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Overview

Our mission is to make the complicated world simpler through technology.

We are a leading AI company with a strong Internet foundation. We have been investing in AI since 2010, to improve search and ad monetization, and have used “Baidu Brain,” our core AI technology engine to develop new AI businesses. The breadth and depth of our AI capabilities provide the differentiating foundational technologies that power all of our businesses. According to the CIC Report, our AI leadership in China is evidenced in the following aspects:

- We hold the largest portfolio of AI patents and AI patent applications in China as of October 30, 2020;
- Our deep learning framework, PaddlePaddle, is the No. 1 deep learning framework in China and No. 2 globally behind Facebook Pytorch in terms of cumulative pull requests as of December 31, 2020;
- Our Baidu Open AI Platform, with a developer community of over 2.65 million members, is the largest open AI platform in China, based on the number of developers as of December 31, 2020; and
- Baidu OSChina, which runs on Baidu cloud infrastructure, is the largest development platform for open source activities of in China and No. 3 globally (behind GitHub and Gitlab), in terms of the number of developers as of December 31, 2020.

We are one of the very few companies that offers a full AI stack, encompassing an infrastructure consists of AI chips, deep learning framework, core AI capabilities, such as natural language processing, knowledge graph, speech recognition, computer vision and augmented reality, as well as an open AI platform to facilitate wide application and usage. Our technological innovation in AI has been well recognized by the global community. For instance, ERNIE, our natural language processing framework, became the first AI model to score above 90 on GLUE (General Language Understanding Evaluation), which is widely considered as the benchmark for testing AI language understanding, and won the SAIL (Super AI Leader) award, the highest honorary recognition at the 2020 World Artificial Intelligence Conference. We have put our leading AI into innovative use. For example, we are the first to receive driverless licenses in China and the U.S. and we are testing driverless vehicles in China.

Baidu was founded as a search engine business in 2000 with the belief that technology can change the way people discover and consume information. At the heart of Baidu search is its ability to better understand a users’ search queries and to answer these queries by matching the most relevant information in ranked search results. To achieve this, we continuously innovate and develop new technologies and products that enhance Baidu search user experience. We began to use AI a decade ago to power these technologies in order to better match user search intent with the large amount of information on the Internet. For instance, our natural language processing, an AI capability, enables the understanding of important details of a query, particularly in complex conversational queries. This helps optimize search results returned and increase the satisfaction rate of users. Years of tagging, understanding and intelligently processing all forms of content on the Internet—text, images and videos—with AI has helped us develop Baidu Brain, our core AI technology engine, which in turn has enabled us to further develop leading AI technologies and commercialize them through products and services for consumers, enterprises and the public sector. Our ability to continuously invest heavily in research and development is made possible by the durable revenue that we generated as a leading Internet platform.

The widespread usage of our open AI platform by developers and businesses creates a network effect for our AI technologies, products and services. The more developers and businesses use our AI

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models, tool kits and services, the better our AI capabilities become, which in turn further increase the attractiveness of our AI platform to developers and business communities. This network effect helps us obtain unique insights into different kinds of products and services that are in demand and have real-world application across different industries, setting a strong foundation for us to make investment decisions and lead with technology, products and services in the markets that we have entered.

Our large portfolio of products and services is accessed by over one billion devices monthly, and our business spans across an ecosystem of hundreds of millions of users, millions of developers and hundreds of thousands of enterprises. Our usage of a strong technology foundation to support an open platform business model not only draws more participants into our ecosystem, but also adds richness and vibrancy to our ecosystem, strengthening the long-term prospect and vitality of our business overall.

We usually start the development of a business with a strong technology platform, on which we build products and services for our customers and users, and through an open platform architecture, we attract a wide array of partners to our ecosystem to expand the offerings to our customers and users. The platform could then grow organically and by leveraging the power of our partners in the ecosystem, which over time feed into a virtuous cycle.

Over the past two decades, we have demonstrated a track record for long-term growth and strong profitability, which has enabled us to invest in a diversified portfolio of products and services with large market opportunities and further improve our long-term growth prospects. Through years of investment in research, AI chip design, developer community, patents and talent development, we are turning AI into innovative use cases. Powered by AI, Baidu Core, which excludes iQIYI and contributed over 70% of our total revenues during the Track Record Period, mainly provides search-based, feed-based, and other online marketing services, as well as products and services from new AI initiatives in the following three growth engines:

- *Mobile Ecosystem*: a portfolio of over one dozen apps, including Baidu App, Haokan and Baidu Post, which provides an open platform that aggregates a wide range of third-party, long-tail content and services through our AI building blocks and which helps communities connect and share knowledge and information;
- *AI Cloud*: a full suite of cloud services and solutions, including PaaS, SaaS and IaaS and uniquely differentiated by our AI solutions; and
- *Intelligent Driving & Other Growth Initiatives (OGI)*: our growth initiatives include intelligent driving (self-driving services, including HD Maps, automated valet parking and autonomous navigation pilot, intelligent electric vehicles and robotaxi fleets), as well as Xiaodu smart devices powered by DuerOS smart assistant and AI chip development.

At the core of our Mobile Ecosystem is Baidu App, which is the No. 1 search-plus-feed app in China with an MAU of 544 million in December 2020. Unlike most mobile apps, which direct traffic to a closed content ecosystem, Baidu App, through our AI building blocks, aggregates content and services from third-party apps and websites, and directs traffic to third-party content and service providers with native-app like experience. Under an open-platform model, Baidu App can continue to grow our huge offering of third-party content and services, by leveraging our network partners of BJH Accounts, Smart Mini Program and Managed Page. Our decade-long experience with AI and the development of

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a powerful knowledge graph allow us to match user intent with long-tail, third-party content and services on our open platform.

Our Mobile Ecosystem also includes a portfolio of over one dozen apps, including Haokan and Baidu Post, providing a platform for people to discover and consume information through search and feed, interact and engage with creators, publishers, service providers and merchants. This native-app like experience from user acquisition to user relationship management to closed loop transactions demonstrates our value to merchants, enabling them to perform user life-time management on our platform, and has made Baidu App a leading online marketing services provider for both search and feed. Within our Mobile Ecosystem, we serve half-a-million customers by enabling them to tap into our massive user base. We monetize primarily through offering comprehensive and effective marketing services to fulfill our customers’ needs. We generate revenue primarily from providing search, feed and other marketing services, which account for a majority of our total revenues during the Track Record Period. We have made extensive use of AI technologies to develop innovative marketing services, such as dynamic ads, which recommends products from our marketing customers most fitting to each search user. Our marketing cloud also provides innovative AI capabilities to our marketing customers, so that users can still make product inquiries during non-business hours and Baidu Brain can automatically carry a conversation with users to facilitate transactions. In addition, the user engagement and user logins that have developed on our platform are enabling us to diversify monetization beyond online marketing into other services, such as live broadcasting, online games and membership.

Our AI Cloud is the leading AI public cloud service provider and a top four public cloud service provider in China in 2019, according to the CIC Report. Our AI Cloud offers a full suite of cloud services and solutions, including PaaS, SaaS and IaaS, and is differentiated with our AI solutions. Leveraging Baidu Brain, our AI solutions provide customers and developers with a comprehensive library of modularized solutions, including open source codes, pre-trained models, end-to-end development kits, tools and components. In addition, our AI Cloud customers can leverage our large library of key AI capabilities, such as knowledge graph, speech recognition and synthesis, natural language processing and computer vision. Our products and services, such as EasyDL and Baidu ML, make it easier for customers to use deep learning and machine learning to solve real world problems, and our cloud services are formulated to serve across different industries, including Internet, media, telecom, financial services, transportation and logistics, education and manufacturing.

Our Intelligent Driving & OGI consist of promising businesses in development with huge market opportunities, and some are at early-stage commercialization with a growing customer base. We are a market leader in intelligent driving and smart devices, and we are pursuing these large growth opportunities by leveraging our unique AI capabilities, data insights and internally developed chips. For example, in autonomous driving, Apollo is the market leader in China with 4.3 million accumulated test miles and 199 autonomous driving licenses across China, as of December 31, 2020. Our 199 autonomous driving licenses reflect the geographic reach of Apollo testing scenarios in China, compared to the second player with approximately 20 licenses. There are currently three Apollo robotaxi pilot programs running in China.

Our strong brand and market leadership in autonomous driving has carried over to intelligent driving. Apollo is a well-recognized brand among automakers. We have signed strategic agreements with 10 leading automakers to power their passenger vehicles with Apollo Self Driving services, which includes Baidu high definition (HD) Maps and automated valet parking (AVP), and we recently announced the availability of Apollo autonomous navigation pilot (ANP). Under smart display, Xiaodu was ranked No. 1 in shipments globally for 2019. We also develop AI chips internally customized for

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Baidu Brain and specific AI usages to improve performance and costs. We believe these initiatives will strengthen our revenue drivers for long-term growth.

iQIYI produces, aggregates and distributes a wide variety of professionally produced content, as well as a broad spectrum of other entertainment-oriented video content.

We believe we have built a large and strong portfolio of products and services to give Baidu the scale necessary to invest heavily in technology, while optimizing our future for sustainable long-term growth. We derive significant synergies by incorporating the AI developed for search into other parts of our business. For example, large daily use of our visual search and voice search may be used to improve Apollo computer vision and DuerOS speech recognition capabilities.

We generated total revenues of RMB102.3 billion, RMB107.4 billion and RMB107.1 billion (US\$16.4 billion) in 2018, 2019 and 2020, respectively. Our revenue in 2020 was impacted by the COVID-19 pandemic, and we experienced revenue change of -7%, -1%, +1% and +5% year over year for the three months ended March 31, June 30, September 30 and December 31, 2020, respectively. We generated net income attributable to Baidu, Inc. of RMB27.6 billion, RMB2.1 billion and RMB22.5 billion (US\$3.4 billion) in 2018, 2019 and 2020, respectively. Net income attributed to Baidu, Inc. in 2019 included a non-cash impairment loss of RMB8.9 billion from investment in Trip.com.

