affiliated entities.

***The indenture does not restrict the amount of additional debt that we may incur.***

The Notes and the indenture under which the Notes will be issued do not limit the amount of unsecured debt that may be incurred by us or our subsidiaries or consolidated affiliated entities, and they permit us and certain of our subsidiaries and consolidated affiliated entities to incur secured debt without equally and rateably securing the Notes under specified circumstances. As of March 31, 2014, our total debt was US\$2.9 billion, primarily consisting of US\$0.4 billion in long-term loans and US\$1.5 billion of our 2.250% Notes due 2017 and our 3.500% Notes due 2022 and US\$1.0 billion of our 3.250% Notes due 2018. Our and our subsidiaries' and consolidated affiliated entities' incurrence of additional debt may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes, a loss in the market value of your Notes and a risk that the credit rating of the Notes is lowered or withdrawn.

***The Notes will be effectively subordinated to any of our secured obligations to the extent of the value of the property securing those obligations.***

The Notes will not be secured by any of our assets. As a result, the Notes will be effectively subordinated to our existing and future secured obligations with respect to the assets that secure those obligations. The effect of this subordination is that upon a default in payment on, or the acceleration of, any of our secured obligations, or in the event of our bankruptcy, insolvency, liquidation, dissolution or reorganization, the proceeds from the sale of assets securing our secured obligations will be available to pay obligations on the Notes only after all such secured

obligations have been paid in full. As a result, the holders of the Notes may receive less, ratably, than the holders of secured debt in the event of our bankruptcy, insolvency, liquidation, dissolution or reorganization.

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**Table of Contents*****We may not be able to repurchase the Notes upon a Triggering Event.***

Upon the occurrence of a Triggering Event described in Description of the Notes Repurchase Upon Triggering Event, we will be required to offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. The source of funds for any purchase of the Notes would be our available cash or cash generated from our subsidiaries or consolidated affiliated entities operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the Notes upon a Triggering Event because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a Triggering Event and repay our other indebtedness that may become due. We may require additional financing from third parties to fund any such purchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the Notes may be limited by law.

***Holders of the Notes may not be able to determine when a Triggering Event giving rise to their right to have the Notes repurchased has occurred.***

The definition of Triggering Event in the indenture that will govern the Notes includes a phrase relating to operating substantially all or deriving substantially all of the economic benefits from, the business operations conducted by the Group. There is no precise established definition of the phrase substantially all under New York law. Accordingly, the ability of a holder of the Notes to require us to repurchase its Notes as a result of a Triggering Event may be uncertain.

***The terms of the indenture and the Notes provide only limited protection against significant corporate events that could adversely impact your investment in the Notes.***

While the indenture and the Notes contain terms intended to provide protection to holders of the Notes upon the occurrence of certain events involving significant corporate transactions, these terms are limited and may not be sufficient to protect your investment in the Notes. For example, we are not required to offer to repurchase all outstanding Notes upon the occurrence of a change of control event (which event would trigger such a repurchase obligation under our 2.250% Notes due 2017 and 3.500% Notes due 2022 in an aggregate principal amount of US\$1.5 billion and our 3.250% Notes due 2018 in the principal amount of US\$1.0 billion we previously issued). In addition, certain important corporate events, such as merger or consolidation, sale of all or substantially all of the assets, liquidation or dissolution and leveraged recapitalizations, would not, under the indenture that will govern the Notes, constitute a Triggering Event that would require us to repurchase the Notes, even though those corporate events could adversely affect our capital structure, credit ratings or the value of the Notes. See Description of the Notes Repurchase Upon Triggering Event.

The indenture for the Notes also does not:

require us to maintain any financial ratios or specific levels of net worth, revenue, income, cash flows or liquidity;

limit our ability to incur obligations that are equal in right of payment to the Notes;

restrict our subsidiaries or consolidated affiliated entities ability to issue unsecured securities or otherwise incur unsecured obligations that would be senior to our equity interests in our subsidiaries or consolidated



affiliated entities and therefore rank effectively senior to the Notes;

limit the ability of our subsidiaries or consolidated affiliated entities to service indebtedness;

restrict our ability to repurchase or prepay any other of our securities or other obligations;

restrict our ability to make investments or to repurchase or pay dividends or make other payments in respect of our shares or other securities ranking junior to the Notes; or

limit our ability to sell, merge or consolidate any of our subsidiaries or consolidated affiliated entities.

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As a result of the foregoing, when evaluating the terms of the Notes, you should be aware that the terms of the indenture and the Notes do not restrict our ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the Notes.

***An active trading market for the Notes may not develop, and the trading price of the Notes could be materially and adversely affected.***

The Notes are a new issue of securities for which there is currently no trading market. Application has been made for the listing and quotation of the Notes on the SGX-ST. However, there can be no assurance that we will be able to obtain or maintain such listing or that an active trading market will develop. If no active trading market develops, you may not be able to resell your Notes at their fair market value, or at all. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. We have been advised that the underwriters intend to make a market in the Notes, but the underwriters are not obligated to do so and may discontinue such market making activity at any time without notice. Therefore there can be no assurance that an active trading market for the Notes will develop or be sustained. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. In addition, the Notes may trade at prices that are higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including:

prevailing interest rates and interest rate volatility;

our results of operations, financial condition and future prospects;

changes in our industry and competition;

the market conditions for similar securities; and

general economic conditions,  
almost all of which are beyond our control. As a result, there can be no assurance that you will be able to resell the Notes at attractive prices or at all.

***We may be deemed a PRC resident enterprise under PRC tax laws, which could subject interest on the Notes to PRC withholding tax and gains on the transfer of the Notes to PRC income tax and could, under certain circumstances, permit us to redeem the Notes.***

If we are considered a PRC resident enterprise under the PRC Enterprise Income Tax Law, holders of Notes who are non-resident enterprises may be subject to PRC withholding tax on interest payable by us and PRC income tax on any gains realized from the transfer of Notes, if such income is considered to be derived from sources within the PRC, at a rate of 10% (or lower rate if available under an applicable tax treaty), provided that such non-resident enterprise investor (i) has no establishment or premises in the PRC, or (ii) has an establishment or premises in the PRC but its income derived from the PRC has no real connection with such establishment or premises. Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider interest we pay with respect to the

Notes and any gains realized from the transfer of Notes to be income derived from sources within the PRC, such interest earned by non-resident individuals may be subject to PRC withholding tax and such gain realized by non-resident individuals may be subject to PRC individual income tax, in each case at a rate of 20% (or lower rate if available under an applicable tax treaty).

If we were deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and required to withhold tax on interest on the Notes, we would be required to pay additional amounts as described under Description of Debt Securities Payment of Additional Amounts in the accompanying prospectus. As described under Description of Debt Securities Tax Redemption in the accompanying prospectus, we may

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redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest if such requirement to pay additional amounts results from a change in law (or a change in the official application or interpretation of law).

***Redemption may adversely affect your return on the Notes.***

We have the right to redeem some or all of the Notes prior to maturity. We may redeem the Notes at times when prevailing interest rates are relatively low. Accordingly, you may not be able to reinvest the amount received upon redemption in a comparable security at an effective interest rate as high as that of the Notes.

***Our credit ratings may not reflect all risks of your investments in the Notes.***

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Agency ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

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**CERTAIN FINANCIAL DATA**

Set forth below are certain consolidated statements of comprehensive income data and cash flow data for the years ended December 31, 2009, 2010, 2011, 2012 and 2013 and certain consolidated balance sheet data as of December 31, 2009, 2010, 2011, 2012 and 2013. The consolidated statements of comprehensive income data and cash flow data presented below for the years ended December 31, 2011, 2012 and 2013 and the consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements that are included in our 2013 Form 20-F and are incorporated into the accompanying prospectus by reference. The consolidated statements of comprehensive income data and cash flow data presented below for the years ended December 31, 2009 and 2010 and the consolidated balance sheet data as of December 31, 2009, 2010 and 2011 have been derived from our audited consolidated financial statements that are not included in our 2013 Form 20-F. Our audited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and have been audited by Ernst & Young Hua Ming LLP, an independent registered public accounting firm.

The consolidated statements of comprehensive income data and cash flow data presented below for the three months ended March 31, 2013 and 2014 and the consolidated balance sheet data as of March 31, 2014 have been derived from our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013 and 2014 and as of March 31, 2014 included in this prospectus supplement. The unaudited interim financial information has been prepared on the same basis as our audited consolidated financial data and includes all adjustments, consisting only of normal and recurring adjustments that we consider necessary for a fair presentation of our financial position and results of operations for the periods presented.

The consolidated financial information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements for the three years ended December 31, 2013 and as of December 31, 2012 and 2013 and related notes and Item 5. Operating and Financial Review and Prospects in our 2013 Form 20-F and our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2013 and 2014 and as of March 31, 2014 and related notes included in this prospectus supplement. Our historical results do not necessarily indicate results expected for any future periods, and the results of operations for the three-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2014.

