Baidu, Inc.
Form 424B2
November 09, 2018
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Filed Pursuant to Rule 424(b)(2)

Registration No. 333-218972

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)
4.375% Notes due 2024	US$600,000,000	99.802%	US$598,812,000	US$72,576.01
4.875% Notes due 2028	US$400,000,000	99.546%	US$398,184,000	US$48,259.90

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933, as amended.

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Prospectus Supplement

(To Prospectus dated June 26, 2017)

US$1,000,000,000

Baidu, Inc.

US$600,000,000 4.375% Notes due 2024

US$400,000,000 4.875% Notes due 2028

We are offering US$600,000,000 of our 4.375% notes due 2024 (the 2024 Notes) and US$400,000,000 of our 4.875% notes due 2028 (the 2028 Notes, together with the 2024 Notes, the Notes). The 2024 Notes will mature on May 14, 2024 and the 2028 Notes will mature on November 14, 2028. Interest on the Notes will accrue from November 14, 2018 and be payable on May 14 and November 14 of each year, beginning on May 14, 2019.

We may at our option redeem the 2024 Notes at any time, prior to April 14, 2024 and the 2028 Notes at any time prior to August 14, 2028, each 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. In addition, we may also redeem the 2024 Notes from or after April 14, 2024 and the 2028 Notes, from or after August 14, 2028, each at a price equal to 100% of the principal amount of such Notes, 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-14 for a discussion of certain risks that should be considered in connection with an investment in the Notes.

Neither the Securities and Exchange Commission (the SEC) 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.

	Public Offering Price(1)	Underwriting Discounts	Proceeds to Baidu(1)
Per 2024 Note	**99.802%**	**0.275%**	**99.527%**
Total	**US$ 598,812,000**	**US$ 1,650,000**	**US$ 597,162,000**
Per 2028 Note	**99.546%**	**0.275%**	**99.271%**
Total	**US$ 398,184,000**	**US$ 1,100,000**	**US$ 397,084,000**

(1) Plus accrued interest, if any, from November 14, 2018.

Approval-in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the SGX-ST). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for 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 SA/NV (Euroclear) and Clearstream Banking S.A. (Clearstream), on or about November 14, 2018, which is the third business day following the date of this prospectus supplement. Purchasers of the Notes should note that trading of the Notes may be affected by this settlement date.

Joint Bookrunners

Goldman Sachs (Asia) L.L.C. **J.P. Morgan**

The date of this prospectus supplement is November 8, 2018.

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Prospectus Supplement

Prospectus

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.

Section 309B(1) Notification We have determined, and hereby notify all persons (including relevant persons (as defined in Section 309A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the SFA))) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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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. 333-218972) that we filed with the SEC on June 26, 2017, 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 advisors 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 or inspected and copied at the Public Reference Room 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 Room.

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 under Baidu, Inc., CIK number 0001329099.

Our annual report on Form 20-F for the fiscal year ended December 31, 2017 originally filed with the SEC on March 15, 2018 (File No. 000-51469), or our 2017 Form 20-F, and our current report on Form 6-K furnished to the SEC on November 7, 2018 (File No. 000-51469), including exhibit 99.1 thereto, are both incorporated by reference in 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 in 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

People s Republic of China

Telephone: +86 (10) 5992-8888

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ECONOMIC AREA CONSIDERATIONS

The Notes are not intended to be offered, sold, or otherwise made available to and should not be offered, sold, or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor in the EEA means MiFIa person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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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, bel 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, internet search, and online marketing and the implementation of a corporate structure involving variable interest entities in China.

The forward-looking statements included in this prospectus supplement, 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, 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 the documents incorporated by reference. See Incorporation of Certain Documents by Reference. Our 2017 Form 20-F, which contains our audited consolidated financial statements as of December 31, 2016 and 2017 and for each of the three years ended December 31, 2017, and our current report on Form 6-K furnished to the SEC on November 7, 2018, which contains our unaudited interim condensed consolidated financial statements as of September 30, 2018 and for the nine months ended September 30, 2017 and 2018, are both incorporated by reference.