Baidu Core generated revenues of RMB78.3 billion, RMB79.7 billion and RMB78.7 billion (US\$12.1 billion) in 2018, 2019 and 2020, respectively. Baidu Core’s revenue in 2020 was impacted by the COVID-19 pandemic, and Baidu Core experienced revenue change of -13%, -3%, +2% and +6% year over year for the three months ended March 31, June 30, September 30 and December 31, 2020, respectively. We generated net income attributable to Baidu Core of RMB33.6 billion, RMB7.6 billion and RMB26.5 billion (US\$4.1 billion) in 2018, 2019 and 2020, respectively. Net income attributed to Baidu Core in 2019 included a non-cash impairment loss of RMB8.9 billion from investment in Trip.com.

iQIYI generated revenues of RMB25.0 billion, RMB29.0 billion and RMB29.7 billion (US\$4.6 billion) in 2018, 2019 and 2020, respectively. We generated net loss attributable to iQIYI of RMB9.1 billion, RMB10.3 billion and RMB7.0 billion (US\$1.1 billion) in 2018, 2019 and 2020, respectively.

Key Financial and Operating Metrics

Baidu Core

	For the Month Ended December 31,		
	2018	2019	2020
MAU of Baidu App (in millions)	435	500	544
DAU of Baidu App (in millions)	161	195	202
	For the Year Ended December 31,		
	2018	2019	2020
Revenue (RMB in millions)	78,271	79,711	78,684
Operating profit (RMB in millions)	23,808	15,261	20,538

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iQIYI

	As of December 31,		
	2018	2019	2020
Subscribing Members (in millions)	87.4	106.9	101.7
	For the Year Ended December 31,		
	2018	2019	2020
Revenue (RMB in millions)	24,989	28,994	29,707
Operating loss (RMB in millions)	(8,306)	(9,258)	(6,041)

Our Strengths

We believe the following competitive strengths contribute to our success and set us apart from our peers:

Leading technology company with world-class AI capabilities

We have been investing heavily in AI for over a decade, building on an innovation driven company culture, which has enabled us to achieve our leadership position.

Our unique breadth and depth of AI capabilities provide the differentiating technology foundation that powers all of our business areas. We have made our leading AI technologies open to developers and partners alike, to empower their businesses with AI and in turn increase the scale and vitality of our developer community to help improve our products and services. Our AI capabilities encapsulated on Baidu Brain, our core AI technology engine, consists of four layers—foundation, perception, cognition and platform, as well as a security module that ensures security, safety and privacy.

The comprehensive technology stacks of Baidu Brain and our leading AI capabilities have made us the leader in China across multiple dimensions, according to the CIC Report:

Leading Technology

- **Baidu** holds the largest number of AI patents and AI patent applications in China as of October 30, 2020;
- **PaddlePaddle** is the No. 1 deep learning framework among Chinese companies and No. 2 globally in terms of pull requests, as measured by GitHub as of December 31, 2020;

Leading Developer Communities

- **Baidu Open AI Platform** has the largest AI developer community in China, as of December 31, 2020;
- **OSChina** is the largest development platform for open source activities among Chinese companies and No. 3 globally, in terms of number of developers as of December 31, 2020;

Leading Products and Services

- **Baidu App** is the largest search-plus-feed app in China, in terms of MAUs and DAUs in December 2020;
- **Our AI Cloud** is the largest AI public cloud services provider in China, in terms of revenue, product portfolio and APIs used by developers in 2019;
- **Apollo** is the market leader in autonomous driving in China, in terms of accumulated test miles and the number of licenses received; and
- **Xiaodu Smart Display** ranked No. 1 in smart display shipments globally in 2019.

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Mobile Ecosystem: China’s leading content and services discovery ecosystem

Our Mobile Ecosystem serves hundreds of millions of users, millions of content and services providers and hundreds of thousands of businesses, in an ecosystem built upon Baidu App as well as a dozen other apps. In addition to a wide range of third-party content and services offered on our platform, our knowledge-and-information-centric ecosystem is distinguished with other internally developed and well recognized products, such as Baidu Wiki, Baidu Knows and Baidu Post.

As the world’s largest Chinese-based search engine, we have used AI to best meet user intent by learning about the strong correlation between search key words and our search results. Such valuable intent insight coupled with our extensive processing and indexing of the massive amount of information on the Internet has helped us create a huge knowledge graph to improve user experience. Leveraging our deep understanding of users, we added feed to Baidu App in 2016, which has helped Baidu App to become the largest search-plus-feed app in China, with 544 million MAUs in December 2020. Our deep understanding of users is further strengthened with the introduction of AI building blocks—Baijiahao (BJH) Accounts, Smart Mini Program and Managed Page.

Our AI building blocks has attracted a wide range of content and services dispersed across isolated mobile apps and websites onto our platform, so as to tap into our over- half-a-billion user base.

- BJH accounts allow creators and publishers to share their social content in an openly searchable manner, rather than having to maintain multiple social accounts on over one dozen prominent social media and timeline products in China to be easily discoverable.
- Smart Mini Program enables content and services from third-party mobile apps to be searchable and accessible within Baidu App and other apps powered by our AI building blocks without requiring users to separately download each app.
- Managed Page provides hosted solution to website owners, where they could maintain a web presence without having to pay for and maintain website infrastructure, such as servers, software and bandwidth.

In addition to the wide range of third-party content and services on our platform, we complement our Mobile Ecosystem with a large portfolio of internally developed products, to fill a void in China’s online content and services space. We have dedicated tremendous resources to and spent years on building a large portfolio of user generated content (UGC) products sharing knowledge and experience, such as Baidu Wiki, Baidu Knows, Baidu Experience, and Baidu Post. The depth and breadth of our UGC knowledge and experience library is evidenced by the numerous content pieces covering trending topics and long-tail content. Consequently, people come to know Baidu as a leading knowledge-and-information centric platform based on our wide range of third-party content and services and internally developed UGC products .

We offer merchants a marketing cloud platform, which provides CRM capabilities to help them manage and optimize the lifetime value of their customers. Together with the huge traffic and user engagement on our platform, our CRM capabilities create monetization opportunities beyond advertising. For example, merchants may add a live link to their call center as a functionality in their advertisements, and our AI-powered marketing cloud can provide automated management reports on the quality of interaction between their call center and potential customers. By understanding the type of users who are more likely to move from the search landing page to purchase, merchants can buy more effective traffic leveraging the insights of our marketing cloud platform.

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AI Cloud: China’s leading AI cloud service provider

According to the CIC Report, our AI Cloud is the largest AI public cloud services provider and a top four public cloud service provider in China in 2019. Baidu Core’s cloud services revenue reached RMB9.2 billion (US\$1.4 billion) in 2020, increasing by 44% from 2019.

Our AI Cloud offers a comprehensive set of cloud solutions, including IaaS, PaaS and SaaS, differentiated by the following:

- *AI PaaS powering AI solutions, including knowledge graph cloud solutions*

We provide enterprise customers with cloud solutions that leverage the unique AI capabilities from Baidu Brain. For example, an AI PaaS may be installed with specific applications and AI capabilities, such as optical character recognition (OCR) and computer vision, and trained to perform certain tasks, such as simplifying receipt collection and storage for expense reporting, verifying employee identification and attendance through a facial scanner installed at elevator terminal gate, or automating the quality assurance checkpoints of an electronic component assembly line with IoT scanners that record QA testing results.

Leveraging the proprietary knowledge graph that we have built from handling large volume of information on the Internet for the last two decades, we provide differentiated knowledge-graph cloud solutions built on our AI PaaS for specific applications using pre-trained models. Knowledge-graph cloud solutions are particularly applicable when the enterprise customer has a large amount of data that requires a sophisticated knowledge graph to enable AI-powered decision support. For example, a utility company used our knowledge-graph cloud solution to determine the electricity capacity needed to supply a region deploying EV charging stations; a retail bank used our knowledge-graph cloud solution to improve credit risk management for lending to consumers and small and medium-sized businesses; and a large enterprise used our knowledge-graph cloud solution to recommend relevant documents to its employees to support the write up of daily and weekly management reports.

- *AI solutions setting industry standards and product standards across different industries*

Our AI solutions have become standard setting in key industry verticals. For example, in the smart transportation industry, we are a pioneer and industry leader in developing vehicle-to-everything (V2X) road infrastructure. We have won smart transportation projects in over one dozen cities, including Beijing, Shanghai, Chongqing and Guangzhou, to help modern cities improve their traffic condition, road safety and air quality with AI technology. Our V2X road infrastructure also serves as an intelligent vehicle-road coordination platform. For example, it provides intelligent vehicles (self-driving services, intelligent EVs, robotaxis and connected vehicles) information of surrounding traffic and road condition, and, thus, defines the standards for traffic-related applications, which in turn drive industry adoption.

We also offer Mobility-as-a-Service (MaaS), which allows the public sector to offer autonomous driving public transportation, including Apollo robotaxi, robobus and third-party fleets, which users can order from Baidu App or Baidu Maps. Apollo MaaS is also compatible with other in-vehicle smart devices, such as DuerOS smart rear-view mirrors. Apollo MaaS also helps municipal traffic authorities monitor and prioritizes public transportation connected to our platform.

Our cloud solutions also set product standards for common usage across different industries. For example, a major telecom operator installed our automated call center solution powered by Baidu Brain two years ago to handle millions of calls per month, reducing the average call time per customer

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by 40%. The telecom operator has since rolled out our automated call center solution to several other call centers nationwide, and our automated call center solution has since been adopted by enterprise customers across eight different industries.

- *Comprehensive suite of products and services combined with effective cross-selling*

Our AI Cloud also offers a full line of services, including CDN and IaaS for computing, storage, network, database and delivery services. Combined with our effective marketing capabilities, we have been able to demonstrate the ability to cross-sell and up-sell additional products and services to existing customers, which in turn enables us to more efficiently grow our cloud business. For example, a major financial services enterprise customer recently purchased its fifth AI cloud solution from us after its initial purchase of our automated call center solution.