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	For the Years Ended December 31,					For the Three Months Ended March 31,			
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB	2014 RMB	2014 US\$
(In thousands)									
<b>Condensed Consolidated Comprehensive Income Data:</b>									
Revenues:									
Operating revenues	4,445,310	7,912,869	14,489,767	22,245,643	31,802,219	5,253,352	5,952,898	9,378,318	1,500,000
Services	2,466	2,205	11,019	60,383	141,705	23,408	15,640	118,234	1,000,000
Other revenues	4,447,776	7,915,074	14,500,786	22,306,026	31,943,924	5,276,760	5,968,538	9,496,552	1,500,000
Operating costs and expenses:									
Cost of revenues	(1,616,236)	(2,149,288)	(3,896,883)	(6,448,545)	(11,471,839)	(1,895,013)	(2,099,264)	(3,837,340)	(610,000)
General and administrative	(803,988)	(1,088,980)	(1,692,810)	(2,501,336)	(5,173,533)	(854,607)	(848,102)	(2,008,890)	(320,000)
Research and development	(422,615)	(718,038)	(1,334,434)	(2,304,825)	(4,106,832)	(678,400)	(810,682)	(1,276,650)	(200,000)
Operating expenses	(2,842,839)	(3,956,306)	(6,924,127)	(11,254,706)	(20,752,204)	(3,428,020)	(3,758,048)	(7,122,880)	(1,140,000)
Operating profit	1,604,937	3,958,768	7,576,659	11,051,320	11,191,720	1,848,740	2,210,490	2,373,672	380,000
Income tax expense	44,818	103,096	418,201	866,465	1,308,542	216,156	273,987	419,495	60,000
Income from equity investments	(12,157)	(35,975)	(82,551)	(107,857)	(447,084)	(73,853)	(89,246)	(121,784)	(10,000)
Income, net of income tax, including foreign exchange gains and losses	(229)	(8,965)	(179,408)	(294,229)	(5,806)	(959)	(5,453)	(5,603)	(0)
Income before income taxes	45,752	44,239	76,278	449,738	137,644	22,737	6,007	174,828	20,000
Income tax expense	1,683,121	4,061,163	7,809,179	11,965,437	12,185,016	2,012,821	2,395,785	2,840,608	450,000
Income from operations	(198,017)	(535,995)	(1,188,861)	(1,574,159)	(1,828,930)	(302,118)	(388,861)	(430,296)	(60,000)
Income from other operations	1,485,104	3,525,168	6,620,318	10,391,278	10,356,086	1,710,703	2,006,924	2,410,312	380,000

et loss able to controlling s			(18,319)	(64,750)	(162,880)	(26,906)	35,908	124,880	2
ome able to Inc.	1,485,104	3,525,168	6,638,637	10,456,028	10,518,966	1,737,609	2,042,832	2,535,192	40

	2009	2010	As of December 31,		2013		As of March 31,	
	RMB	RMB	2011	2012	RMB	US\$	RMB	US\$
			RMB	RMB				

(In thousands)

**Consolidated  
Balance  
Sheets Data:**

Cash and cash equivalents	4,180,376	7,781,976	4,127,482	11,880,632	9,691,797	1,600,971	8,793,353	1,414,541
Restricted cash	19,513	38,278	483,387	395,029	259,533	42,872	263,757	42,429
Short-term investments	381,149	376,492	10,051,578	20,604,223	28,734,761	4,746,644	30,885,438	4,968,380
Total assets	6,156,975	11,048,439	23,340,541	45,668,890	70,985,788	11,726,016	73,377,197	11,803,810
Short-term loans			125,878					
Long-term loans, current portion			46,000	2,170,978	343,625	56,763	352,451	56,697
Long-term loans		86,000	2,277,925	356,589	2,112,359	348,937	2,167,690	348,705
Capital lease obligations, current			17,773	32,502	44,907	7,418	45,408	7,305
Capital lease obligations, non-current			30,112	44,479	40,999	6,773	32,382	5,209
Notes payable				9,336,686	15,116,990	2,497,149	15,506,065	2,494,380
Total liabilities	1,403,874	2,642,847	7,015,028	18,453,765	30,320,538	5,008,596	31,309,810	5,036,648
Total Baidu, Inc. shareholders equity	4,753,101	8,405,592	15,291,716	26,055,229	38,424,915	6,347,343	40,240,853	6,473,337

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	For the Years Ended December 31,					For the Three Months Ended March 31,			
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB	2014 RMB	2014 US\$
<b>(In thousands)</b>									
<b>Consolidated</b>									
<b>Operating Cash Flow</b>									
Cash generated from operating activities	2,264,484	4,700,481	8,178,819	11,995,994	13,792,971	2,278,438	2,185,543	3,612,458	581,700
Cash used in investing activities	(536,069)	(1,217,522)	(14,250,529)	(13,750,100)	(23,322,819)	(3,852,657)	(5,496,473)	(3,771,583)	(606,700)
Cash generated from financing activities (used in financing activities)	95,093	124,751	2,425,810	9,518,885	7,541,561	1,245,777	179,059	(736,989)	(118,500)
Change in cash and cash equivalents	1,822,767	3,601,600	(3,654,494)	7,753,150	(2,188,835)	(361,570)	(3,153,370)	(898,444)	(144,500)
<b>Adjusted EBITDA</b>									
Adjusted EBITDA <sup>(1)</sup>	2,008,266	4,500,935	8,613,599	12,697,605	13,818,547	2,282,663	2,781,059	3,219,411	517,500

- (1) To supplement our consolidated financial results presented in accordance with U.S. GAAP, we use adjusted EBITDA, a non-GAAP financial measure, in evaluating our performance and liquidity. We define adjusted EBITDA as earnings before interest, taxes, depreciation, amortization, other non-operating income and share-based compensation expenses. The presentation of this non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. In addition, our adjusted EBITDA may not be comparable to EBITDA, adjusted EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate this non-GAAP financial measure in the same manner as we do.

We believe that adjusted EBITDA provides meaningful supplemental information regarding our performance and liquidity by excluding certain expenses, particularly share-based compensation expenses, that may not be indicative of our operating performance or financial condition from a cash perspective. We believe that both our management and investors benefit from referring to this non-GAAP financial measure in assessing our performance and when planning and forecasting future periods. This non-GAAP financial measure also facilitates our management's internal comparisons to our historical performance and liquidity. We have computed adjusted EBITDA using the same consistent method from quarter to quarter since April 1, 2006. We believe that this non-GAAP financial measure is useful to investors in allowing for greater transparency with respect to supplemental information used by our management in its financial and operational decision making. A limitation of using adjusted EBITDA is that this



non-GAAP measure excludes interest, taxes, depreciation, amortization and share-based compensation charges that have been and will continue to be for the foreseeable future significant expense items in our results of operations. Another limitation of using adjusted EBITDA is that it does not include all items that impact our net cash provided by operating activities for the period. Our management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from adjusted EBITDA.

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The accompanying table sets out our adjusted EBITDA for each period shown, together with a reconciliation between adjusted EBITDA and the most directly comparable U.S. GAAP financial measure, net cash provided by operating activities. The U.S. dollar figures for 2013 are calculated using the same convenience translation rate of RMB6.0537 to US\$1.00 that is used in our audited consolidated financial statements as of and for the year ended December 31, 2013.

	For the Years Ended December 31,					For the Three Months Ended March 31,			
	2009 RMB	2010 RMB	2011 RMB	2012 RMB	2013 RMB	2013 US\$	2013 RMB	2014 RMB	2014 US\$
	(In thousands)								
Net cash provided by operating activities	2,264,484	4,700,481	8,178,819	11,995,994	13,792,971	2,278,438	2,185,543	3,612,458	581,117
Changes in assets and liabilities, net of effects of acquisitions	(376,051)	(633,146)	(521,561)	41,569	(810,058)	(133,812)	391,950	(356,407)	(57,333)
Income tax expenses	198,017	535,995	1,188,861	1,574,159	1,828,930	302,118	388,861	430,296	69,219
Interest income and other, net	(78,184)	(102,395)	(232,520)	(914,117)	(993,296)	(164,081)	(185,295)	(466,936)	(75,114)
Adjusted EBITDA (non-GAAP)	2,008,266	4,500,935	8,613,599	12,697,605	13,818,547	2,282,663	2,781,059	3,219,411	517,889

Set forth below is a discussion of our unaudited statements of comprehensive income data for the three months ended March 31, 2013 and 2014. The discussion of our audited financial information for the three years ended December 31, 2013 and as of December 31, 2012 and 2013 is set forth in Item 5. Operating and Financial Review and Prospectus in our 2013 Form 20-F, which is incorporated by reference.

**Three months ended March 31, 2014 Compared to Three months ended March 31, 2013**

**Revenues.** Our total revenues increased by 59.1% from RMB6.0 billion in the three months ended March 31, 2013 to RMB9.5 billion (US\$1.5 billion) in the three months ended March 31, 2014. This increase was due to a substantial increase in our revenues from online marketing services. Our online marketing revenues increased by 57.5% from RMB6.0 billion in the three months ended March 31, 2013 to RMB9.4 billion (US\$1.5 billion) in the three months ended March 31, 2014. This increase was mainly attributable to the increase in the number of our online marketing customers from approximately 410,000 in the three months ended March 31, 2013 to approximately 446,000 in the three months ended March 31, 2014, and the increase in the average revenue per customer from approximately RMB15 thousand in the three months ended March 31, 2013 to approximately RMB21 thousand (US\$3 thousand) in the three months ended March 31, 2014. The increase in our online marketing customers was mainly due to our

effective distribution network and our expanded direct sales. The increase in the average revenue per customer was primarily attributable to the increase in the number of paid clicks and the higher price per click as more customers participated in our P4P auction platform. Consistent with previously reported numbers, the number of active online marketing customers and average revenue per customer exclude those for our group-buying related businesses. The number of paid clicks increased by approximately 53.0% from the three months ended March 31, 2013 to the three months ended March 31, 2014.

*Operating Costs and Expenses.* Our total operating costs and expenses increased by 89.5% from RMB3.8 billion in the three months ended March 31, 2013 to RMB7.1 billion (US\$1.1 billion) in the three months ended March 31, 2014. This increase was primarily due to the expansion of our business, and in particular the expansion of our mobile platform.