Baidu, Inc.

Overview

We are the leading Chinese language internet search provider. Our mission is to make a complex world simpler through technology. We aim to achieve this mission through our two-pillar strategy: strengthening our mobile foundation and leading in artificial intelligence (AI).

Our business currently consists of two segments, Baidu Core and iQIYI. Baidu Core is primarily comprised of (i) keyword-based online marketing services that target and are triggered by internet users search queries, such as pay-for-performance (P4P) services, (ii) feed-based and programmatic online marketing services, and (iii) AI-enabled new business initiatives, such as DuerOS (voice assistant), Apollo (autonomous driving platform), and AI Cloud (AI-as-a-service, cloud, and other enterprise solutions). iQIYI is an innovative market-leading online entertainment service provider in China. iQIYI s platform features highly popular original content, as well as a comprehensive library of other professionally produced content, partner-generated content, and user-generated content.

Our website Baidu.com is the largest website in China and the fourth largest website globally, as measured by average daily visitors and page views during the three months preceding the date of this prospectus supplement, according to Alexa.com, an internet analytics firm. We are China s top search engine in terms of the number of search queries conducted, according to Analysys. In addition, our Baidu brand is one of the highest ranking brands in China in *BrandZ Top 100 Most Valuable Global Brands 2018*, a study published by Kantar Millward Brown, a brand strategy research company.

We conduct our operations primarily in China. Revenues generated from our operations in China accounted for approximately 98.9%, 97.8%, 97.8%, and 98.0% of our total revenues in 2015, 2016, 2017, and the nine months ended September 30, 2018, respectively.

We serve four types of online participants:

Users. We aspire to provide the best experience to our users. To enrich user experience, we provide a broad range of products and services accessible through personal computers (PCs), mobile devices, and other smart devices. We offer search and other services on the Baidu platform that enables users to be connected to relevant information online, including web pages, news, videos, images, documents, multimedia files, and services, through links provided on our website, apps, skills, and mini programs. We have invested in advanced technology such as AI and big data to enhance user experience and deepen user engagement through products such as Xiaodu series smart speakers and other AI-powered smart devices.

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Customers. We deliver online marketing services to a diverse customer base. We had approximately 775,000 and 734,000 active online marketing customers in 2017 and the nine months ended September 30, 2018, respectively. The online marketing customers consist of small and medium-sized enterprises (SMEs), large domestic businesses, and multinational companies. Our customer base is diversified in terms of industries and geographical locations. The defined industries in which our customers operate include retail and ecommerce, network service, medical and healthcare, franchise investment, financial services, education, online games, transportation, construction and decoration, and business services. Customers in our top five industries contributed approximately 50% of our total online marketing revenues for both 2017 and the nine months ended September 30, 2018. Although we have customers located throughout China, we have a more active and larger customer base in the coastal regions, reflecting the current general economic demographics in China.

Customers for iQIYI primarily consist of advertisers, who are counted as part of our online marketing customers, and membership subscribers of online video contents.

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. We have also engaged third-party agencies to identify and reach potential customers outside of China.

Since May 2016, we have proactively implemented higher customer verification standards to improve customer quality and enhance user experience. While the verification initiative had a short term impact on our business, we believe the higher standards contribute to a healthier and more sustainable business for the long term.

Baidu Union Members. Baidu Union consists of a large number of third-party web content, software, and mobile app 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 onto 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. We reward Baidu Union members through revenue-sharing arrangements. As a result of our continued effort to optimize the quality of Baidu Union members, revenues contributed by Baidu Union members increased in 2017 and continued to increase in the nine months ended September 30, 2018, along with the growth of revenues generated by our own properties.