Intelligent Driving & Other Growth Initiatives: Strong leadership in large AI-powered markets

In addition to our Mobile Ecosystem and AI Cloud, we are investing in large growth opportunities that we believe our leading AI capabilities and technology foundation would give us a distinct strategic advantage. Our growth initiatives include intelligent driving, Xiaodu smart devices powered by DuerOS smart assistant, Baidu Health and AI chips.

Intelligent Driving. Intelligent driving, including self-driving services, intelligent EVs and robotaxi fleets, leverages AI and other technologies to make a vehicle, or fleet of vehicles, more intelligent, all with the ultimate goal to be autonomous. Apollo is the market leader in autonomous driving in China, in terms of accumulated test miles and the number of test licenses received. In addition, the services and solutions of intelligent driving are made compatible with other platforms and solutions supporting our smart transportation, which leverages each other to gain a better understanding of traffic and road conditions, as well as to improve cost efficiency. Our leadership in autonomous driving, industry know-how, operating experience, transportation ecosystem understanding (from our platforms and maps), and cost advantage give us strong competitive advantages in leading the development of the intelligent driving industry.

- *Apollo Self Driving.* We have been investing in L3 and L4 self-driving technology to power passenger vehicles. Our self-driving services include, HD Maps, a critical component for L3 and L4 self-driving. In 2018, we introduced automated valet parking (AVP) which allows a driver to get out of the vehicle upon destination arrival and our L4 service would enable the vehicle to autopark, as well as pick up the driver from the self-parked parking lot. In 2020, we introduced Apollo autonomous navigation pilot (ANP), a system powered by Apollo’s computer vision-based autonomous driving technology and tailored for urban road conditions in China, enabling the automatic guidance of the vehicle to follow navigation route on highway, freeway and urban roads. Self-driving services have a high barrier to entry. For example, we are one of the very few companies in China to offer HD Maps. Apollo AVP and ANP services are based on years of heavy investment in autonomous driving, leveraging our knowledge from our massive accumulated test miles and simulated miles, as well as the know-how gathered from our HD Maps. We have signed strategic agreements with 10 leading automakers to install Apollo self-driving services, as of December 2020 .
- *Intelligent Electric Vehicles.* We recently formed a company to offer intelligent EVs, leveraging our knowhow and experience in autonomous driving, intelligent driving and smart transportation. We believe the best use of AI is when an EV is designed with consideration of software and hardware integration in mind. We have entered into a strategic partnership with multinational auto manufacturer Zhejiang Geely Holding Group (Geely) to produce intelligent EVs. Geely, which

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holds the distinction of best-selling Chinese automobile brand in past years, under the Volvo and Geely brands, will contribute its expertise in automobile design and manufacturing.

- *Apollo Robotaxi.* Robotaxi fleet operation represents a massive opportunity, and we currently have three Apollo Go Robotaxi test pilot programs in operations, in cooperation with Beijing, Changsha and Cangzhou. Apollo is the market leader in China with 4.3 million accumulated test miles and 199 autonomous driving licenses across China, as of December 31, 2020. Our 199 autonomous driving licenses reflect the geographic reach of Apollo testing scenarios in China, compared to the second player with approximately 20 licenses. Based on accumulated test miles and the number of autonomous driving licenses received, Apollo is the undisputed market leader in autonomous driving in China. Apollo Robotaxi is also unique in that it leverages the data from Apollo V2X road infrastructure and Baidu Maps, to obtain a better understanding of surrounding traffic and road conditions and a strategic cost advantage.

DuerOS Smart Assistant. Our smart assistant and smart devices have a large and engaged user base. DuerOS is the leading smart assistant in the Chinese language, powering first-party Xiaodu smart devices (smart displays, smart speakers and smart earphones), as well as third-party smart devices (smart phones, children smart watches and story machines). Xiaodu Smart Display ranked No. 1 in smart display shipments globally and Xiaodu smart speakers ranked No. 1 in smart speaker shipments in China for 2019, according to the CIC Report. The average daily activated time span per device for Xiaodu Smart Display was over 3 hours in 2020. Time spent on Xiaodu devices is contributed by the robust offering of the DuerOS skills store, which has over 4,400 skills in wide ranging genres, such as education, video, online game and live streaming, and a developer community of over 47,000. In the fourth quarter of 2020, we raised financing for the Smart Living Group, which develops DuerOS smart assistant, sells Xiaodu smart devices and licenses DuerOS to third-party smart device makers, at a post-money valuation of US\$2.9 billion, and we remain as a super majority shareholder.

Platform-centric model cultivating vibrant ecosystems and capturing huge market opportunities.

Our platform-centric business model focuses on providing a strong technology foundation to attract and support a vibrant ecosystem of customers, users and partners. We start with the development of a strong technology infrastructure using our leading technology, and then add products and services that could be used by our customers, users and partners, as building blocks across multiple use cases, to build a platform. The platform could then grow organically and with partners in the ecosystem adding their products and services, which over time support and drive the long-term growth of our business, as illustrated by the following examples:

- Our Mobile Ecosystem brings together a huge amount of users, creators, publishers, service providers, and merchants on our platform through our AI building blocks—BJH accounts, Smart Mini Program and Managed Page. Creators, publishers and service providers may choose to grow their distinct user bases and communities on any of our family of apps, such as Baidu App, Haokan and Baidu Post, based on their preference of targeted audience. By pooling the massive traffic and consolidating the content and services across our large collection of apps onto one platform, we are able to support a much larger content and services network, which makes our ecosystem more comprehensive and vibrant, and differentiates us from standalone apps.
- By building compatible products and services across smart transportation and intelligent driving, our intelligent driving solutions can utilize Apollo’s unique vehicle-road coordination system and HD Maps to improve a vehicle’s understanding of the surrounding traffic and road conditions, which reduces the hardware needs of intelligent vehicles. The increase in surrounding traffic and road condition understanding and the optimization of cost structure of our intelligent driving

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solutions significantly improve our product performance and commercialization potential. Our leadership in autonomous driving, industry know-how, operating experience, transportation ecosystem understanding (from platforms to maps), and cost advantage give us strong competitive advantages in driving the development of the intelligent driving industry, which also strengthens our position in smart transportation.

- DuerOS for Auto is a smart assistant that powers auto infotainment systems and can be operated with conversational AI. DuerOS for Auto has been installed in over one million new vehicles in 2020. Our platform-centric approach enables the developers of our Smart Mini Program and DuerOS skills to easily convert their applets for the DuerOS for Auto skills store. Such versatility in our technology infrastructure is quite powerful, to enable DuerOS for Auto to leverage the developer resources for the largest search and feed app in China and the largest Chinese-language smart assistant. Our platform model draws strong synergy across the mobile, smart device and auto infotainment markets, not only pooling together our vibrant developer communities across these markets but also allowing our users in the home and auto environment to enjoy familiarity with apps in the mobile environment.

	Businesses	TAM in 2025 (RMB billion)	CAGR (2019-2025E)
Online Marketing	Knowledge and information-centric Internet platforms	342	12.0%
Non-marketing (excluding Robotaxi)	Internet Services	751	23.2%
	Cloud services	577	37.2%
	Self Driving Services & Intelligent EVs	1,582	43.6%
	Smart Devices	56	32.7%
	AI Chips	110	44.2%
	Internet Health	1,058	41.2%
	Non-marketing subtotal (excluding Robotaxi)	4,134	36.5%
Robotaxi	Robotaxi	1,458	N/A

The total addressable markets (TAM) for knowledge and information-centric Internet platforms and our non-advertising business (excluding Robotaxi) in China are estimated at RMB342 billion and RMB4,134 billion in 2025, respectively, representing a CAGR of 12.0% and 36.5% between 2019 and 2025, respectively, according to the CIC Report.

The total addressable market of Robotaxi (assuming equivalent to the combined markets of taxi, ride-sharing and rental car) in China is estimated at RMB1,458 billion in 2025, according to the CIC Report.

Strong synergies across our AI-powered markets and offerings

Baidu Brain is the underlying AI technology engine that enables us to serve different markets with AI-powered offerings, including consumer Internet, cloud services, intelligent driving, smart assistant and AI chips. Our total revenue was RMB 107.1 billion (US\$16.4 billion) for the year ended December 31, 2020, and we invested RMB19.5 billion (US\$3.0 billion), representing 18% of our total revenues, into research and development over the same period. Baidu Core revenue was RMB78.7 billion (US\$12.1 billion) for the year ended December 31, 2020, and we invested RMB16.8 billion (US\$2.6 billion), representing 21% of our total Baidu Core revenues, into research and development over the same

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period. Our investment in technology is among the highest in the high-tech industry, as a percentage of sales. By aligning our business around AI, we are able to pool the resources and funding from all of our businesses to support the heavy investment needed to support AI research, including large AI research labs, a huge network of servers, self-designed AI chips, intellectual property patents and a large developer community.

Our AI capabilities were initially developed from our years of analyzing and understanding of information on the Internet. We open up our AI capabilities to the developer community to further improve our models. We also draw synergy from our products, such as visual search and voice search, which serve as reinforcements to further improve our understanding of photos and speech, respectively. Beyond search, products such as autonomous driving solutions help us improve computer vision, while products like Baidu Maps, Baidu IME (mobile keyboard) and DuerOS help us improve our understanding of speech and natural language. By operating in different markets, we not only enable the AI capabilities we build from the search environment to be used in other markets, we are also able to enhance our AI capabilities based on the learnings in other usage scenarios and contribute back to the overall AI capabilities of Baidu Brain.

We have a strategic advantage in the markets that we serve. Not only are we able to leverage our leading AI capabilities in our product and services offerings, we are able to draw upon the synergies we derive from investing in AI infrastructure and the reinforcement from our large portfolio of AI products and services.

Our focus on AI-powered markets makes us a formidable player in each of the markets that we serve, especially if our peers in these markets do not serve the wide range of AI-powered markets that we do.