*Cost of Revenues.* Our cost of revenues increased by 82.8% from RMB2.1 billion in the three months ended March 31, 2013 to RMB3.8 billion (US\$617.3 million) in the three months ended March 31, 2014. This increase was primarily due to the following factors:

*Traffic Acquisition Costs.* Our traffic acquisition costs increased by 93.9% from RMB609.6 million in the three months ended March 31, 2013 to RMB1.2 billion (US\$190.1 million) in the

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three months ended March 31, 2014. Traffic acquisition costs represent 12.4% of total revenues in the three months ended March 31, 2014, compared to 10.2% in the three months ended March 31, 2013. The increase in our traffic acquisition costs mainly reflected the increased contribution of contextual ads and Hao123 promotions through our network.

*Bandwidth Costs and Depreciation Expenses.* Our bandwidth costs increased by 59.6% from RMB404.9 million in the three months ended March 31, 2013 to RMB646.1 million (US\$103.9 million) in the three months ended March 31, 2014. Our depreciation expenses of servers and other equipment increased by 29.2% from RMB333.1 million in the three months ended March 31, 2013 to RMB430.5 million (US\$69.3 million) in the three months ended March 31, 2014. The absolute increases in these costs were mainly due to our investment in increasing our network infrastructure capacity.

*Sales Tax and Surcharges.* Our sales tax and surcharges increased by 61.6% from RMB432.8 million in the three months ended March 31, 2013 to RMB699.4 million (US\$112.5 million) in the three months ended March 31, 2014, in line with the increase in revenues.

*Operational Costs.* Our operational costs increased by 119.3% from RMB218.7 million in the three months ended March 31, 2013 to RMB479.5 million (US\$77.1 million) in the three months ended March 31, 2014, primarily due to the increase of amortization of acquired intangible assets, mainly relating to acquisitions of 91 Wireless Websoft Limited and Nuomi Holdings Inc., and staff-related costs.

*Content Costs.* Our content costs increased by 310.9% from RMB95.8 million in the three months ended March 31, 2013 to RMB393.6 million (US\$63.3 million) in the three months ended March 31, 2014, primarily due to the increase in video content cost of iQiyi, one of our subsidiaries.

*Selling, General and Administrative Expenses.* Our selling, general and administrative expenses increased by 136.9% from RMB848.1 million in the three months ended March 31, 2013 to RMB2.0 billion (US\$323.2 million) in the three months ended March 31, 2014. This increase was primarily due to the following factors:

Total salaries and benefits and staff-related expenses increased by 101.0% from RMB 364.0 million in the three months ended March 31, 2013 to RMB731.5 million (US\$117.7 million) in the three months ended March 31, 2014, primarily due to the increased headcount to support our expanded online marketing services.

Marketing and promotion expenses increased by 231.0% from RMB272.3 million in the three months ended March 31, 2013 to RMB901.1 million (US\$145.0 million) in the three months ended March 31, 2014. This increase was primarily due to increased marketing and promotion activities relating to our mobile products.

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Total office operating expenses increased by 80.5% from RMB55.8 million in the three months ended March 31, 2013 to RMB100.8 million (US\$16.2 million) in the three months ended March 31, 2014, primarily as a result of increase and expansion of our offices.

Total traveling, communication and business development expenses increased by 56.7% from RMB28.3 million in the three months ended March 31, 2013 to RMB44.4 million (US\$7.1 million) in the three months ended March 31, 2014, primarily due to the increased headcount and activities to support our expanded online marketing services.

Share-based compensation expenses allocated to selling, general and administrative expenses increased by 160.5% from RMB29.5 million in the three months ended March 31, 2013 to RMB76.9 million (US\$12.4 million) in the three months ended March 31, 2014.

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*Research and Development Expenses.* Our research and development expenses increased by 57.5% from RMB810.7 million in the three months ended March 31, 2013 to RMB1.3 billion (US\$205.4 million) in the three months ended March 31, 2014, primarily due to an increase in the number of research and development staff.

*Operating Profit.* As a result of the foregoing, we generated an operating profit of RMB2.4 billion (US\$381.8 million) in the three months ended March 31, 2014, a 7.4% increase from RMB2.2 billion in the three months ended March 31, 2013.

*Other Income, Net, Including Exchange Gains or Losses.* Our other income, net, including exchange gains or losses was RMB174.8 million (US\$28.1 million) in the three months ended March 31, 2014, compared to RMB6.0 million in the three months ended March 31, 2013.

*Loss From Equity Method Investments.* Our loss from equity method investments increased slightly from RMB5.5 million in the three months ended March 31, 2013 to RMB5.6 million (US\$0.9 million) in the three months ended March 31, 2014.

*Taxation.* Our income tax expenses increased by 10.7% from RMB388.9 million in the three months ended March 31, 2013 to RMB430.3 million (US\$69.2 million) in the three months ended March 31, 2014, primarily due to the increase in profit before tax in the three months ended March 31, 2014.

*Net Income Attributable to Baidu, Inc.* As a result of the foregoing, net income attributable to Baidu, Inc. increased by 24.1% from RMB2.0 billion in the three months ended March 31, 2013 to RMB2.5 billion (US\$407.8 million) in the three months ended March 31, 2014.

**Cash Flows and Working Capital**

As of March 31, 2014, we had RMB39.7 billion (US\$6.4 billion) in cash, cash equivalents and short-term investments.

The following table sets forth a summary of our cash flows for the periods indicated.

	<b>For the Three Months Ended March 31,</b>		
	<b>2013</b>	<b>2014</b>	
	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<b>(In thousands)</b>		
Net cash generated from operating activities	2,185,543	3,612,458	581,117
Net cash used in investing activities	(5,496,473)	(3,771,583)	(606,715)
Net cash generated from (used in) financing activities	179,059	(736,989)	(118,555)
Net decrease in cash and cash equivalents	(3,153,370)	(898,444)	(144,528)
Cash and cash equivalents at beginning of the period	11,880,632	9,691,797	1,559,069
Cash and cash equivalents at end of the period	8,727,262	8,793,353	1,414,541

Net cash generated from operating activities was RMB3.6 billion (US\$581.1 million) in the three months ended March 31, 2014, representing an increase of 65.3% from RMB2.2 billion in the three months ended March 31, 2013. This increase was primarily due to the increase in net income, increased depreciation and amortization expenses, and increase in accounts payable and accrued liabilities.

Net cash used in investing activities decreased to RMB3.8 billion (US\$606.7 million) in the three months ended March 31, 2014 from RMB5.5 billion in the three months ended March 31, 2013. This decrease was primarily due to the sales and maturities of short-term investments.

Net cash used in financing activities was RMB737.0 million (US\$118.6 million) in the three months ended March 31, 2014, mainly attributable to our settlement with a non-controlling shareholder for acquiring the

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remaining minority equity interest of Nuomi Holdings Inc. in February 2014. We had net cash generated from financing activities of RMB179.1 million in the three months ended March 31, 2013, mainly attributable to the proceeds received from issuance of shares by Quar Cayman Islands Limited.

**Capital Expenditures**

We made capital expenditures, consisting of acquisitions of fixed assets, of RMB1.0 billion (US\$167.8 million) in the three months ended March 31, 2014, representing 11.0% of our total revenues, as compared to RMB468.2 million in the three months ended March 31, 2013, representing 7.8% of our total revenues. Our capital expenditures in this period were primarily due to the purchase of servers, network equipment and other computer hardware to increase our network infrastructure capacity. We funded our capital expenditures primarily with net cash flow generated from operating activities.

Our capital expenditures may increase in the future as our business continues to grow, in connection with the expansion and improvement of our network infrastructure and further expenditures on the construction of office buildings and cloud computing based data centers. We currently plan to fund these expenditures with cash flow generated from our operating activities.



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**USE OF PROCEEDS**

We estimate that the net proceeds (after underwriting discounts and commissions and estimated net offering expenses) from the sale of the Notes will be approximately US\$ . We plan to use the net proceeds from the sale of the Notes for general corporate purposes.

We may use the net proceeds from our issuance and sale of the Notes to fund the operations of our PRC subsidiaries by making additional capital contributions to our existing PRC subsidiaries, injecting capital to establish new PRC subsidiaries or providing loans to our PRC subsidiaries. Transfer of funds from Baidu, Inc. or any of our offshore subsidiaries to our PRC subsidiaries is subject to PRC regulatory restrictions and procedures: (i) capital contributions to existing PRC subsidiaries and establishment of new PRC subsidiaries must be approved by the PRC Ministry of Commerce or its local counterpart and registered with SAFE or its local counterpart; and (ii) loans to any of our PRC subsidiaries must not exceed the statutory limit, which is the difference between the amount of total investment as approved by the PRC Ministry of Commerce or its local counterpart for that PRC subsidiary and the amount of registered capital of that PRC subsidiary, and must be registered with the local counterpart of SAFE. See Item 3.D. Key Information Risk Factors Risks Related to Doing Business in China PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries, which could adversely affect our ability to fund and expand our business in our 2013 Form 20-F, which is incorporated by reference.

**Table of Contents****EXCHANGE RATE INFORMATION**

Our business is primarily conducted in China and almost all of our revenues are denominated in RMB. The conversion of RMB into U.S. dollars in this prospectus supplement is based on the noon buying rate in New York City for cable transfers in RMB as certified for customs purposes by the Federal Reserve Board. Except as otherwise stated in this prospectus supplement, all amounts in this prospectus supplement that are not recorded in our audited consolidated financial statements have been translated from RMB to U.S. dollars and from U.S. dollars to RMB at a rate of RMB6.2164 to US\$1.00, the noon buying rate in effect as of March 31, 2014. All amounts in this prospectus supplement that are recorded in our audited consolidated financial statements have been translated from RMB to U.S. dollars and from U.S. dollars to RMB at a rate of RMB6.0537 to US\$1.00, the noon buying rate in effect as of December 31, 2013. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade. On May 30, 2014, the noon buying rate was RMB6.2471 to US\$1.00.