Content Providers. Our content providers mainly consist of video copyright holders, app developers who offer their applications through our app store, users who contribute valuable, copyrighted content to our platform, publishers who share their content through Baijiahao (BJH) accounts, and brands and businesses that offer their various online contents on our platform. We provide content providers with a broad range of products on our platform to present their content, and they, in return, contribute rich content and resources to Baidu s content ecosystem. If we generate revenue from utilizing third-party content, we usually purchase these content or share revenue with the content providers based on contractual arrangements.

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

Technology. We focus on technology and innovation. To stay at the forefront of the internet industry and to achieve long-term growth and success, we invest heavily in research and development. We operate five research labs under the umbrella of Baidu Research, namely the Institute of Deep Learning, Silicon Valley AI Lab, Big Data Lab, Business Intelligence Lab, and Robotics and Autonomous Driving Lab. We established the Institute of Deep Learning in January 2013. We opened the Silicon Valley AI Lab in May 2014, enhancing our research and

development capabilities in Silicon Valley. In August 2014, we and the United Nations announced and started strategic cooperation and jointly established the Big Data Lab. In January 2018, we established the Business Intelligence Lab and the Robotics and Autonomous Driving Lab focusing on efficient data analysis and robotics.

We have developed a proprietary technological infrastructure that consists of technologies for web search, P4P, large-scale systems, AI, and autonomous driving. Our established infrastructure serves as the backbone for our PC, mobile, and AI platforms.

We have been investing in AI for a number of years. By 2017, we had integrated our core technologies, including natural language processing, knowledge graph, deep learning, speech, image, and big data, to establish our AI technology platform group (AIG). In the field of fundamental research, AIG has developed AI core technologies, such as natural language processing, knowledge graph, user profile, speech technology, vision technology, and deep learning technology. AIG has also developed technologies including robot vision, 3D vision, and edge computing. AIG powers our core business and has opened up its rich and comprehensive core AI capabilities and solutions to help developers and partners innovate apps and jointly build a technological ecosystem. AIG is also exploring ways to apply AI technologies and accelerate the commercialization of AI products.

DuerOS is an AI-powered voice assistant platform that enables smart devices to hear, understand, and fulfill users needs through conversational AI. DuerOS has attracted many developers and other partners to our ecosystem, building over 160 DuerOS-powered devices in various form factors, including smart speakers, smart displays, story-tellers for children, smartphones, and televisions. Through DuerOS-powered devices, users can download skills from the DuerOS skill store in genres such as education, cooking, games, smart home, and entertainment.

We believe autonomous driving is an important area for future growth. In 2017, we launched Apollo, our open source autonomous driving platform. Apollo has been designated by the Chinese government as the national autonomous driving platform. To date, Apollo has garnered over 130 business partners, including original equipment manufacturers (OEMs), Tier 1 parts suppliers, and other partners, to build our ecosystem to support autonomous driving. We have received the first batch of licenses to conduct open road test for autonomous vehicles in Beijing, Chongqing, and Fujian province in China. Our latest Apollo system enabled the commercial production of Level 4 minibuses (fully autonomous without steering wheels) and Level 4 microcars (fully autonomous goods delivery vehicles) in July 2018, and added valet parking capabilities to Level 3 (partial) autonomous driving.

We offer cloud services via AI Cloud, which integrates Baidu s AI capabilities and cloud computing, often with customers data to provide powerful, customized enterprise solutions. Our AI-as-a-service approach aims to help customers increase productivity and improve operational efficiency. We provide enterprise solutions with advanced AI capabilities to serve customers in the transportation, education, online media, financial services, and other industries.

People. We have a visionary and experienced management team. Under their leadership, we have developed a strong company culture that encourages innovation, continuous self-improvement, and strong commitment to providing the best experience to our users and customers. As a leading technology company, we believe it is imperative to value our employees and provide abundant opportunities for training, responsibility, and career advancement in our organization.