Management team with decades-long proven track record of technology innovation and commercialization

We benefit significantly from our visionary and experienced management team. Combining solid technology background with in-depth understanding of the industry, together with extensive management experience, our management team is relentlessly pursuing innovative solutions to bring greater value to our users and customers. Robin Yanhong Li, our co-founder and chief executive officer, has been widely recognized as a pioneer and leading figure in China’s internet industry. In 2018, he was named as “the Innovator” by Time Magazine China. Each of Mr. Li and our chief financial officer Herman Yu has over 15 years of experience leading publicly listed companies.

Dr. Haifeng Wang, our chief technology officer, Dr. Dou Shen, our executive vice president, and Dr. Gong Yu, founder and chief executive officer of iQIYI, are reputed technologists and product managers, highly respected in our field with strong track records. Dr. Wang, with close to 30 years of research and development experience, is the president of National Engineering Laboratory for Deep Learning Technology and Applications. Dr. Wang was a fellow and former president of the Association for Computational Linguistics (ACL) and the founding chair of ACL’s Asia-Pacific chapter. Dr. Shen has served in various management roles at Baidu, including web search, display advertising and the financial services group. Prior to joining Baidu, Dr. Shen worked in the adCenter group at Microsoft and was a co-founder of Buzzlabs, a social media monitoring and analysis platform company. Prior to founding iQIYI, Dr. Gong was the president and chief operating officer of umessage.com, a top mobile internet services solution provider in China. Prior to that, Dr. Gong served in the roles of vice president, senior vice president, and chief operating officer at Sohu.com (Nasdaq: SOHU), a Nasdaq-listed company, from 2003 to 2008.

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Our Strategies

We intend to pursue the following strategies to further grow our business:

Continue to invest in technology

We aim to further strengthen our leadership in technology by continuing to invest in research and development focusing on the following areas:

- *AI computing and AI technologies:* We plan to further invest in AI computing and the development of AI technologies to solidify our leading position in the markets that we serve;
- *AI chips:* We plan to optimize existing AI chips and develop next generation chips to further improve the operating performance of Baidu Brain and the competitiveness of our products in the marketplace, such as DuerOS smart devices and infotainment for autos; and
- *Other technologies:* We will continue to invest in cutting-edge technologies, such as blockchain, edge computing, quantum computing and biological computing, which is key to our long-term success as a leading technology company.

Continue to scale our AI Cloud

We will further grow our AI Cloud through commercialization in various industry verticals by offering more value to existing customers and investing in new customer acquisition. We plan to penetrate deeper in the core verticals that we have entered into, by building on our relationship with existing customers, enhancing our comprehensive cloud offerings and delivering tangible value to our customers. We intend to expand and better tailor our AI solutions to cover more verticals with strong growth potential. We will focus on capturing the massive demand from traditional enterprises and public sector organizations with the growth of the cloud market in China. In addition, we also plan to capture potential cross-selling opportunities, leveraging our existing massive marketing customer base. In particular, we will focus on solidifying our leadership position and continue to expand in the smart transportation area, which has huge monetization potential benefiting from the *New Infrastructure Initiative* in China.

Further develop and commercialize intelligent driving and other growth initiatives

We intend to continue improving and promoting the adoption of intelligent driving by continuously improving our products and services offerings and expanding our strategic partnerships with auto makers and the public sector. We plan to further develop and commercialize Apollo Self Driving services. We have partnered with Geely to produce EVs, hoping to leverage our know-how and capabilities in autonomous driving, intelligent driving and smart transportation. We also plan to further expand the scale and coverage of Apollo autonomous driving testing and to work with the public sector to operate robotaxi in more cities across China. We believe our efforts invested in self-driving, intelligent EV and robotaxi have huge long-term monetization potential.

On DuerOS smart assistant, we will focus on increasing its installed base on Xiaodu smart devices as well as on third-party smart devices. We will also continue to grow the offering in the DuerOS store by working closely with existing and attracting new developers. We will continue to invest in Baidu Honghu AI chip to further improve the performance and economics of Xiaodu smart devices. We aim to unlock monetization potential from value-added services on Xiaodu smart devices, especially from membership, skills store revenue share and marketing services.

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We will continue to explore new and innovative application and monetization opportunities leveraging our AI technologies.

Continue to grow our Mobile Ecosystem

We will continue to attract and retain users through the diversified and high-quality offerings of information and services on our platform, to penetrate into broader user groups through multiple channels such as pre-installation of our apps, in particular Baidu App, with OEMs.

We plan to continue to pursue our in-app strategy to enhance user engagement and build a more robust closed-loop content and services ecosystem, including the extension from information to social to purchase. We intend to further enrich our platform with content and services by optimizing our AI building blocks and marketing cloud, in order to attract more third-party content and services providers, as well as users, to our mobile ecosystem. We also plan to offer content in increasingly diversified formats, such as video and live streaming, leveraging our resources from iQIYI and potentially from YY Live.

Furthermore, we intend to strengthen our vertical and community offerings to provide superior experience to users, merchants and content providers. For example, we plan to further develop our online healthcare platform by improving telemedicine and developing other online healthcare services, to expand our content and service offering to our users.

We will continue to improve the effectiveness of our online marketing services with our AI technology, and plan to further diversify monetization channels and generate revenue from non-marketing services, such as e-commerce, online games, live broadcasting and membership.

Selectively pursue M&A and strategic investment

To complement our organic growth, we plan to selectively pursue suitable strategic partnerships, investments, alliances and acquisitions. While keeping our disciplined investment philosophy in mind, we intend to explore opportunities that are complementary to our growth strategies, particularly opportunities that would allow us to strengthen our mobile ecosystem and new AI initiatives, and to expand our user base. We also intend to focus on partnerships, investments, alliances and acquisitions that can attract new participants to our ecosystem and broaden our service offerings. In November 2020, we entered into definitive agreements with JOYY Inc. to acquire its domestic live streaming business in China, which includes YY mobile app, YY.com website and PC YY, among others.

Our Business

Our operations are primarily conducted in China, and our revenues are primarily generated from China. Our business consists of two segments: Baidu Core and iQIYI. Within Baidu Core, our product and services offerings are categorized as follows—Mobile Ecosystem, Baidu AI Cloud and Intelligent Driving & Other Growth Initiatives. Aside from Baidu Core, Baidu Inc. includes iQIYI, which became a stand-alone public company in March 2018.

Our Technology Innovation

Since our inception in 2000, we have been focusing on developing our Chinese language internet search services and solidifying our leadership position in the Chinese language search market by (i) enhancing and expanding both our core search functionality and suite of search products, to achieve traffic growth and market share expansion and (ii) developing and refining our pay-for-performance (P4P) online marketing platform business model to realize the scalability and optimize monetization.

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We are the first mover to bring the search plus feed model to mobile the Chinese market, according to the CIC Report. Search service providers traditionally respond to user queries by providing a list of web-links and directing users to other sites for information and services, whereas Baidu App and other apps aggregate content and services on the Baidu platform and enable users closed loop transactions without leaving the platform. In the era of mobile Internet, as a result of smaller screen size and a platform’s ability to understand user behaviors, the search plus feed model allows users to actively discover information and services through search, and consume personalized and curated push content based on our AI-powered recommendation engine.

In 2010, we began using machine learning, a branch of AI, to improve users’ search experience. By building a large knowledge graph, for example, training a machine to recognize relationships between the huge amount of content on the Internet and key words, we can improve the relevancy of search results for our users. Content on the Internet is usually made up of text, photos with tags and short videos with background sound. By training Baidu Brain, our core AI technology engine, to recognize how the Chinese language is used, we are able to build strong understanding of the Chinese semantics, which has led to the development of our core AI capabilities, including knowledge graph, natural language processing, speech recognition and computer vision. We have then made our AI capabilities available to a large developer community.

Our AI technological innovation has been well recognized by leading institutions. In July 2020, ERNIE, our natural language processing framework that was launched in 2019, won the highest honorary recognition at the 2020 World Artificial Intelligence Conference, the SAIL (Super AI Leader) award. In 2019, ERNIE became the first AI model to score above 90 on GLUE, which is widely considered as the benchmark for testing AI language understanding. The ranking has been otherwise dominated by U.S. technology firms and universities.

With AI increasingly become a key driver for growth, innovation and transformation in many industries, AI deep learning frameworks function as operating systems that empower such changes. PaddlePaddle, our open source deep learning framework accessible to the global developer community, opened its source code to public in 2016. Since then, PaddlePaddle and Baidu Brain, our core AI technology engine and open AI platform that builds on PaddlePaddle, have been adopted by a thriving developer community of more than 2.65 million developers as of December 31, 2020, which is the largest AI developer community in China. This strategic decision has allowed us to continually improve Baidu Brain, PaddlePaddle and AI capabilities, enhance and differentiate our AI solutions through valuable insights from the vibrant developer community, and improve the effectiveness, accuracy and functionalities of our AI solutions, which in turn help Baidu Brain better power our businesses, including Mobile Ecosystem, AI Cloud and Intelligent Driving & Other Growth Initiatives. Below are examples of how our AI capabilities have been applied within Baidu Core:

- **Mobile Ecosystem:** As merchants are increasingly prioritizing mobile conversion, we offer Managed Page to merchants in order to improve their online marketing effectiveness. Merchants can open an account on our platform and port their content and services onto Managed Page as the landing page for their search results. After using Managed Page, merchants can leverage AI technology previously unavailable to them to deploy mobile advertisement with more precision thus better conversion and reach potential customers with similar user profiles. Merchants are rapidly adopting Managed Page due to improved marketing effectiveness powered by our AI capabilities.
- **AI Cloud:** Our AI Cloud differentiates itself by providing AI solutions based on AI capabilities and knowledge graphs. Some examples of our AI cloud solutions include: (i) a