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated.

<b>Period</b>	<b>Period-End</b>	<b>Noon Buying Rate</b>		<b>High</b>
		<b>Average<sup>(1)</sup></b>	<b>Low</b>	
		<b>(RMB per U.S. Dollar)</b>		
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
December	6.0537	6.0738	6.0927	6.0537
2014				
First Three Months	6.2164	6.1401	6.2273	6.0402
January	6.0590	6.0509	6.0600	6.0402
February	6.1448	6.0816	6.1448	6.0591
March	6.2164	6.1729	6.2273	6.1183
April	6.2591	6.2246	6.2591	6.1966
May	6.2471	6.2380	6.2591	6.2255

Source: Federal Reserve Statistical Release

- (1) Annual and interim period averages are calculated using the average of the exchange rates on the last day of each month during the relevant year or interim period. Monthly averages are calculated using the average of the daily rates during the relevant month.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated total capitalization as of March 31, 2014 on an actual basis and on an as adjusted basis to give effect to the issuance of Notes in this offering. This table should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and the notes thereto included in this prospectus supplement.

	As of March 31, 2014			
	Actual RMB	US\$	As Adjusted RMB	US\$
	(in thousands)			
Short-term loans <sup>(1)</sup>				
Long-term loans <sup>(2)</sup>	2,520,141	405,402		
Long-term notes payable <sup>(3)</sup>	15,506,065	2,494,380		
Notes offered hereby				
<b>Total debt</b>	<b>18,026,206</b>	<b>2,899,782</b>		
Total shareholders' equity <sup>(4)</sup>	42,067,387	6,767,162		
<b>Total capitalization<sup>(5)</sup></b>	<b>60,093,593</b>	<b>9,666,944</b>		

- (1) Represents loans provided by banks with original maturities of less than one year.
- (2) Represents loans provided by banks with original maturities of greater than one year, including current and non-current portions.
- (3) Represents our 2.250% Notes due 2017, 3.500% Notes due 2022 and 3.250% Notes due 2018.
- (4) Total shareholders' equity includes shareholders' equity pertaining to our shareholders plus shareholders' equity pertaining to the non-controlling interests in our subsidiaries.
- (5) Total capitalization is the sum of total debt and total shareholders' equity. After the completion of this offering, we may incur additional debt in the regular course of our business which may materially affect our total indebtedness as provided in this table.

As of March 31, 2014, on a consolidated basis, all of our debt outstanding was unsecured. In addition, at March 31, 2014, we did not have any off-balance sheet guarantees.

**Table of Contents****DESCRIPTION OF THE NOTES**

*The following description is only a summary of the material terms of the Notes and does not purport to be complete. The Notes will be issued under and governed by the indenture dated as of November 28, 2012, as supplemented by the third supplemental indenture to be dated as of \_\_\_\_\_, 2014 (as so supplemented, the indenture), between us and The Bank of New York Mellon, as trustee (the trustee). The following description of certain material terms of the Notes is subject to, and is qualified in its entirety by reference to, the indenture, including definitions of specified terms used in the indenture, and to the Trust Indenture Act of 1939, as amended. We urge you to read the indenture because it, and not this description, defines your rights as a beneficial holder of the Notes. A form of the indenture has been filed as an exhibit to the registration statement of which this prospectus supplement and the accompanying prospectus form a part. You may also request copies of the indenture from us at our address set forth under *Where You Can Find More Information* in the accompanying prospectus. This summary supplements the description of the debt securities in the accompanying prospectus and, to the extent it is inconsistent, replaces the description in the accompanying prospectus.*

*In this description, references to the Company, we, us or our mean Baidu, Inc. only and do not include any of our Subsidiaries or Consolidated Affiliated Entities, unless the context otherwise requires.*

**General**

The Notes will constitute a series of securities under the indenture. The Notes will initially be issued in an aggregate principal amount of US\$ \_\_\_\_\_ and will mature on \_\_\_\_\_, 20\_\_\_\_ unless the Notes are redeemed prior to their maturity pursuant to the indenture and the terms thereof. The Notes will bear interest at the rate of \_\_\_\_\_ % per annum. Interest on the Notes will accrue from \_\_\_\_\_, 2014 and will be payable semi-annually in arrears on \_\_\_\_\_ and \_\_\_\_\_ of each year, beginning on \_\_\_\_\_, 2014, to the persons in whose names the Notes are registered at the close of business on the preceding \_\_\_\_\_ and \_\_\_\_\_, respectively, which we refer to as the record dates. At maturity, the Notes are payable at their principal amount plus accrued and unpaid interest thereon. In any case where the payment of principal of, premium (if any) or interest on the Notes is due on a date that is not a Business Day (as defined under the heading *Optional Redemption* below), then payment of principal of, premium (if any) or interest on the Notes, as the case may be, shall be made on the next succeeding Business Day and no interest shall accrue with respect to such payment for the period from and after such date that is not a Business Day to such next succeeding Business Day. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Notes shall be denominated in minimum principal amounts of US\$200,000 and in integral multiples of US\$1,000 in excess thereof. The Notes will be issued in global registered form.

**Ranking**

The Notes will be our senior unsecured obligations issued under the indenture. The Notes will rank senior in right of payment to all of our existing and future obligations expressly subordinated in right of payment to the Notes and rank at least equal in right of payment with all of our existing and future unsecured and unsubordinated obligations (subject to any priority rights pursuant to applicable law). However, the Notes will be effectively subordinated to all of our existing and future secured obligations, to the extent of the value of the assets serving as security therefor, and be structurally subordinated to all existing and future obligations and other liabilities of our Controlled Entities.

**Issuance of Additional Notes**

We may, from time to time, without the consent of the holders of the Notes, create and issue additional Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue

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date, the issue price and the first payment of interest). Additional Notes issued in this manner will be consolidated with the previously outstanding Notes to constitute a single series of Notes. We will not issue any additional Notes with the same CUSIP, ISIN or other identifying number as the Notes offered hereby unless the additional Notes are fungible with the outstanding Notes for U.S. federal income tax purposes.

**Optional Redemption**

We may, at any time upon giving not less than 30 nor more than 60 days' notice to holders of the Notes (which notice shall be irrevocable), redeem the Notes, in whole or in part, at a redemption amount equal to the greater of:

100% of the principal amount of the Notes to be redeemed; and

the make whole amount, which means the amount determined on the fifth Business Day before the redemption date equal to the sum of (i) the present value of the principal amount of the Notes to be redeemed, assuming a scheduled repayment thereof on the stated maturity date, plus (ii) the present value of the remaining scheduled payments of interest to and including the stated maturity date, in each case discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months and, in the case of an incomplete month, the actual number of days elapsed) at the Treasury Yield plus 20 basis points,

plus, in each case, accrued and unpaid interest, if any, to, but not including, the redemption date; provided that the principal amount of a Note remaining outstanding after redemption in part shall be US\$200,000 or an integral multiple of US\$1,000 in excess thereof.

**Business Day** means a day other than a Saturday, Sunday or a day on which banking institutions or trust companies in The City of New York, Hong Kong or Beijing are authorized or obligated by law, regulation or executive order to remain closed.

**Comparable Treasury Issue** means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes to be redeemed.

**Comparable Treasury Price** means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if we obtain fewer than three such Reference Treasury Dealer Quotations, the average of all quotations obtained.

**Independent Investment Banker** means one of the Reference Treasury Dealers appointed by us.

**Reference Treasury Dealer** means each of any three investment banks of recognized standing that is a primary U.S. government securities dealer in the United States, selected by us in good faith.

**Reference Treasury Dealer Quotation** means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the fifth Business Day before such redemption date.

Treasury Yield means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the fifth Business Day before such redemption date) of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

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The notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the Notes to be redeemed at its registered address. The notice of redemption for the Notes will state, among other things, the amount of Notes to be redeemed, the redemption date, the manner in which the redemption price will be calculated and the place or places that payment will be made upon presentation and surrender of Notes to be redeemed. Unless we default in the payment of the redemption price, interest will cease to accrue on any Notes that have been called for redemption at the redemption date. If less than all of the Notes are to be redeemed, the trustee will select the Notes to be redeemed either pro rata, by lot or in such other manner as the trustee deems appropriate, subject to the procedures of DTC.

**Repurchase Upon Triggering Event**

If a Triggering Event occurs, unless we have exercised our right to redeem the Notes as described under the heading "Description of Debt Securities Tax Redemption" in the accompanying prospectus or under the heading "Optional Redemption" above, we will be required to make an offer to repurchase all or, at the holder's option, any part (equal to US\$200,000 or multiples of US\$1,000 in excess thereof), of each holder's Notes pursuant to the offer described below (the "Triggering Event Offer") on the terms set forth in the indenture and the Notes. In the Triggering Event Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest, if any, on the Notes repurchased to, but not including, the date of purchase (the "Triggering Event Payment").

Within 30 days following a Triggering Event, we will be required to mail a notice to holders of the Notes, with a copy to the trustee, describing the transaction or transactions that constitute the Triggering Event and offering to repurchase the Notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Triggering Event Payment Date"), pursuant to the procedures required by the Notes and described in such notice.

On the Triggering Event Payment Date, we will be required, to the extent lawful, to:

accept for payment all Notes or portions of Notes properly tendered pursuant to the Triggering Event Offer;

deposit with the paying agent one Business Day prior to the Triggering Event Payment Date an amount equal to the Triggering Event Payment in respect of all Notes or portions of Notes properly tendered; and

deliver or cause to be delivered to the trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by us.