We have a robust business model:

Baidu Core. We generate revenue from Baidu Core mainly by providing keyword-based marketing services, which target and are triggered by internet users search queries, including primarily P4P services, other online marketing services, and AI-enabled new business initiatives. Our P4P online marketing services account for a majority of our revenues from Baidu Core. Our online marketing platform is an online marketplace that matches Baidu users to customers, who pay us a fee based on click-throughs for priority placement of their links in the search results, in-feed marketing or ad displays of their products. Revenues from online marketing services through Baidu Feed have grown rapidly since the inception of its monetization in early 2017. We also provide our customers with other performance-based and display-based online marketing services. We completed divestiture of our financial services business in August 2018. See Recent Developments.

iQIYI. iQIYI s platform features highly popular original content, as well as a comprehensive library of other professionally produced content, partner-generated content, and user-generated content. iQIYI derives a majority of its revenues from membership services and online advertising services. For membership services, iQIYI offers subscription packages that allow the members to have access to its premium content, certain commercial skipping and other viewing privileges, and higher community status in iQIYI Paopao social platform. iQIYI also generates a small portion of membership services revenue from on-demand content purchased by users. iQIYI s online advertising services are in the form of brand advertising and in-feed advertising. iQIYI completed an initial public offering (IPO) of American depositary shares, or ADSs, in April 2018. See Recent Developments.

Revenue, Profit, and Cash Flow. We have grown significantly by focusing on the organic growth of our core business, complemented by strategic investments and acquisitions. Our total revenues in 2017 were RMB84.8 billion, a 20.2% increase over 2016. Our operating profit in 2017 was RMB15.7 billion, a 56.1% increase over 2016. Our net income attributable to Baidu, Inc. in 2017 was RMB18.3 billion, a 57.3% increase over 2016. Our total revenues for the nine months ended September 30, 2018 were RMB75.1 billion (US$10.9 billion), representing a 29.9% increase from our total revenues for the nine months ended September 30, 2017 (which, excluding the impact of RMB3.4 billion of value-added taxes (VAT), was RMB57.8 billion). Our operating profit and net income attributable to Baidu, Inc. for the nine months ended September 30, 2018 were RMB14.4 billion (US$2.1 billion) and RMB25.5 billion (US$3.7 billion), representing increases of 32.1% and 80.3% from the corresponding periods in 2017, respectively. In 2017 and the nine months ended September 30, 2018, we generated RMB32.9 billion and RMB27.0 billion (US$3.9 billion) net cash from operating activities, respectively. As of September 30, 2018, we held a total of RMB104.5 billion (US$15.2 billion) in cash, cash equivalents, restricted cash, and short-term investments.

Recent Developments

Initial public offering of iQIYI. In March 2018, iQIYI priced an IPO of 125,000,000 ADSs, each representing seven Class A ordinary shares of iQIYI, at a price of US$18.00 per ADS. The ADSs of iQIYI are listed and traded on the Nasdaq Global Select Market under the ticker symbol IQ. In the second quarter of 2018, iQIYI received a total of approximately US$2.4 billion of net proceeds from the IPO and the underwriters partial exercise of their option to purchase additional ADSs, after deducting the underwriting discounts and commissions and offering expenses payable by iQIYI. We subscribed for, and were allocated, 8,333,333 ADSs in the IPO of iQIYI at the IPO price.

Upon completion of the IPO of iQIYI, all outstanding preferred shares and ordinary shares of iQIYI held by us were automatically re-designated and converted on a one-for-one basis into 2,839,530,705 Class B ordinary shares of iQIYI, while all preferred shares and ordinary shares of iQIYI other than those held by us were automatically re-designated and converted on a one-for-one basis into 1,231,841,032 Class A ordinary shares of iQIYI. Each Class A ordinary share of iQIYI is entitled to one vote, and each Class B ordinary share of iQIYI is entitled to ten votes. Each Class B ordinary share of iQIYI is convertible into one Class A ordinary share of iQIYI at any time, whereas Class A ordinary shares of iQIYI cannot be converted into Class B ordinary shares of iQIYI.