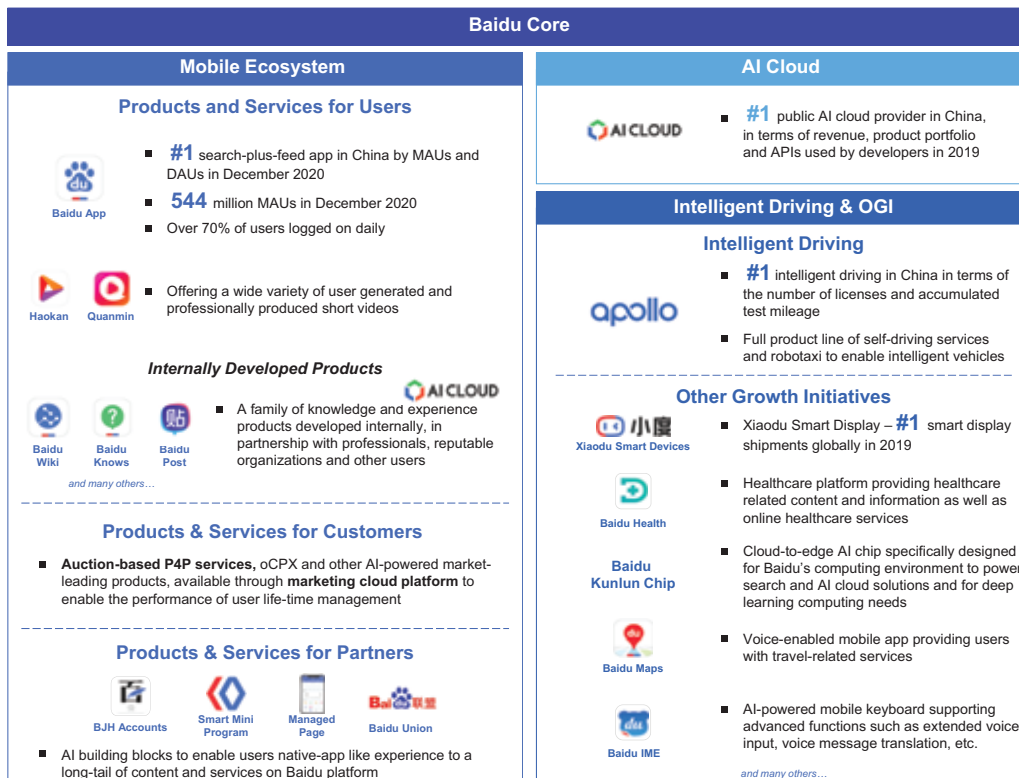
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major telecom operator installing our automated call center solution powered by Baidu Brain to handle millions of calls per month, reducing the average call time per customer by 40%; (ii) a utility company using our knowledge-graph cloud solution to determine the amount of electricity needed to support a geographic region that was deploying EV charging stations; (iii) a retail bank using our knowledge-graph cloud solution to improve credit risk management for consumer and SME lending; and (iv) a large enterprise using our knowledge-graph cloud solution to recommend relevant documents to its employees to support the daily and weekly write up of management reports.

- **Intelligent Driving:** Leveraging our AI capabilities, especially computer vision, we are the market leader in autonomous driving in China, in terms of the number of test miles and test licenses. As of December 31, 2020, Apollo accumulated Test miles in China reached 4.3 million and we have received 199 autonomous driving licenses with extensive geographical coverage in China, compared to the second player which had approximately 20 licenses.
- **DuerOS Smart Assistant:** Xiaodu smart devices are powered by AI technologies, such as ERNIE, our pre-training language understanding framework to provide best-in-class rate of automatic speech recognition, rate of return and rate of satisfaction among similar products in China.

Baidu Core

The chart below visualizes our key products and services under Baidu Core.



Baidu Core—Mobile Ecosystem

Baidu Mobile Ecosystem provides a platform for people to discover and consume information through search and feed and facilitate interaction and engagement among users, creators, service providers, and merchants, alike. In particular, our ecosystem allows merchants, creators, publishers and service

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providers to acquire users, interact with users by provide information, content, products and services, and transact with users. This marketing funnel approach from user acquisition to user engagement to monetization demonstrates our value to merchants, allowing them to build a life-time relationship of users. In addition, this platform-centric approach has enabled our Mobile Ecosystem to start diversifying commercialization beyond online marketing into other services.

Products and Services for Users

Baidu App. Our flagship app enables users to access our search, feed, content and other services through mobile devices. Baidu App offers twin-engine search and feed functions that leverage our AI-powered algorithms and deep user insight to offer users a compelling experience. Through the building blocks of BJH accounts, Smart Mini Program and Managed Page, Baidu App provides users single log-on, native-app-like experience to a wide range of information and services dispersed across isolated mobile apps and HTML5 websites, as well as merchants a full suite of marketing cloud services. Baidu App’s spanning mobile ecosystem has resulted in more users logging in. In December 2020, MAUs and DAUs of Baidu App reached 544 million and 202 million, respectively.

- *Baidu Search.* Users can access our search and other services through Baidu’s properties and Baidu Union partners’ properties. In addition to text inputs, users can conduct AI-powered voice search and visual search. Voice search integrates speech recognition and search technologies to enhance the user experience by providing a more natural and convenient input modality. Visual search enables the use of smart phone cameras to capture images and retrieve related content and services on the Internet. For example, users can take a photo of a plant or a pet, to identify the species.



Visual search showing the brand and detailed information of a product, along with the link to purchase the product



Visual search showing the species of the plant being searched, along with the detailed information from the Baidu wiki

We also endeavor to improve the search experience, through other AI-powered products, such as Top 1, to satisfy user queries with the first displayed search result, which we believe will be an important capability with the adoption of smart devices with smaller screens. In addition, we offer vertical search, such as video search and online literature search to our users.

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- **Baidu Feed.** Baidu Feed provides users with personalized timeline based on their demographics and interests. Baidu Feed complements our core search product, leverages Baidu AI recommendation algorithms and monetization platform, and contributes to user engagement and retention, including content sharing, likes, and comments. Baidu Feed provides text-to-speech function to help users consume Internet content hands free, as well as leverages its large traffic to distribute video content from Haokan, Quanmin, iQIYI and third parties.

Haokan. Haokan offers a wide variety of user generated and professionally produced short videos, usually several minutes long, in coordination with MCNs. Haokan allows users to upload, view, search, rate, share, favorite, comment, and follow. Video creators and curators can distribute their content to build a fan base and receive revenue share for their content contribution.

Quanmin. Quanmin is a flash video app for users to create and share short videos, usually less than one minute long, and live videos with entertainment orientation, such as musical, dance, comedy, acting, and lip-sync. Users can shoot or upload flash videos and edit them with built-in special effects, filters and stickers. Contents are distributed in personalized timeline powered by Baidu AI recommendation algorithms.

Internally Developed Knowledge-and-Information-Centric Products

Our content and services ecosystem also includes a comprehensive portfolio of knowledge and information products developed internally, in partnership with professionals, reputable organizations and other users. For example, we provided live streaming content from healthcare industry experts in 2020, to help users better understand and cope with the COVID-19 pandemic.

Baidu Wiki. A leading wiki in China compiled by experts in specialized fields featuring high-quality columns and videos, such as *Encyclopedia of Intangible Cultural Heritage*, *Digital Museum* and *Recorder of History*.

Baidu Knows. An online community where users can pose questions to other users, such as individuals, professionals, and enterprises. Baidu Knows leverages Baidu’s search capabilities to help users find answers to their questions on the Internet fast and efficiently, while at the same time allow various partners of Baidu Knows to engage with their targeted users.

Baidu Experience. An online platform where users share daily knowledge and experience, providing practical tips and interesting perspectives in areas, such as software, lifestyle, and games, etc.

Baidu Post. A social media built on topical online communities. Users can post text, image, audio and video content and reply to original curation, forming valuable discussion groups. Baidu Post draws new users through close integration with search and user generated content, and has been a popular platform for celebrity fans, online game players, and online novel readers to share topical discussions, especially about current trends.

Products and Services for Partners

We attract numerous partners to our platform through our AI building blocks and Baidu Union, which help create opportunities for us to work with our partners in research and development and other business cooperation and establish long term business relationships.

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AI Building Blocks. The number of smartphones sold in China is on a decline and app installation costs have been rising, causing app developers to take interest in offering their content and services on Baidu App with native-like app experience. Similarly, website owners are experiencing the challenge to grow their business while open in-app search queries are outgrowing browser search queries. To help app developers and website owners grow their business and leverage their traffic more efficiently with AI-powered tools and capabilities, we offer Smart Mini Program and Managed Page to our partners, respectively. We also offer BJH accounts to enable content providers to place their content on our publisher network and make their content searchable.

- *Baijiahao (BJH Accounts).* Our publisher network aggregates articles, photos, short videos, live videos, and augmented reality clips from MCNs, media outlets, and other professional sources, for distribution through search, feed, and short video products. BJH publisher accounts reached 3.8 million in December 2020, representing a growth of 48% over the same period in 2019.
- *Smart Mini Program.* App developers may share their content and services in Baidu App with native-app like experience through increasingly popular applets, known as Smart Mini Program. Users can now search for and access content and services that historically were only available in standalone apps within Baidu App, without having to download and maintain so many apps on their phones. Launched in July 2018, Smart Mini Program has seen large user growth, with MAUs of Smart Mini Program reaching 414 million in December 2020.
- *Managed Page.* Managed Page is a hosted mobile alternative for website owners. Site owners may open an account on our platform, use our tools and services powered by AI and engage with users without having to maintain their own site and pay for server, software and bandwidth costs. Managed Page comes with industry-specific templates and is designed to provide users with more reliable and secure information.

Baidu Union. We match the promotional links of our online marketing services customers to the online properties of Baidu Union partners, which consists of a large number of partners, such as third-party websites, wap sites and mobile apps. Some Baidu Union partners, such as online portal websites and Internet cafes, also embed our products and services, such as Baidu Search or a search function powered by Baidu Search, onto their online properties, which allows Baidu Union partners to provide high-quality, relevant search results to their users without incurring the cost of development and maintenance for advanced search capabilities and monetize their traffic through revenue sharing arrangements with us. Baidu Union partners may use our content recommendation system to provide feed content and ads to their users. We typically pay our Baidu Union partners a portion of the online marketing revenues based on pre-arranged agreements.

In addition, we also enter into arrangements with Baidu Union partners to provide our search engine in their browsers. We typically pay such Baidu Union partners a fee based on prearranged agreements.