The paying agent will be required to promptly mail, to each holder who properly tendered Notes, the purchase price for such Notes properly tendered, and the trustee will be required to promptly authenticate and mail (or cause to be transferred by book-entry) to each such holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each new Note will be in a principal amount of US\$200,000 or a multiple of US\$1,000 in excess thereof.

We will not be required to make a Triggering Event Offer upon a Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and such third party purchases all Notes properly tendered and not withdrawn under its offer. In the event that such third party



terminates or defaults its offer, we will be required to make a Triggering Event Offer treating the date of such termination or default as though it were the date of the Triggering Event.

We will comply with the requirements of Rule 14e-1 under the Exchange Act, to the extent applicable, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Triggering Event. To the extent that the provision of

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any such securities laws or regulations conflicts with the Triggering Event Offer provisions of the Notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Triggering Event Offer provisions of the Notes by virtue of any such conflict.

There can be no assurance that we will have sufficient funds available at the time of a Triggering Event to consummate a Triggering Event Offer for all Notes then outstanding (or all Notes properly tendered by the holders of such Notes) and pay the Triggering Event Payment. We may also be prohibited by terms of other indebtedness or agreements from repurchasing the Notes upon a Triggering Event, which would require us to repay the relevant indebtedness or terminate the relevant agreement before we can proceed with a Triggering Event Offer, and there can be no assurance that we will be able to effect such repayment or termination.

**Capital Stock** of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Shares and limited liability or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

**Consolidated Affiliated Entity** of any Person means any corporation, association or other entity which is or is required to be consolidated with such Person under Accounting Standards Codification subtopic 810-10, Consolidation: Overall (including any changes, amendments or supplements thereto) or, if such Person prepares its financial statements in accordance with accounting principles other than U.S. GAAP, the equivalent of Accounting Standards Codification subtopic 810-10, Consolidation: Overall under such accounting principles. Unless otherwise specified herein, each reference to a Consolidated Affiliated Entity will refer to a Consolidated Affiliated Entity of ours.

**Controlled Entity** of any Person means a Subsidiary or a Consolidated Affiliated Entity of such Person.

**Group** means the Company and our Controlled Entities.

**Person** means any individual, corporation, firm, limited liability company, partnership, joint venture, undertaking, association, joint stock company, trust, unincorporated organization, trust, state, government or any agency or political subdivision thereof or any other entity (in each case whether or not being a separate legal entity).

**Preferred Shares**, as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends upon liquidation, dissolution or winding up.

**Subsidiary** of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), voting at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Company.

**Triggering Event** means (A) any change in or amendment to the laws, regulations and rules of the PRC or the official interpretation or official application thereof ( **Change in Law** ) that results in (x) the Group (as in existence immediately subsequent to such Change in Law), as a whole, being legally prohibited from operating substantially all of the business operations conducted by the Group (as in existence immediately prior to such



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Change in Law) as of the last date of the period described in our consolidated financial statements for the most recent fiscal quarter and (y) we being unable to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law) in the same manner as reflected in our consolidated financial statements for the most recent fiscal quarter and (B) we have not furnished to the trustee, prior to the date that is twelve months after the date of the Change in Law, an opinion from an independent financial advisor or an independent legal counsel stating either (1) we are able to continue to derive substantially all of the economic benefits from the business operations conducted by the Group (as in existence immediately prior to such Change in Law), taken as a whole, as reflected in our consolidated financial statements for the most recent fiscal quarter (including after giving effect to any corporate restructuring or reorganization plan of ours) or (2) such Change in Law would not materially adversely affect our ability to make principal and interest payments on the Notes when due.

The definition of Triggering Event includes a phrase relating to operating substantially all or deriving substantially all of the economic benefits from, the business operations conducted by the Group. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the applicability of the requirement that we offer to repurchase the Notes as a result of a Triggering Event may be uncertain.

**Payment of Additional Amounts**

All payments of principal, premium and interest made by us in respect of the debt securities of each series will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ( Taxes ) imposed or levied by or within the British Virgin Islands, the Cayman Islands, the PRC or any jurisdiction where we are otherwise considered by a taxing authority to be a resident for tax purposes (in each case, including any political subdivision or any authority therein or thereof having power to tax) (the Relevant Jurisdiction ), unless such withholding or deduction of such Taxes is required by law. If we are required to make such withholding or deduction, we will pay such additional amounts ( Additional Amounts ) as will result in receipt by each holder of any debt securities of such amounts as would have been received by such holder had no such withholding or deduction of such Taxes been required, except that no such Additional Amounts shall be payable:

- (i) in respect of any such Taxes that would not have been imposed, deducted or withheld but for the existence of any connection (whether present or former) between the holder or beneficial owner of a debt security and the Relevant Jurisdiction other than merely holding such debt security or receiving principal, premium (if any) or interest in respect thereof (including such holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein);
- (ii) in respect of any debt security presented for payment (where presentation is required) more than 30 days after the relevant date, except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such 30-day period. For this purpose, the relevant date in relation to any debt security means the later of (a) the due date for such payment or (b) the date such payment was made or duly provided for;

- (iii) in respect of any Taxes that would not have been imposed, deducted or withheld but for a failure of the holder or beneficial owner of a debt security to comply with a timely request by us addressed to the holder or beneficial owner to provide information concerning such holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such holder;

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- (iv) in respect of any Taxes imposed as a result of a debt security being presented for payment (where presentation is required) in the Relevant Jurisdiction, unless such debt security could not have been presented for payment elsewhere;
- (v) in respect of any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;
- (vi) to any holder of a debt security that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the holder thereof;
- (vii) in respect of any such Taxes withheld or deducted from any payment under or with respect to any debt security where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing, amending or supplementing such Directive or any law implementing or complying with, or introduced in order to conform to, any such Directives;
- (viii) with respect to any withholding or deduction that is imposed in connection with Sections 1471-1474 of the U.S. Internal Revenue Code and U.S. Treasury regulations thereunder ( FATCA ), any intergovernmental agreement between the United States and any other jurisdiction implementing or relating to FATCA or any non-U.S. law, regulation or guidance enacted or issued with respect thereto;
- (ix) any such Taxes payable otherwise than by deduction or withholding from payments under or with respect to any debt security; or
- (x) any combination of Taxes referred to in the preceding items (i) through (ix) above.

In the event that any withholding or deduction for or on account of any Taxes is required and Additional Amounts are payable with respect thereto, at least 10 days prior to each date of payment of principal of, premium (if any) or interest on the debt securities of any series, we will furnish to the trustee and the paying agent, if other than the trustee, an officers' certificate specifying the amount required to be withheld or deducted on such payments to such holders, certifying that we shall pay such amounts required to be withheld to the appropriate governmental authority and certifying to the fact that the Additional Amounts will be payable and the amounts so payable to each holder, and that we will pay to the trustee or such paying agent the Additional Amounts required to be paid; provided that no such officers' certificate will be required prior to any date of payment of principal of, premium (if any) or interest on such debt securities if there has been no change with respect to the matters set forth in a prior officers' certificate. The trustee and each paying agent may rely on the fact that any officers' certificate contemplated by this paragraph has not been furnished as evidence of the fact that no withholding or deduction for or on account of any Taxes is required. We covenant to indemnify the trustee and any paying agent for and to hold them harmless against any loss, liability or expense reasonably incurred without fraudulent activity, gross negligence or willful misconduct on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any such officers' certificate furnished pursuant to this paragraph or on the fact that any officers' certificate contemplated by this paragraph has not been furnished.

Whenever there is mentioned, in any context, the payment of principal, premium or interest in respect of any debt security, such mention shall be deemed to include the payment of Additional Amounts provided for in the indenture, to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the indenture.

The foregoing provisions shall apply in the same manner with respect to the jurisdiction in which any successor Person to us is organized or resident for tax purposes or any authority therein or thereof having the power to tax (a Successor Jurisdiction ), substituting such Successor Jurisdiction for the Relevant Jurisdiction.

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Our obligation to make payments of Additional Amounts under the terms and conditions described above will survive any termination, defeasance or discharge of the indenture.

## **Modification and Waiver**

The provisions of the indenture relating to modification and waiver, which are described under the heading Description of Debt Securities Modification and Waiver in the accompanying prospectus, will apply to the Notes, with the additional provisions that:

- (i) we and the trustee may not, without the consent of each holder of the Notes affected thereby, reduce the amount of the premium payable upon the redemption or repurchase of the Notes or change the time at which the Notes may be redeemed or repurchased as described above under Optional Redemption or Repurchase Upon Triggering Event whether through an amendment or waiver of provisions in the covenants, definitions or otherwise (except through amendments to the definition of Triggering Event ); and
- (ii) we and the trustee may, without the consent of any holder of the Notes, amend the indenture and the Notes to conform the text of the indenture or the Notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the indenture or the Notes as evidenced by an officers certificate.

## **Limitation on Liens**

So long as any Note remains outstanding, we will not create or have outstanding, and we will ensure that none of our Principal Controlled Entities will create or have outstanding, any Lien upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) securing any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness either of us or of any of our Principal Controlled Entities, without (i) at the same time or prior thereto securing the Notes equally and ratably therewith or (ii) providing such other security for the Notes as shall be approved by an act of the holders of the Notes holding at least a majority of the principal amount of the Notes then outstanding.