In February 2018, we entered into a share purchase agreement with iQIYI, pursuant to which iQIYI agreed to issue to us an aggregate of 36,860,691 Class B ordinary shares of iQIYI. The transaction was completed in April 2018. As consideration for the issuance of such shares and subject to the conditions set forth in the share purchase agreement, we have agreed to (i) undertake certain non-compete obligations towards iQIYI with respect to our online movie ticket and show ticket booking business, (ii) direct user traffic related to such ticket business to iQIYI, (iii) provide iQIYI with technological support with respect to its ticket booking business, (iv) license certain domain names and certain intellectual property rights to iQIYI, and (v) enter into a ticket business cooperation agreement with iQIYI, which was signed concurrently with the share purchase agreement.

We continue to control iQIYI and consolidate its financial results into our own in accordance with U.S. GAAP.

Divestiture of Financial Services Business. In April 2018, we entered into definitive agreements with certain investors relating to our divestiture of a majority equity stake in our financial services business, which provides consumer credit, wealth management, and other financial services and has been renamed as Du Xiaoman Financial. The divestiture was completed in August 2018, following which we held a minority equity interest in Du Xiaoman Financial and have deconsolidated the financial results of Du Xiaoman Financial from our consolidated financial statements in accordance with U.S. GAAP. Du Xiaoman Financial has since been operating independently from us, and we expect to continue business cooperation with Du Xiaoman Financial.

Sale of Equity Interest in Rajax Holding. In May 2018, we transferred all of our equity interests in Rajax Holding, which operates the food delivery business under the ele.me brand in China, to Ali Panini Investment Limited for a total consideration of approximately $488 million.

Share Repurchase Program. In June 2018, our board of directors authorized a share repurchase program, under which we may repurchase up to US$1.0 billion of our shares over a 12-month period. Our proposed repurchases may be made from time to time on the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. As of the date of this prospectus supplement, we have repurchased our ADSs for approximately US$487 million under the share repurchase program.

Management Change. Since May 2018, Haifeng Wang has been promoted to senior vice president and general manager of our AIG unit, overseeing our AI efforts. Haifeng Wang joined us in 2010 and became a vice president in October 2013. He previously managed and oversaw technologies for our core search products from 2014 to 2017. Beginning in July 2018, Qi Lu ceased to serve as our chief operating officer while continuing to serve as a member of our board of directors.

2018 Share Incentive Plan. In the third quarter of 2018, we adopted a 2018 share incentive plan, or the 2018 Plan, to motivate, attract, and retain the services of our employees and link their personal interests to those of our shareholders. The 2018 Plan has a ten-year term and a maximum number of 3,443,950 Class A ordinary shares available for issuance pursuant to all awards under the 2018 Plan. We may grant options, restricted shares, restricted share units, and other form of awards pursuant to the 2018 Plan. As of the date of this prospectus supplement, we have not granted any awards under the 2018 Plan.

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

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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, People s Republic of China. Our telephone number at this address is +86 (10) 5992-8888. We have appointed C T Corporation System, which is located at 111 Eighth Avenue, 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 in connection with this offering. Our corporate website is *www.baidu.com*. Information appearing on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus.

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The Offering

The summary below describes the principal terms of the Notes. Certain of the terms described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement and the Description of Debt Securities section of the accompanying prospectus contain a more detailed description of the terms of the Notes.