Products and Services for Customers

We, through our network of third-party agents and our direct sales team, deliver online marketing services to a diverse customer base consisting of small and medium-sized enterprises (SMEs) across industries, including healthcare, retail, e-commerce, education, personal care, real estate, home furnishing, automobile, financial services, professional services, franchising and online games. In 2020, we served around half a million enterprise customers, who are customers of our online marketing services and business services.

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Our online marketing services enable the delivery of comprehensive, rich, and diversified marketing offerings to fulfill customer needs. Our online marketing services include P4P (pay for performance) services and others. We generate revenues primarily from the sale of P4P online marketing services and other marketing services to our customers, which accounts for a majority of our total revenue for the years ended December 31, 2018, 2019 and 2020.

P4P. Our auction-based P4P services allow customers to bid for priority placement of paid sponsored links and reach users who search for information related to their products or services. We charge our customers on a cost-per-click basis. Customers may choose to purchase search, feed and other online marketing services and have the option to set daily allowances targeting users by geography in China and specify the time period for their campaign. As our partners adopt Smart Mini Programs and Managed Page, some of them have begun to use these properties as their landing page, in lieu of their own mobile apps and websites.

Search marketing services are mainly provided to customers through our proprietary online marketing system which drives monetization efficiency by improving relevance in paid search and optimizing value for our customers.

Feed marketing services usually comprise image-based or video-based advertising, appearing between the feed headlines or within the feed content. It is powered by Baidu AI in order to better match goods and services providers with their targeted audience while optimizing user experience.

Others. Our other marketing services comprise display-based marketing services and other online marketing services based on performance criteria other than cost-per-click. Customers can choose different mix of our service offerings to optimize their return on investment. BrandZone allows customers to display integrated text, logo, image, and video in a structured and uniform manner on a prominent position of the search result page or in vertical search products, such as Baidu Knows. Programmatic marketing platform supports the placement of advertisement using standard, intelligent, or customized creativity, different purchasing methods (guaranteed delivery or real time bidding), and multiple payment methods.

Marketing cloud platform. Our marketing cloud platform integrates one-stop-shop media purchase with CRM functionalities, to allow our customers to purchase brand and performance-based marketing services, build audience and user engagement, generate leads and maintain relationships with users, leveraging tools and services powered by Baidu AI. Our marketing cloud platform helps us better understand our customers’ needs and enable our customers to leverage Baidu’s AI to simplify their marketing process and improve the effectiveness of their marketing efforts.

Our Mobile Ecosystem, built upon Baidu App as well as a dozen other apps, offers a wide range of third-party content and services to hundreds of millions of users, typically free of charge. Our AI building blocks and other products and services for partners have attracted millions of partners to become participants in our Mobile Ecosystem and generate content and services onto our platform and to tap into our over- half-a-billion user base. The more partners we bring into our Mobile Ecosystem, the better we become at providing users with a more comprehensive reach and cover content and services in more diversified formats than competing products, which in turn attracts more users and partners to our Mobile Ecosystem. For our Mobile Ecosystem business, we generate a substantial majority of our revenues from the provision of online marketing services to our customers and through third-party agents. We charge our customers periodically based on usage while requiring certain customers to pay a deposit. We also offer certain customers credit terms. In addition to offering ads on

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our platform, we serve promotional ads from our customers on the apps or website properties of Baidu Union partners. We also power the search engines of Baidu Union partners.

Baidu Core—AI Cloud

Our AI Cloud offers a comprehensive set of cloud solutions, including AI PaaS and SaaS, based on our unique AI capabilities, and IaaS in computing, storage, network, database and delivery services. Our IaaS services provide our customers the flexibility to quickly scale or cut back on their cloud computing needs without having to provide huge capital layout upfront. Our AI solutions, usually consisting of PaaS and/or SaaS, leverage our AI capabilities to improve our clients’ operational efficiency and service levels. For example, we enabled a client in the manufacturing sector to automate quality assurance checkpoints on its production line by leveraging our computer vision capabilities. This solution helped our client reduce labor cost and improve their operational efficiency. Our goal is to offer a comprehensive set of products, services, and tools to enable enterprises and the public sector to improve productivity and operational efficiency through the use of Baidu AI and cloud infrastructure.

AI Solutions. Developers and enterprises can easily access and build customizable AI solutions for various industries by leveraging our full suite of cloud-based modularized solutions, including algorithms, pre-training models and data sets in areas of speech recognition, computer vision, NLP, OCR, video analysis, and structured data analysis. Our powerful and cost effective cloud-based modularized AI solutions allow developers and enterprises to improve their own products and services and expand their use cases over time. While the services on this platform is free for developers, its wide adoption and application by our large developer community allow us to further improve our AI capabilities over time to maintain our technological advantage. Furthermore, as we have access to where the developer community and its customers are directing their efforts, we use those insights to enhance our AI solutions and direct our investments in AI capabilities targeting industries have the most commercialization opportunities.

Knowledge-Graph Cloud Solutions. We offer our large-scale knowledge graph to establish and pre-train various decision models for our customers. Using our customers’ big data, we can establish systematic knowledge graph and develop various computing models that can provide instantaneous answers to complicated decision making for our customers. Leveraging the knowledge graph that we have built from handling vast amounts of content online for the last two decades, we can provide differentiated knowledge-graph cloud solutions built on our AI PaaS for specific applications and develop various computing models that can be agilely adopted and applied to the needs of different customers across multiple industries. For example, a utility company used our knowledge-graph cloud solution to determine the amount of electricity needed to support a geographic region that was deploying EV charging stations; a retail bank used our knowledge-graph cloud solution to improve credit risk management for consumer and SME lending; and a large enterprise used our knowledge-graph cloud solution to recommend relevant documents to its employees to support the daily and weekly write up of management reports.

Industry Vertical Solutions. Leveraging our PaaS and SaaS solutions and knowledge graph, we have developed customized AI cloud solutions for our customers in specific industries, such as smart transportation, finance, manufacturing, utilities, telecom and media. Our experience in serving industry leaders in these verticals further allows us to quickly scale to provide customizable solution to serve other enterprises in the same space, supporting our deeper penetration in these verticals. For example, in the transportation industry, we are a pioneer and industry leader in developing V2X solutions, the infrastructure backbone to smart transportation, to cities in China to help them improve municipal

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traffic condition, air pollution and road safety, using Baidu AI technology. In August 2020, we won a RMB460 million project to help the city of Guangzhou to improve its traffic efficiency and safety by adopting our V2X solution. The Guangzhou project uses Apollo ACE transportation engine, which, in essence, is a transportation cloud solution that processes traffic information from Apollo MaaS and V2X, DuerOS connected vehicles and Baidu Maps, providing traffic agencies better information to improve traffic management and transportation services and offer autonomous driving services. The Guangzhou project demonstrates our technological capabilities and the advantages of our full-stack solutions, which could help us attract more contracts from other cities. As of December 31, 2020, we have won projects in over one dozen cities including Beijing, Shanghai and Guangzhou. The industry know-how from our existing businesses, such as our Mobile Ecosystem and iQIYI, also provides valuable insights on how to tailor AI Cloud solutions to customers in the technology and media industries.

Others. We offer Baidu Drive, which allows users to store and retrieve photos, videos, and other files on AI Cloud, along with other capabilities, such as group share and data transfer.

For AI Cloud, we generate revenue by providing cloud services and solutions to enterprise clients, consumers and the public sector directly or through solution integrators for a lump-sum fee or on a subscription basis. We also generate revenue from Baidu Drive from membership services provided to individual customers. Baidu Core’s cloud services revenue reached RMB9.2 billion (US\$1.4 billion) in 2020, increasing by 44% from 2019. Baidu Core’s cloud services revenue reached RMB3.3 billion (US\$0.5 billion) in the fourth quarter of 2020. Year-over-year revenue growth rate of our cloud services in 2020 has been accelerating to 67% in the fourth quarter of 2020 with increasing recognition of our AI capabilities and improving COVID-19 condition in China.

Baidu Core—Intelligent Driving & OGI

Intelligent Driving & OGI include developments with large total addressable markets and earlier-stage commercialization with a growing customer base, including Apollo intelligent driving and DuerOS smart assistant.

Intelligent Driving

We are the market leader in autonomous driving in China in terms of number of test miles and number of test licenses. As of December 31, 2020, we had 199 autonomous driving licenses with extensive geographical coverage in China, compared to the second player which had approximately 20 licenses. A well-known research firm, names Apollo as one of the four global leaders in autonomous driving, recognizing us as the top-tier autonomous driving company from China. Apollo is an open platform, which we believe maximizes the reach and value of our technology. As of December 31, 2020, our Apollo ecosystem has more than 200 partners, tier one suppliers and other strategic partners cumulatively.

With its focus on intelligence, Apollo provides a comprehensive, safe, secure and reliable solution that supports all major features and functions of an autonomous vehicle, helping build intelligent vehicles and smart roads through intelligent transformation. We have an extensive portfolio of autonomous driving technology infrastructures. Our experience in implementing and operating V2X solutions, accumulated test miles, and our deep learning capability helps us train models from real world and simulated data to improve the accuracy and effectiveness of our solutions.

Our ecosystem, industry know-how, road and traffic understanding, technology, experience with autonomous driving operations and cost advantage give us strong competitive advantages in

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driving the development of the intelligent driving industry, which includes Apollo Self Driving (HD Maps, AVP and ANP), intelligent EVs and robotaxi (autonomous driving fleet operation).

Apollo Self Driving. We have been investing in L3 and L4 self-driving technology to provide automakers with self-driving services. Under Apollo Self Driving, HD Maps supports L3 and L4 self-driving. In addition, we introduced AVP (our automated valet parking) services in 2018, which allow a driver to get out of the car upon arrival at his or her destination and our L4 solution would enable the vehicle to autopark, and to direct the vehicle to automatically drive to driver’s location out of the parking lot. In December 2020, we introduced ANP (our autonomous navigation pilot) services, which leverage our autonomous driving capabilities. We have signed strategic agreements with 10 leading automakers to power their passenger vehicles with HD maps and/or AVP, and we recently started accepting orders for our ANP services. These products are in the early stage of monetization and their revenue contribution is insignificant.