The foregoing restriction will not apply to:

- (i) any Lien arising or already arisen automatically by operation of law which is timely discharged or disputed in good faith by appropriate proceedings;
- (ii) any Lien in respect of the obligations of any Person which becomes a Principal Controlled Entity or which merges with or into us or a Principal Controlled Entity after the date of the indenture which is in existence at the date on which it becomes a Principal Controlled Entity or merges with or into us or a Principal Controlled Entity; provided that any such Lien was not incurred in anticipation of such acquisition or of such Person becoming a Principal Controlled Entity or being merged with or into us or a Principal Controlled Entity;



- (iii) any Lien created or outstanding in favor of us;
  
- (iv) any Lien in respect of Relevant Indebtedness of us or any Principal Controlled Entity with respect to which we or such Principal Controlled Entity has paid money or deposited money or securities with a fiscal agent, trustee or depository to pay or discharge in full the obligations of us or such Principal Controlled Entity in respect thereof (other than the obligation that such money or securities so paid or deposited, and the proceeds therefrom, be sufficient to pay or discharge such obligations in full); or
  
- (v) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by the foregoing clause (ii); provided that such Relevant Indebtedness is not increased beyond the principal amount thereof (together with the costs of such refinancing, extension, renewal or refunding) and is not secured by any additional property or assets.

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Lien means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

Principal Controlled Entities at any time shall mean one of our Controlled Entities

- (i) as to which one or more of the following conditions is/are satisfied:
  - (a) its total revenue or (in the case of one of our Controlled Entities which has one or more Controlled Entities) consolidated total revenue attributable to us is at least 5% of our consolidated total revenue;
  - (b) its net profit or (in the case of one of our Controlled Entities which has one or more Controlled Entities) consolidated net profit attributable to us (in each case before taxation and exceptional items) is at least 5% of our consolidated net profit (before taxation and exceptional items); or
  - (c) its net assets or (in the case of one of our Controlled Entities which has one or more Controlled Entities) consolidated net assets attributable to us (in each case after deducting minority interests in Subsidiaries) are at least 10% of our consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of our Controlled Entity and our then latest audited consolidated financial statements;

provided that, in relation to paragraphs (a), (b) and (c) above:

- (1) in the case of a corporation or other business entity becoming a Controlled Entity after the end of the financial period to which our latest consolidated audited accounts relate, the reference to our then latest consolidated audited accounts and our Controlled Entities for the purposes of the calculation above shall, until our consolidated audited accounts for the financial period in which the relevant corporation or other business entity becomes a Controlled Entity are issued, be deemed to be a reference to the then latest consolidated audited accounts of us and our Controlled Entities adjusted to consolidate the latest audited accounts (consolidated in the case of a Controlled Entity which itself has Controlled Entities) of such Controlled Entity in such accounts;
- (2) if at any relevant time in relation to us or any Controlled Entity which itself has Controlled Entities, no consolidated accounts are prepared and audited, total revenue, net profit or net assets of us and/or any such Controlled Entity shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of us;
- (3) if at any relevant time in relation to any Controlled Entity, no accounts are audited, its net assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Controlled Entity prepared for this purpose by or on behalf of us; and

- (4) if the accounts of any Controlled Entity (not being a Controlled Entity referred to in proviso (1) above) are not consolidated with our accounts, then the determination of whether or not such Controlled Entity is a Principal Controlled Entity shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with our consolidated accounts (determined on the basis of the foregoing); or
  
- (ii) to which is transferred all or substantially all of the assets of a Controlled Entity which immediately prior to the transfer was a Principal Controlled Entity; provided that, with effect from such transfer, the Controlled Entity which so transfers its assets and undertakings shall cease to be a Principal Controlled Entity (but without prejudice to paragraph (i) above) and the Controlled Entity to which the assets are so transferred shall become a Principal Controlled Entity.

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An officers' certificate delivered to the trustee certifying in good faith as to whether or not a Controlled Entity is a Principal Controlled Entity shall be conclusive in the absence of manifest error.

Relevant Indebtedness means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are commonly, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market.

## **Legal Defeasance and Covenant Defeasance**

The provisions of the indenture relating to legal defeasance and covenant defeasance, which are described under the heading "Description of Debt Securities - Legal Defeasance and Covenant Defeasance" in the accompanying prospectus, will apply to the Notes, and in addition, we may also exercise Covenant Defeasance with respect to our obligations under the indenture and the Notes that are described under the headings "Repurchase Upon Triggering Event" and "Limitation on Liens" above.

## **No Sinking Fund**

The Notes will not be subject to, nor entitled to the benefit of, any sinking fund.

## **Book-Entry; Delivery and Form**

The Notes will be represented by one or more global notes that will be deposited with and registered in the name of DTC or its nominee for the accounts of its participants, including Euroclear Bank S.A./N.V. ("Euroclear") as operator of the Euroclear System, and Clearstream Banking, S.A. ("Clearstream"). We will not issue certificated Notes, except in the limited circumstances described below. Transfers of ownership interests in the global notes will be effected only through entries made on the books of DTC participants acting on behalf of beneficial owners. You will not receive written confirmation from DTC of your purchase. The direct or indirect participants through whom you purchased the Notes should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The direct and indirect participants are responsible for keeping accurate account of the holdings of their customers like you. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in the global notes.

You, as the beneficial owner of Notes, will not receive certificates representing ownership interests in the global notes, except in the following limited circumstances: (1) DTC notifies us that it is unwilling or unable to continue as depository or if DTC ceases to be eligible under the indenture and we do not appoint a successor depository within 90 days; (2) we determine that the Notes will no longer be represented by global notes and execute and deliver to the trustee an officers' certificate to such effect; or (3) an event of default with respect to the Notes will have occurred and be continuing. These certificated Notes will be registered in such name or names as DTC will instruct the trustee. It is expected that such instructions may be based upon directions received by DTC from participants with respect to ownership of beneficial interests in global notes.

So long as DTC or its nominee is the registered owner and holder of the global notes, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global notes for all purposes under the indenture relating to the Notes. Except as provided above, you, as the beneficial owner of interests in the global notes, will not be entitled to have Notes registered in your name, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owner or holder thereof under the indenture. Accordingly, you, as the beneficial owner, must rely on the procedures of DTC and, if you are not a DTC

participant, on the procedures of the DTC participants through which you own your interest, to exercise any rights of a holder under the indenture.

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Neither we, the trustee, nor any other agent of ours or agent of the trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in global notes or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests. DTC's practice is to credit the accounts of DTC's direct participants with payment in amounts proportionate to their respective holdings in principal amount of beneficial interest in a security as shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on the payment date. The underwriters will initially designate the accounts to be credited. Beneficial owners may experience delays in receiving distributions on their Notes because distributions will initially be made to DTC and they must be transferred through the chain of intermediaries to the beneficial owner's account. Payments by DTC participants to you will be the responsibility of the DTC participant and not of DTC, the trustee or us. Accordingly, we and any paying agent will have no responsibility or liability for: any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in the Notes represented by a global securities certificate; any other aspect of the relationship between DTC and its participants or the relationship between those participants and the owners of beneficial interests in a global securities certificate held through those participants; or the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We have been informed that, under DTC's existing practices, if we request any action of holders of senior notes, or an owner of a beneficial interest in a global security such as you desires to take any action which a holder of the Notes is entitled to take under the indenture, DTC would authorize the direct participants holding the relevant beneficial interests to take such action, and those direct participants and any indirect participants would authorize beneficial owners owning through those direct and indirect participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Clearstream and Euroclear have provided us with the following information:

***Clearstream***

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic securities markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (Commission de Surveillance du Secteur Financier). Clearstream participants include underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Clearstream's U.S. participants are limited to securities brokers and dealers and banks. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depository for Clearstream.

***Euroclear***

Euroclear was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against

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payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear performs various other services, including securities lending and borrowing and interacts with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A/N.V. under contract with Euroclear plc, a U.K. corporation. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not Euroclear plc. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is a Belgian bank. As such it is regulated by the Belgian Banking and Finance Commission.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the Terms and Conditions ). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the U.S. depository for Euroclear.

Euroclear has further advised us that investors who acquire, hold and transfer interests in the Notes by book-entry through accounts with the Euroclear operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the global securities certificates.

***Global Clearance and Settlement Procedures***

Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same Day Funds Settlement System. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depository; however, such cross market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering or receiving Notes through DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may



not deliver instructions directly to their respective U.S. depositaries.

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Because of time zone differences, credits of the Notes received through Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Euroclear participants or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of the Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. Neither we nor the paying agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations.

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**TAXATION**

*Prospective investors should consult their professional advisers regarding the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.*

**Cayman Islands Taxation**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands law, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

**PRC Taxation**

The following is a summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes to non-resident enterprises and non-resident individuals. It is based upon applicable laws, rules and regulations in effect as of the date of this prospectus supplement, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

If we are considered a PRC resident enterprise under the PRC Enterprise Income Tax Law, holders of Notes who are non-resident enterprises may be subject to PRC withholding tax on interest payable by us and PRC enterprise income tax on any gains realized from the transfer of Notes, if such income is considered to be derived from sources within the PRC, at a rate of 10% (or lower rate if available under an applicable tax treaty), provided that such non-resident enterprise investor (i) has no establishment or premises in the PRC, or (ii) has an establishment or premises in the PRC but its income derived from the PRC has no real connection with such establishment or premises. Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider interest we pay with respect to the Notes and any gains realized from the transfer of Notes to be income derived from sources within the PRC, such interest earned by non-resident individuals may be subject to PRC withholding tax and such gain realized by non-resident individuals may be subject to PRC individual income tax, in each case at a rate of 20% (or lower rate if available under an applicable tax treaty).

If we are not deemed a PRC resident enterprise, non-resident enterprise and non-resident individual holders of Notes will not be subject to PRC income tax on any payments of interest on, or gains from the transfer of, Notes.

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**U.S. Federal Income Tax Considerations**

This sub-section titled "U.S. Federal Income Tax Considerations" discusses U.S. federal income tax consequences of the ownership of the Notes as of the date of this prospectus supplement. This summary applies to you only if:

You are, for U.S. federal income tax purposes, a beneficial owner of a Note and an individual U.S. citizen or resident, a U.S. corporation, or otherwise subject to U.S. federal income tax on a net income basis in respect of the Notes; and

You purchase the Notes in their original issuance at the "issue price", which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money, and you hold such Notes as capital assets for U.S. federal income tax purposes.