Issuer	Baidu, Inc.
Notes Offered	US$600,000,000 aggregate principal amount of 4.375% notes due 2024 (the 2024 Notes) and US$400,000,000 aggregate principal amount of 4.875% notes due 2028 (the 2028 Notes, together with the 2024 Notes, the Notes).
Maturity Dates	The 2024 Notes will mature on May 14, 2024 and the 2028 Notes will mature on November 14, 2028 .
Interest Rates	The 2024 Notes will bear interest at a rate of 4.375% per year and the 2028 Notes will bear interest at a rate of 4.875% per year.
Interest Payment Dates	May 14 and November 14, beginning on May 14, 2019. Interest will accrue from November 14, 2018.
Optional Redemption	We may at our option redeem the 2024 Notes at any time prior to April 14, 2024, and the 2028 Notes at any time prior to August 14, 2028, in each case, in whole or in part, at a price equal to the greater of 100% of the principal amount of the Notes to be redeemed and the make whole amount plus, in each case, accrued and unpaid interest on the Notes to be redeemed, if any, to (but not including) the applicable redemption date. See Description of the Notes Optional Redemption.
	In addition, we may at our option redeem the 2024 Notes at any time from or after April 14, 2024, and the 2028 Notes at any time from or after August 14, 2028, in each case, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus, in each case, accrued and unpaid interest on the Notes to be redeemed, if any, to (but not including) the applicable redemption date. See Description of the Notes Optional Redemption.

Repurchase Upon Triggering Event	Upon the occurrence of a Triggering Event (as defined in Description of the Notes), 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. See Description of the Notes Repurchase Upon Triggering Event.
Ranking	The Notes will be 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.
Covenants	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.
	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 and Description of Debt Securities in the accompanying prospectus.
Payment of Additional Amounts	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 the Notes Payment of Additional Amounts.
Tax Redemption	Each series of 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.
Use of Proceeds	We intend to use the net proceeds from this offering to repay certain existing indebtedness and for general corporate purposes. See Use of Proceeds.

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Denominations	The Notes will be issued in minimum denominations of US$200,000 and multiples of US$1,000 in excess thereof.
Form of Notes	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 additional Notes having the same terms and conditions as any series of 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 of such series. We will not issue any additional Notes with the same CUSIP, ISIN, or other identifying number as any Notes issued hereunder unless the additional Notes are fungible with the outstanding Notes of the relevant series 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-14 of this prospectus supplement and the risk factors set forth in our 2017 Form 20-F, which is incorporated by reference in the accompanying prospectus, before investing in any of the Notes offered hereby.
Listing	Approval-in-principle has been received 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 and 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 ratably securing the Notes under specified circumstances. As of September 30, 2018, our total debt was RMB49.3 billion (US$7.2 billion), primarily consisting of US$171 million in short-term loans, US$1.0 billion in long-term loans, and our US$750 million 3.500% Notes due 2022, US$1.0 billion 2.750% Notes due 2019, US$750 million 3.000% Notes due 2020, US$500 million 4.125% Notes due 2025, US$900 million 2.875% Notes due 2022, US$600 million 3.625% Notes due 2027, US$1.0 billion 3.875% Notes due 2023, and US$500 million 4.375% Notes due 2028. After the completion of this offering, we and our subsidiaries and consolidated affiliated entities may incur additional debt. 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

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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.

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 3.500% Notes due 2022 in the principal amount of US$750 million). 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;

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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.

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. Approval-in-principle has been received 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 paid by us or 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 or 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). In addition, if we are considered a PRC resident enterprise, interest payable by us to non-resident holders of the Notes may be subject to PRC value-added tax at a rate of 6% and related local levies, including educational surtax and urban maintenance and construction tax at a rate of up to 0.72%.

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 the Notes Payment of Additional Amounts. As described under Description of Debt Securities Tax Redemption in the accompanying prospectus, we may 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, 2013, 2014, 2015, 2016, and 2017 and certain consolidated balance sheet data as of December 31, 2013, 2014, 2015, 2016, and 2017. The consolidated statements of comprehensive income data and cash flow data presented below for the years ended December 31, 2015, 2016, and 2017 and the consolidated balance sheet data as of December 31, 2016 and 2017 have been derived from our audited consolidated financial statements that are included in our 2017 Form 20-F and are incorporated by reference in the accompanying prospectus. The consolidated statements of comprehensive income data and cash flow data presented below for the years ended December 31, 2013 and 2014 and the consolidated balance sheet data as of December 31, 2013, 2014, and 2015 have been derived from our audited consolidated financial statements that are not included in our 2017 Form 20-F. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP.