Intelligent EVs. We recently formed a new EV company and have entered into a strategic partnership with multinational auto manufacturer Zhejiang Geely Holding Group (Geely). We will provide intelligent driving capabilities to power the passenger vehicles, and Geely, which holds the distinction of best-selling Chinese automobile brand in past years under the Volvo and Geely brands, will contribute its expertise in automobile design and manufacturing.

Apollo Robotaxi. Robotaxi operation represents a massive opportunity. We received T4 licenses, the highest level of autonomous driving test license issued by the working group led by Beijing Municipal Commission of Transport, which permits autonomous vehicles to operate in complex driving conditions, including urban roads, tunnels, school zones and other scenarios. In September 2019, Apollo’s first robotaxi pilot program was made available to the public in Changsha, Hunan. Since then, Apollo’s robotaxi service has been made available in Beijing, Changsha and Cangzhou and has expanded into larger networks and more complex road conditions, such as downtown streets. In October 2020, Baidu fully opened the Apollo Robotaxi service to public in Beijing. Robotaxi is in the early stage of monetization and its revenue contribution is insignificant.

OGI

Baidu Health

Baidu Health’s goal is to provide doctors and hospitals more efficient online presence, through social accounts, live streaming seminars, discussion forums and telemedicine, as well as providing them with hosted management tools to remain in contact with their patients efficiently, such as messaging, appointment re-scheduling and monitoring of treatment plans. Conversely, Baidu Health help users find the doctor and hospital that best suits their different healthcare needs. Through our AI building blocks, we promote an information to social to purchase workflow, while connecting users to doctors and hospitals to improve their wellness over a lifetime. Peak-day healthcare related search queries reached 190 million in 2020.

Baidu Health consists of in-depth, authoritative healthcare content, including that from approximately 300,000 doctors and medical experts, by aggregating a wide range of third-party healthcare and wellness information from our AI building blocks, as well as from self-produced products, such as Baidu Healthcare Wiki.

Through BJH accounts, Smart Mini Programs, live streaming, and messaging tools, we enable users to engage with doctors and more than 100 hospitals nationwide and make an informed decision on selecting the doctor or hospital organization that most fits their needs, and continue to gain access to their primary doctor and affiliated hospital.

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DuerOS Smart Assistant. DuerOS is a leading smart assistant for the Chinese language, which powers first-party Xiaodu home smart devices and smart earphones, as well as third-party smart phones, children smart watches and story machines. DuerOS is differentiated by its multi-round conversation AI capabilities, leveraging internally designed Baidu Honghu AI chip, as well as by DuerOS skills store, which offers over 4,400 skills in wide ranging genres, including education, video, online game and live streaming. The wide selection of skills offered on DuerOS has allowed Xiaodu Smart Display to achieve an average daily activated time span per device of over 3 hour in 2020. In 2019, Xiaodu Smart Display ranked No. 1 in smart display shipments globally, and Xiaodu smart speakers ranked No. 1 in smart speaker shipments in China, according to the CIC Report. We generate revenue from the sale of our smart assistant devices to our customers directly and through our distribution network.

Baidu Maps. A voice-enabled mobile app providing users with travel-related services, including POI search, route planning, precise navigation, taxi-hailing service and real-time traffic condition information. Baidu Maps has a MAU of 316 million in December 2020. Baidu Maps also provides professional and stable map services to business partners across different sectors.

iQIYI

iQIYI is an innovative market-leading online entertainment service in China. iQIYI’s platform features iQIYI original content, as well as a comprehensive library of other professionally produced content (PPC), professional user generated content (PUGC) and user-generated content.

Premium content is critical to the success of iQIYI’s business. iQIYI needs to produce and license premium content in order to deliver a differentiated and engaging entertainment experience for its users. Content cost has historically accounted for the biggest portion of iQIYI’s cost of revenues. In 2020, content cost accounted for approximately 75% of iQIYI’s cost of revenues. Our content portfolio consists of original content, content licensed from third party professional content producers, as well as content uploaded by professional and other users. To cater to the tastes of Chinese users across their diverse spectrum, iQIYI licenses content from thousands of professional content providers and have built a vast and diversified library of professionally produced content. iQIYI’s content library included a wide selection of drama series, variety shows, films, kids programs, documentaries, animations, sports programs as well as other various genres of program, covering more than 30 content categories. This vast and diversified content library has helped iQIYI attract users of different ages and backgrounds and increase user engagement.

PPC. iQIYI’s PPC mainly includes original content and licensed content. As of December 31, 2018, 2019 and 2020, iQIYI’s library of professionally produced content included over 60,000, 50,000 and 40,000 titles of drama series, variety shows, films as well as other various genres of program.

- (i) Original content. iQIYI’s original content includes both content produced in-house and content produced in collaboration with quality third-party partners. iQIYI obtains the intellectual property rights through production, adaptation or purchase from third parties, while the partners, typically established entertainment production companies, are responsible for content development and production. iQIYI maintains a high degree of control during the content development and production process. In the content production process, iQIYI leverages its deep understanding of entertainment, users and content, as well as advanced technology, to identify original literary titles or scripts with the most potential, nurture promising artistic talents and execute impactful marketing campaigns. For content produced in-house, iQIYI staffs the production with its own highly professional development team of well-recognized producers, production professionals,

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artists and a post-production editing professionals. For content produced in collaboration with quality third-party partners, iQIYI typically engages quality production companies through individual negotiation or through a competitive bidding process for the right to produce content, and iQIYI pays such production companies in the form of a guaranteed fee and/or revenue sharing.

With an illustrious track record of producing blockbuster original titles and the self-production capability spearheaded by over 50 in-house studios and partnership programs, iQIYI has become a symbol of high-quality video content. Since 2015, iQIYI has released many award-winning multi-genre original titles, such as *The Lost Tomb* (盜墓筆記), *The Mystic Nine* (老九門), *Burning Ice* (無證之罪), *Story of Yanxi Palace* (延禧攻略), *The Thunder* (破冰行動) and *The Bad Kids* (隱秘的角落). iQIYI also pioneered and produced a number of internet variety shows that are highly popular, such as *The Rap of China*, *Idol Producer*, *The Big Band* (樂隊的夏天) and *Qipa Talk* (奇葩說), the last of which was released in 2014 and wrapped up its seventh season. Leveraging its initial success, iQIYI has extended selected popular titles into multi-season format. In order to provide high-quality original content offerings to our users, iQIYI has managed to attract and retain top talents available in market and suitable for the development and production.

- (ii) Licensed content. iQIYI provides users with a curated selection of high-quality PPC from third parties. Leveraging its expertise in content selection, iQIYI have successfully debuted well-received titles such as drama series *iPartment* (愛情公寓), *In the Name of People* (人民的名義), *Go Go Squid* (親愛的，熱愛的), *Qing Yu Nian* (慶餘年), *Reunion: The Sound of the Providence Season 2* (重啟之極海聽雷第二季), and variety show *Keep Running Season IV* (奔跑吧第四季). iQIYI licenses video content typically at fixed rates for a specified term, and pay licensing fees generally in installments upon signing of the contacts and during the licenses period. iQIYI also exchanges rights to distribute licensed content with other internet video streaming services to enrich its content library. In certain cases, iQIYI has the right of first refusal to purchase new content produced by the licensor. iQIYI’s licensed content library also features a rich collection of movies, animations, documentaries and other content.

Other Video Content. iQIYI offers a broad base of other video content with all kinds of genres, formats, and lengths of duration, such as internet movies and dramas, mini variety shows and animations, interactive videos, vertical or horizontal videos, as well as grassroot or influencer uploaded videos, edited video clips, and video blogs, or Vlogs, among others. iQIYI’s other video content expands its library and allows it to capture a broader user base, drive user engagement and enhance user stickiness.

iQIYI has developed a diversified monetization model to capture multiple opportunities arising from the rapid growth of the online entertainment industry in China. iQIYI generates revenues through membership services, online advertising services and a suite of other monetization methods. It pioneered a large scale paid content subscription business in China. It appeals to advertisers through broad and efficient user reach, as well as innovative and effective advertising products. iQIYI’s sophisticated monetization model fosters an environment for high-quality content production and distribution on its platform, which in turn expands its user base and increases user engagement, creating a virtuous cycle.

Membership Services. iQIYI’s membership services generally provide subscribing members with superior entertainment experience that is embodied in various membership privileges. Subscribing members have access to a large collection of VIP-only content comprising drama series, movies, animations, and cartoons, among others, and have earlier access to certain content aired on the iQIYI platform. Membership privileges generally include substantially ad-free streaming, 1080P or 4K high-

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definition video, enhanced audio experience, accelerated downloads and others. Subscribing member privileges also include coupons and discounts on paid on-demand films, as well as special privilege in offline events, such as exclusive access to live concerts. The number of subscribing members increased 22.3% from 87.4 million as of December 31, 2018 to 106.9 million as of December 31, 2019. Excluding individuals with trial memberships, the number of subscribing members increased by 22.7% from 86.1 million as of December 31, 2018 to 105.7 million as of December 31, 2019. As of December 31, 2020, the number of iQIYI’s subscribing members and the number of subscribing members excluding individuals with trial memberships were 101.7 million and 100.7 million, respectively.

Online Advertising. The prices of iQIYI’s advertising services depend upon various factors, including form and size of the advertising, level of sponsorship, popularity of the content or event in which the advertisements will be placed, and specific targeting requirements. Prices for the brand advertising service purchased by each advertiser or advertising agency are generally fixed under sales contracts.

Content Distribution

iQIYI sub-licenses procured third-party content within the authorized scope to other internet video streaming services. iQIYI also entered into barter agreements to exchange internet broadcasting rights of licensed content with other internet video streaming services. We distribute our selected original content to regions outside of China and to TV stations in China. Exclusive licensing agreements iQIYI enters into with the content licensors has a specified license period and provides iQIYI rights to sub-license these contents to other parties, while non-exclusive licenses do not provide iQIYI with the right to sub-license. iQIYI enters into a non-exclusive sub-license agreement with a sub-licensee for a period that falls within the original exclusive license period, for cash or exchanging online broadcasting rights of licensed copyrights.