This sub-section does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor. In particular, the discussion does not address all of the tax consequences that may be applicable to investors that are subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, dealers in securities or currencies, persons that elect mark-to-market treatment, persons that hold the Notes as a position in a straddle, conversion transaction, synthetic security, or other integrated financial transaction for U.S. federal tax purposes, persons subject to the alternative minimum tax and persons whose functional currency is not the U.S. dollar. Moreover, this discussion does not address any non-United States, state or local tax considerations or any aspect of the Medicare tax on net investment income.

**THIS DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, TO BE TAX OR LEGAL ADVICE TO ANY PARTICULAR INVESTOR IN OR HOLDER OF THE NOTES. PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION OR ANY APPLICABLE TAX TREATIES, AND THE POSSIBLE EFFECT OF CHANGES IN APPLICABLE TAX LAW.**

The discussion below regarding U.S. federal income tax consequences is based upon the Internal Revenue Code of 1986, as amended, final and proposed Treasury regulations promulgated thereunder and any relevant administrative rulings or pronouncements or judicial decisions, all as of the date hereof and as currently interpreted, and does not take into account possible changes in such tax laws or interpretations thereof, which may apply retroactively.

If a partnership holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Notes, you are urged to consult your tax advisor.

***Interest Payments***

Payments of stated interest on the Notes will be includible in your gross income as ordinary interest income at the time you receive or accrue such amounts (in accordance with your regular method of tax accounting). In addition, if the Notes' issue price is less than their stated principal amount by more than a statutorily defined de minimis threshold, the Notes will be treated as issued with original issue discount, or OID, for U.S. federal income tax purposes which

will equal the excess of the Notes' stated principal amount over their issue price. It is not expected that the Notes will be issued with OID. If, however, the Notes were issued with OID, you generally will be required to include the OID in gross income as ordinary interest income in advance of the receipt of cash attributable to that income and regardless of your regular method of tax accounting. Such OID will be included in gross income for each day during each taxable year in which the Notes are held using a constant yield-to-maturity method that reflects the compounding of interest.

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Interest on the Notes constitutes foreign source income for U.S. federal income tax purposes. For foreign tax credit limitation purposes, interest on the Notes generally will constitute passive income.

As described in PRC Taxation, if we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, payments of interest in respect of the Notes may be subject to PRC withholding taxes. For U.S. federal income tax purposes, the amount of interest includible in taxable income would include any amounts withheld in respect of PRC taxes. Subject to applicable limitations, PRC taxes, if any, withheld from payments in respect of the Notes not in excess of any applicable U.S.-PRC income tax treaty rate (assuming you are eligible for such treaty) would be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you are urged to consult your tax advisor regarding the creditability of foreign taxes in your particular circumstances. Instead of claiming a credit, you may, at your election, deduct such PRC taxes, if any, in computing taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits is applicable to all foreign taxes paid or accrued in the taxable year.

Additional Amounts paid pursuant to the obligations described under Description of the Notes Payment of Additional Amounts would be treated as ordinary interest income.

***Sale, Exchange, Redemption and Other Disposition of the Notes***

Upon the sale, exchange, redemption or other disposition of the Notes, you will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, redemption or other disposition (other than accrued but unpaid interest which will be treated as ordinary interest income) and your adjusted tax basis in such Notes. Your adjusted tax basis in the Notes generally will equal the cost of such Notes, increased by OID, if any, previously included in income with respect to your Notes. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, redemption or other disposition you held the Notes for more than one year. The deductibility of capital losses is subject to certain limitations.

As described in PRC Taxation if we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, gains from the disposition of Notes may be subject to PRC income taxes. You are entitled to use foreign tax credits to offset only the portion of your U.S. tax liability considered to be attributable to foreign source income. Generally, gain or loss from the disposition of Notes will be U.S.-source for purposes of the foreign tax credit rules. However, if you are eligible for the benefits of the U.S.-PRC income tax treaty, such gain may be treated as arising from PRC sources under the U.S.-PRC income tax treaty. You are urged to consult your tax advisor as to your eligibility for benefits under the U.S.-PRC income tax treaty and the creditability of any PRC tax on disposition gains in your particular circumstances if you are so eligible.

***Foreign Financial Asset Reporting***

Owners of certain foreign financial assets, including debt of foreign entities, may be required to file an information report with respect to such assets with their tax returns if the aggregate value of all of these assets exceeds \$50,000 at the end of the taxable year or \$75,000 at any time during the taxable year (or, in some circumstances, a higher threshold). Although the Notes are not expected to constitute foreign financial assets subject to these requirements while held in an account at a financial institution the account through which the Notes are held may be reportable if maintained by a foreign financial institution. If you are a U.S. person acquiring our Notes, you are urged to consult your tax advisors regarding the application of this legislation.



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Subject to the terms and conditions contained in the underwriting agreement, dated as of the date of this prospectus supplement between us and the underwriters named below, for whom Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities LLC are acting as representatives, we have agreed to sell to each underwriter, and each underwriter has severally agreed to purchase from us, the principal amount of the Notes set forth opposite its name below:

<b>Underwriters</b>	<b>Principal Amount of the Notes</b>
Goldman Sachs (Asia) L.L.C.	
J.P. Morgan Securities LLC	
<b>Total</b>	<b>US\$</b>

The underwriters are offering the Notes subject to their acceptance of the Notes from us, and subject to prior sale. The underwriting agreement provides that the obligations of the underwriters to purchase the Notes are subject to approval of certain legal matters by counsel and to certain other conditions. The underwriters must purchase all the Notes if they purchase any of the Notes. The underwriters reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The underwriters initially propose to offer part of the Notes directly to the public at the offering prices described on the cover page of this prospectus supplement. After the initial offering of the Notes, the underwriters may from time to time vary the offering prices and other selling terms. The offering of the Notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

Certain of the underwriters are not broker-dealers registered with the SEC. Therefore, to the extent they intend to make any offers or sales of Notes in the United States, they will do so only through one or more registered broker-dealers in compliance with applicable securities laws and regulations, and FINRA rules. Goldman Sachs (Asia) L.L.C. will offer the Notes in the United States through its registered broker-dealer affiliate Goldman, Sachs & Co.

The following table shows the underwriting discounts that we will pay to the underwriters in connection with this offering:

<b>Per Note</b>	<b>Paid By Us</b>
	<b>%</b>
<b>Total</b>	<b>US\$</b>

Expenses associated with this offering to be paid by us, other than underwriting commissions and discounts, are estimated to be US\$ .

We have agreed that, for a period until 60 days after the date of closing (which is expected to be the third business day following the date of this prospectus supplement), we will not, without the prior written consent of the representatives, offer, sell, contract to sell or otherwise dispose of any securities issued or guaranteed by us that are substantially similar to the Notes. The underwriters in their sole discretion may consent to the offering and sale of such securities by us at any time without notice. We have also agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make



in respect of those liabilities.

The Notes will constitute a new class of securities with no established trading market. Application has been made for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that the prices at

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which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The underwriters have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

The underwriters (or their affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The address of J.P. Morgan Securities LLC is 383 Madison Avenue, New York, New York 10179, United States of America. The address of Goldman Sachs (Asia) L.L.C. is 68/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

**Sales Outside the United States**

***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State ( Relevant Implementation Date ), an offer of the Notes may not be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive or the 2010 PD Amending Directive if the Relevant Member State has implemented the relevant provision;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above paragraph, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

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### ***United Kingdom***

No invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ( FSMA )) received by the underwriters in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which section 21(1) of FSMA does not apply to the underwriters. All applicable provisions of FSMA must be complied with respect to anything done or to be done by the underwriters in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Hong Kong***

This prospectus supplement and the accompanying prospectus have not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this prospectus supplement may not be issued, circulated or distributed in Hong Kong. A copy of this prospectus supplement and the accompanying prospectus may, however, be issued to prospective applicants for the Notes in Hong Kong in a manner which does not constitute an offer of the Notes to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of this prospectus supplement and the accompanying prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Singapore***

Neither this prospectus supplement nor the accompanying prospectus has been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA ), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

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(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### ***The PRC***

This prospectus supplement and the accompanying prospectus may not be circulated or distributed in the PRC and the Notes may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC.

### ***Cayman Islands***

No Notes will be offered or sold to the public in the Cayman Islands.

### ***British Virgin Islands***

No invitation will be made directly or indirectly to any person resident in the BVI to subscribe for any of the Notes.

### **Other Relationships**

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advising, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory, commercial banking and investment banking services, for us and our affiliates in the ordinary course of business for which they received or will receive customary fees and expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with the underwriters and their affiliates, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In the ordinary course of their various business activities, the

underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their account and for the accounts of their customers, and such investment and securities activities may involve our securities and/or instruments, its direct or indirect subsidiaries and consolidated affiliated entities. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The underwriters or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

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**LEGAL MATTERS**

We are being represented by Skadden, Arps, Slate, Meagher & Flom LLP with respect to legal matters of United States federal securities and New York State law, by Maples and Calder with respect to legal matters of Cayman Islands law and by Han Kun Law Offices with respect to legal matters of PRC law. The underwriters are being represented by Davis Polk & Wardwell LLP with respect to legal matters of United States federal securities and New York State law and Jingtian & Gongcheng with respect to legal matters of PRC law. The validity of the debt securities will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP and for the underwriters by Davis Polk & Wardwell LLP. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Maples and Calder with respect to matters governed by Cayman Islands law and Han Kun Law Offices with respect to matters governed by PRC law, and Davis Polk & Wardwell LLP may rely upon Jingtian & Gongcheng with respect to matters governed by PRC law.