The consolidated statements of comprehensive income data and cash flow data presented below for the nine months ended September 30, 2017 and 2018 and the consolidated balance sheet data as of September 30, 2018 have been derived from our unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2017 and 2018 and as of September 30, 2018, which are contained in our current report on Form 6-K furnished to the SEC on November 7, 2018 and are incorporated by reference into this prospectus supplement and the accompanying prospectus. The unaudited interim financial information has been prepared on the same basis as our audited consolidated financial data except for the adoption of new accounting standards ASC topic 606 (ASC 606), *Revenue from Contracts with Customers*, ASC topic 321 (ASC 321), *Investments Equity Securities*, and Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, all of which became effective from January 1, 2018, 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, 2017 and as of December 31, 2016 and 2017 and related notes and Item 5. Operating and Financial Review and Prospects in our 2017 Form 20-F and our current report on Form 6-K furnished to the SEC on November 7, 2018, including exhibit 99.1 thereto. Our historical results do not necessarily indicate results expected for any future periods, and the results of operations for the nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2018.

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Starting from January 1, 2018, we adopted a new revenue accounting standard (ASC 606), which reclassifies VAT from cost of revenues to net against revenues. The consolidated statements of comprehensive income data for the nine months ended September 30, 2018 presented below have been prepared in accordance with ASC 606 and exclude the impact of RMB4.5 billion (US$652 million) of VAT, while the consolidated statements of comprehensive income data for the nine months ended September 30, 2017 presented below have been prepared in accordance with the legacy revenue accounting standard (ASC 605) and, unlike the consolidated statements of comprehensive income data for the nine months ended September 30, 2018, include the impact of RMB3.4 billion of VAT.

	Year Ended December 31,						Nine Months Ended September 30,		
	2013(1)	2014(1)	2015(1)	2016(1)	2017(1)		2017(1)	2018(2)	
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in millions)								
Consolidated Statements of Comprehensive Income Data:									
Revenues:									
Online marketing services	31,802	48,495	64,037	64,525	73,146	11,242	52,729	60,715	8,840
Others	142	557	2,345	6,024	11,663	1,792	8,525	14,367	2,092
Total revenues	31,944	49,052	66,382	70,549	84,809	13,034	61,254	75,082	10,932
Operating costs and expenses:									
Cost of revenues	11,472	18,885	27,458	35,278	43,062	6,619	31,616	36,133	5,261
Selling, general and administrative	5,173	10,382	17,076	15,071	13,128	2,018	9,497	13,288	1,935
Research and development	4,107	6,981	10,176	10,151	12,928	1,987	9,225	11,243	1,637
Total operating costs and expenses	20,752	36,248	54,710	60,500	69,118	10,624	50,338	60,664	8,833
Operating profit	11,192	12,804	11,672	10,049	15,691	2,410	10,916	14,418	2,099
Total other income, net	1,026	1,680	26,235	4,460	5,592	860	5,279	11,855	1,726
Income before income taxes	12,218	14,484	37,907	14,509	21,283	3,270	16,195	26,273	3,825
Income taxes	1,829	2,231	5,475	2,913	2,995	460	2,066	4,259	620
Net income	10,389	12,253	32,432	11,596	18,288	2,810	14,129	22,014	3,205
	(163)	(944)	(1,232)	(36)	(13)	(2)	(12)	(3,478)	(506)

Less: Net income (loss) attributable to non-controlling interests									
Net income attributable to Baidu, Inc.	10,552	13,197	33,664	11,632	18,301	2,812	14,141	25,492	3,711

Notes:

(1) VAT is presented in the cost of revenues rather than net against revenues in accordance with the legacy revenue accounting standard (ASC 605).