**EXPERTS**

The consolidated financial statements of Baidu, Inc. in Baidu, Inc.'s Annual Report on Form 20-F for the year ended December 31, 2013 and the effectiveness of Baidu, Inc.'s internal control over financial reporting as of December 31, 2013 have been audited by Ernst & Young Hua Ming LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated by reference in the accompanying prospectus. Such consolidated financial statements are incorporated by reference in the accompanying prospectus in reliance upon such reports given on the authority of such firm as experts in accounting and auditing. The offices of Ernst & Young Hua Ming LLP are located at Level 16, Ernst & Young Tower, Tower E3, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing 100738, People's Republic of China.



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BAIDU, INC.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ( RMB ), and in thousands of U.S. Dollars ( US\$ ), except for number of shares and per share data)

	As of December 31, 2013 RMB	As of March 31, 2014 RMB	As of March 31, 2014 US\$
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	9,691,797	8,793,353	1,414,541
Restricted cash	259,533	263,757	42,429
Short-term investments	28,734,761	30,885,438	4,968,380
Accounts receivable, net of allowance of RMB43,814 and RMB50,725 (US\$8,160) as of December 31, 2013 and March 31, 2014	2,220,846	2,356,721	379,113
Deferred tax assets, net	286,844	406,240	65,350
Amounts due from related parties	104	104	17
Other current assets	1,835,265	1,724,620	277,432
<b>Total current assets</b>	<b>43,029,150</b>	<b>44,430,233</b>	<b>7,147,262</b>
<b>Non-current assets:</b>			
Fixed assets, net	5,370,268	6,255,743	1,006,329
Intangible assets, net	3,630,315	3,625,502	583,216
Goodwill	16,864,350	17,146,417	2,758,255
Long-term investments, net	634,777	966,760	155,518
Deferred tax assets, net	97,940	96,436	15,513
Amounts due from related parties	370,916		
Other non-current assets	988,072	856,106	137,717
<b>Total non-current assets</b>	<b>27,956,638</b>	<b>28,946,964</b>	<b>4,656,548</b>
<b>TOTAL ASSETS</b>	<b>70,985,788</b>	<b>73,377,197</b>	<b>11,803,810</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b> (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB4,031,176 and RMB4,326,188 (US\$695,931) as of December 31, 2013 and March 31, 2014):			
Accounts payable and accrued liabilities	7,362,138	8,078,760	1,299,589
Customer advances and deposits	2,977,872	3,092,041	497,401
Deferred revenue	226,599	229,892	36,982

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Deferred income	77,287	91,593	14,734
Long-term loans, current portion	343,625	352,451	56,697
Amounts due to related parties	398	398	64
Capital lease obligation	44,907	45,408	7,305
<b>Total current liabilities</b>	<b>11,032,826</b>	<b>11,890,543</b>	<b>1,912,772</b>

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BAIDU, INC.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ( RMB ), and in thousands of U.S. Dollars ( US\$ ), except for number of shares and per share data)

	As of December 31, 2013 RMB	As of March 31, 2014 RMB	As of March 31, 2014 US\$
<b>Non-current liabilities</b> (including amounts of the consolidated VIEs without recourse to the primary beneficiaries of RMB975,793 and RMB1,063,648 (US\$171,104) as of December 31, 2013 and March 31, 2014):			
Deferred income	376,491	454,291	73,079
Long-term loans	2,112,359	2,167,690	348,705
Notes payable	15,116,990	15,506,065	2,494,380
Deferred tax liabilities	1,200,270	1,193,908	192,058
Amounts due to related parties	373,227		
Capital lease obligation	40,999	32,382	5,209
Other non-current liabilities	67,376	64,931	10,445
<b>Total non-current liabilities</b>	<b>19,287,712</b>	<b>19,419,267</b>	<b>3,123,876</b>
<b>Total liabilities</b>	<b>30,320,538</b>	<b>31,309,810</b>	<b>5,036,648</b>
<b>Commitments and contingencies</b>			
<b>Equity</b>			
Class A ordinary shares, par value US\$0.00005 per share, 825,000,000 shares authorized, and 27,492,452 shares and 27,522,821 shares issued and outstanding as of December 31, 2013 and March 31, 2014	12	12	2
Class B ordinary shares, par value US\$0.00005 per share, 35,400,000 shares authorized, and 7,537,921 shares and 7,517,921 shares issued and outstanding as of December 31, 2013 and March 31, 2014	3	3	
Additional paid-in capital	3,056,418	2,817,060	453,166
Retained earnings	34,525,386	37,060,578	5,961,743
Accumulated other comprehensive income	843,096	363,200	58,426
<b>Total Baidu, Inc. shareholders equity</b>	<b>38,424,915</b>	<b>40,240,853</b>	<b>6,473,337</b>
<b>Noncontrolling interests</b>	<b>2,240,335</b>	<b>1,826,534</b>	<b>293,825</b>
<b>Total equity</b>	<b>40,665,250</b>	<b>42,067,387</b>	<b>6,767,162</b>

<b>TOTAL LIABILITIES AND EQUITY</b>	<b>70,985,788</b>	<b>73,377,197</b>	<b>11,803,810</b>
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The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

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BAIDU, INC.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands of Renminbi ( RMB ), and in thousands of U.S. Dollars ( US\$ ), except for number of shares and per share (or ADS) data)

	For the three months ended		
	March 31, 2013 RMB	March 31, 2014 RMB	March 31, 2014 US\$
<b>Revenues:</b>			
Online marketing services	5,952,898	9,378,318	1,508,641
Other services	15,640	118,234	19,020
<b>Total revenues</b>	<b>5,968,538</b>	<b>9,496,552</b>	<b>1,527,661</b>
Operating costs and expenses:			
Cost of revenues	(2,099,264)	(3,837,340)	(617,293)
Selling, general and administrative	(848,102)	(2,008,890)	(323,160)
Research and development	(810,682)	(1,276,650)	(205,368)
<b>Total operating costs and expenses</b>	<b>(3,758,048)</b>	<b>(7,122,880)</b>	<b>(1,145,821)</b>
<b>Operating profit</b>	<b>2,210,490</b>	<b>2,373,672</b>	<b>381,840</b>
Other income:			
Interest income	273,987	419,495	67,482
Interest expense	(89,246)	(121,784)	(19,591)
Foreign exchange (loss) gain, net	(461)	97,302	15,652
Loss from equity method investments	(5,453)	(5,603)	(901)
Others, net	6,468	77,526	12,471
<b>Total other income</b>	<b>185,295</b>	<b>466,936</b>	<b>75,113</b>
<b>Income before income taxes</b>	<b>2,395,785</b>	<b>2,840,608</b>	<b>456,953</b>
Income taxes	(388,861)	(430,296)	(69,219)
<b>Net income</b>	<b>2,006,924</b>	<b>2,410,312</b>	<b>387,734</b>
Net loss attributable to noncontrolling interests	35,908	124,880	20,089
<b>Net income attributable to Baidu, Inc.</b>	<b>2,042,832</b>	<b>2,535,192</b>	<b>407,823</b>
Earnings per share for Class A and Class B ordinary shares:			

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Basic	58.86	72.36	11.64
Diluted	58.82	72.14	11.60
Earnings per ADS (1 Class A ordinary share equals 10 ADSs):			
Basic	5.89	7.24	1.16
Diluted	5.88	7.21	1.16
Weighted average number of Class A and Class B ordinary shares outstanding:			
Basic	34,968,420	35,035,287	35,035,287
Diluted	34,989,911	35,143,937	35,143,937
Other comprehensive income, net of tax			
Foreign currency translation adjustment	(2,729)	(435,461)	(70,050)
Unrealized gains (losses) on available-for-sale investments	99	(23,006)	(3,701)
<b>Other comprehensive income, net of tax</b>	<b>(2,630)</b>	<b>(458,467)</b>	<b>(73,751)</b>
<b>Comprehensive income</b>	<b>2,004,294</b>	<b>1,951,845</b>	<b>313,983</b>
Comprehensive loss attributable to noncontrolling interests	67,747	103,451	16,642
<b>Comprehensive income attributable to Baidu, Inc.</b>	<b>2,072,041</b>	<b>2,055,296</b>	<b>330,625</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

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BAIDU, INC.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi ( RMB ), and in thousands of U.S. Dollars ( US\$ ))

	<b>For the three months ended</b>		
	<b>March 31, 2013 RMB</b>	<b>March 31, 2014 RMB</b>	<b>March 31, 2014 US\$</b>
<b>Cash flows from operating activities:</b>			
Net income	2,006,924	2,410,312	387,734
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation of fixed assets and computer parts	391,288	489,923	78,811
Gain on disposal of fixed assets	(3,103)	(4,075)	(656)
Amortization of intangible assets	123,381	391,263	62,940
Deferred income tax, net	(46,204)	(137,938)	(22,189)
Share-based compensation	110,948	168,967	27,181
Provision for doubtful accounts	8,209	8,394	1,350
Investment income	(246,129)	(454,860)	(73,171)
Loss from equity method investments	5,453	5,603	901
Other noncash expenses	4,936	4,791	771
<b>Changes in assets and liabilities, net of effects of acquisition:</b>			
Restricted cash	144,626	(3,771)	(607)
Accounts receivable	(182,512)	(123,266)	(19,829)
Other assets	(62,473)	205,814	33,109
Amounts due from related parties		370,916	59,667
Customer advances and deposits	(117,405)	110,158	17,721
Accounts payable and accrued liabilities	(64,841)	448,055	72,076
Deferred revenue	(38,887)	3,293	530
Deferred income	151,332	92,106	14,817
Amounts due to related parties		(373,227)	(60,039)&n