(2) VAT is presented as net against revenues rather than in the cost of revenues in accordance with the new revenue accounting standard (ASC 606).

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	As of December 31,						As of September 30,	
	2013	2014	2015	2016	2017		2018	
	RMB	RMB	RMB	RMB	RMB	US$	RMB	US$
	(in millions)							
Consolidated Balance Sheets Data:								
Cash and cash equivalents	9,692	13,853	9,960	10,898	11,084	1,704	15,775	2,297
Restricted cash	260	413	96	318	252	39	15	2
Short-term investments	27,482	42,699	57,969	71,196	89,381	13,738	88,716	12,917
Total assets	70,357	99,118	147,853	181,997	251,728	38,689	275,336	40,089
Short-term loans		93	100	1,115	1,244	191	1,173	171
Long-term loans, current portion	344	2,167	975	3,468	10	2	10	1
Long-term loans	2,112	1,860	3,240	6,822	6,701	1,030	7,069	1,029
Capital lease obligations, current	45	57	46	8				
Capital lease obligations, non-current	41	50	8					
Notes payable, current portion				5,203	6,500	999	6,856	998
Notes payable	15,117	21,557	30,702	27,648	29,111	4,474	34,142	4,971
Total liabilities	30,321	45,066	63,638	84,254	121,356	18,651	102,492	14,923
Total Baidu, Inc. shareholders equity	37,796	51,072	80,256	92,274	115,346	17,729	159,690	23,251

	Year Ended December 31,						Nine Months Ended September 30,		
	2013	2014	2015	2016	2017		2017	2018	
	RMB	RMB	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in millions)								
Consolidated Cash Flow Data:									
Net cash generated from operating activities	13,793	17,937	19,771	22,258	32,880	5,054	23,053	27,030	3,935
Net cash used in investing activities	(23,063)	(22,468)	(31,621)	(35,911)	(76,935)	(11,825)	(61,992)	(22,902)	(3,333)
Net cash generated from (used in) financing activities	7,282	8,612	7,778	14,447	44,557	6,848	43,758	(1,925)	(281)
Net (decrease) increase in cash and cash equivalents[(1)]	(2,189)	4,161	(3,893)	938	186	29			
							4,588	4,454	648

Net (decrease) increase in cash, cash equivalents and restricted cash(1)									
Non-GAAP Measure:(2)									
Adjusted EBITDA	13,819	16,755	16,660	15,792	23,334	3,585	16,479	20,345	2,962

Notes:

(1) We adopted Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* on January 1, 2018 using the retrospective transition method. Restricted cash presented on the face of the consolidated balance sheets are included in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented in the statement of cash flows.

(2) 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 operating profit excluding depreciation, amortization (excluding the amortization of licensed copyrights of iQIYI) 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. See Non-GAAP Financial Measure.

Non-GAAP Financial Measure

We believe that adjusted EBITDA, a non-GAAP financial measure, 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. Adjusted EBITDA also facilitates our management s internal comparisons to our historical performance and liquidity. We

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believe that adjusted EBITDA 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 it excludes interest, taxes, depreciation, amortization (excluding amortization of licensed copyrights of iQIYI), 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 during the period. Our management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from adjusted EBITDA.

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, operating profit.

	Year Ended December 31,						**Nine Months Ended September 30,**		
	2013	**2014**	**2015**	**2016**	**2017**		**2017**	**2018**	
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**US$**	**RMB**	**RMB**	**US$**
	(in millions)								
Operating profit	**11,192**	**12,804**	**11,672**	**10,049**	**15,691**	**2,410**	**10,916**	**14,418**	**2,099**
Add: Share-based compensation expenses	515	963	1,387	1,760	3,244	499	2,268	3,134	456
Add: Depreciation of fixed assets	1,641	2,224	2,886	3,451	3,805	585	2,811	2,555	372
Add: Amortization of intangible assets[(1)]	471	764	715	532	594	91	484		