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 have established several research labs in China and the United States, to enhance our research and development capabilities, including AI, quantum computing and other areas.

Baidu AI

We have been investing in AI since 2010, and have developed “Baidu Brain,” our core AI technology engine, which has become a powerful technology platform that powers all of our business. We have opened up our AI platform to a large community of developers, which helps improve our AI capabilities and accelerate large-scale implementation of our AI. Request on Baidu Brain has peaked over 1 trillion hits per day in 2020.

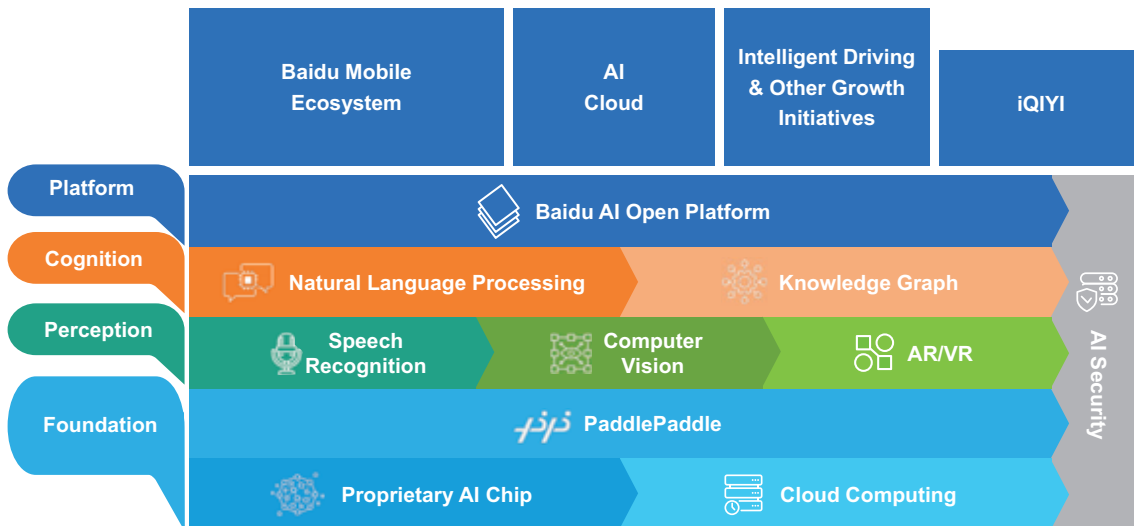
Our AI capabilities encapsulated on “Baidu Brain,” our core AI technology engine, consist of four layers and one module, as follows:

- a foundation layer, consisting of PaddlePaddle, our open source deep learning framework and platform, as software, Kunlun AI chips as hardware and databases as fuel;
- a perception layer, aggregating internally developed algorithms for speech recognition and synthesis, computer vision and augmented reality & virtual reality;
- a cognition layer, consisting of algorithms for natural language processing and knowledge graph;

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- a platform layer, opening our technologies to partners and developers to develop a strong AI ecosystem; and
- an AI security module that ensures Baidu Brain’s security, safety and privacy.

Baidu Brain



AI Capabilities. Baidu Brain 6.0, which was launched in September 2020, making available over 270 AI capabilities, including natural language processing, knowledge graph, speech recognition and synthesis, computer vision, etc.

- **Knowledge Graph.** Baidu AI consists of heterogeneous knowledge graphs of entity-graph, attention graphs, events, POIs, and industry-knowledge, which transform immense multi-element and multi-modal data into a holistic semantic network containing hundreds of millions of nodes and hundreds of billions of relationships.
- **NLP.** ERNIE (Enhanced Representation through kNowledge IntEgration), our NLP framework, is capable of continual learning various knowledge from massive data and has achieved state-of-the-art results in both Chinese and English language understanding tasks. ERNIE has been widely used in the fields of reading comprehension, emotional analysis, search intelligent Q&A, video recommendation, click-through rate prediction. As to machine translation, Baidu Translate provides translations to 203 languages and the number of characters translated daily reached over 100 billion.
- **Speech Recognition and synthesis.** In 2019, Baidu launched the streaming multi-layer truncated attention model (SMLTA) to improve the accuracy of speech recognition, making it possible to recognize mixed Chinese and English or mixed Mandarin dialect speech. Meitron, a voice synthesis technology we developed, maps the tone, style, emotion and other elements into different sub-spaces, which allows a user to switch the voice of an application to his/her voice by recording a voice input of 20 sentences. The Meitron-based voice customization function has been added to Baidu Maps.
- **Computer Vision.** Visual semantics allow the machine to understand videos and extract structured semantic knowledge by recognizing people, movements, items and associated time series. Visual understanding has been applied widely in our video applications. With synthetic virtual image technology, including facial, limb and mouth shape generation, we have developed

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“virtual” customer representative, to be paired with our automated customer service cloud solutions, powered by Baidu Brain.

Our technological innovation in AI has been well recognized by leading institutions. For example, in 2019, ERNIE became the first AI model to score above 90 on GLUE (General Language Understanding Evaluation), which is widely considered as the benchmark for testing AI language understanding. The ranking has been otherwise dominated by U.S. technology firms and universities.

Our unique breadth and depth of AI capabilities provide the differentiating foundational technologies that power all of our businesses. We are one of the very few companies in the world that offers full-stack AI technologies encompassing AI chips, software framework and applications. We believe our strength in AI open platform allows us to apply and commercialize AI across a diverse product portfolio across the consumer, enterprise and public sector.

PaddlePaddle. PaddlePaddle is our deep learning framework, which we open sourced in 2016, and is the No. 1 deep learning framework in China, according to the CIC Report. PaddlePaddle provides: (i) a DL framework based on programming logic enabling both development flexibility and stability; (ii) the ultra-large-scale training capacity for real-time updates of trillion-level parameters of deep learning models; (iii) end-to-end deployment of high-performance inference engines designed for diverse platforms and devices; and (iv) open source industry-grade models covering a wide range of applications.

AI Chips. Baidu Kunlun, a cloud-to-edge AI chip, was introduced in 2018, specifically designed for Baidu’s computing environment, to power search and AI cloud solutions, as well as for our deep learning computing needs. Baidu Kunlun optimizes our AI capabilities on AI Cloud servers while improving cost efficiency. In addition, we have also developed Baidu Honghu to power DuerOS smart devices and in-vehicle infotainment to improve speech recognition performance and provide a cost advantage in our AI offerings.

We have also developed a proprietary technological infrastructure which consists of technologies for search, marketing services, and large-scale systems. Our established infrastructure serves as the backbone for AI, mobile and PC platforms.

Mobile Ecosystem Technologies

Search Technologies. Our search is powered by a set of industry-leading technologies, including the following, among others:

- *Ranking.* We compare search queries with the content on web pages to help determine relevance. We have significantly improved the relevancy, freshness and authority of ranking using our machine learning modules to analyze the rich content on the Internet and user intent, to prioritize the search results. We began using machine learning in 2010, to better understand the semantics beyond simple text of the search keywords, and in 2013, we began to apply deep learning in our search ranking system, which is playing an increasingly important role. In 2019, we began to develop Top 1 (satisfying user with the first search result) by significantly enhancing the results of question parsing and analysis, answer matching, extraction, page content understanding and other aspects of our search engine, which has greatly improved user satisfaction with our search products.
- *Multi-modal search.* We have greatly improved the accuracy of speech recognition in scenarios, such as long sentences, mixed Chinese and English, and strong accent, and thus significantly

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improve user satisfaction of our speech search. We have built a terminal visual interaction engine v1.0 for visual search and facilitated the implementation of convolutional neural network models, reducing the training costs through unsupervised or semi-supervised models.

Marketing Services Technologies. Our marketing services platform serves billions of relevant, targeted sponsored links each day based on search terms users enter or content they view on web pages or in our apps. Our key marketing services technologies include Phoenix Nest, a web-based auction system to enable customers to bid for keywords and automatically deliver relevant, targeted promotional links on Baidu’s properties and Baidu Union partners’ properties. Designed to generate more relevant results, Phoenix Nest helps customers to identify popular keywords and provides them with tools for budget management and marketing effectiveness measurement.

Large-Scale Systems and Technologies. Our large scale and massive amounts of user traffic require our systems to efficiently and effectively allocate resources among the products and services in our large product portfolio. Our key large-scale systems and technologies include our internally developed automated management platform for large size clusters, which enables us to intelligently manage and allocate resources and automatically debug and relocate services, thereby, allowing the huge volume of requests on Baidu search platform to function stably across multiple internet data centers and a large network of servers.

Research and Development

We have a team of experienced engineers who are based mostly in Beijing, Shanghai and Shenzhen, China. We also have development centers in Sunnyvale, California and Seattle, Washington. We compete aggressively for engineering and recruit most of our engineers locally and have established various recruiting and training programs with leading universities in China. We have also recruited experienced engineers globally.

In the years ended December 31, 2018, 2019 and 2020, our research and development expenditures were RMB15.8 billion, RMB18.3 billion and RMB19.5 billion (US\$3.0 billion), representing 15%, 17% and 18% of our total revenues, respectively. Our research and development expenses primarily consist of salaries and benefits for research and development personnel. We expense research and development costs as they are incurred, except for certain internal-use software.

Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our intellectual property and our brand. We have over 7,800 issued patents in China covering invention, utility model and design, and intend to apply for more patents to protect our core technologies and intellectual property. We also enter into confidentiality, non-compete and invention assignment agreements with our employees and consultants, and nondisclosure agreements with selected third parties. “百度,” our company’s name “Baidu” in Chinese, has been recognized as a well-known trademark in China by the Trademark Office of National Intellectual Property Administration under the State Administration for Market Regulation. In addition to owning “” and the related logos, we have applied for registration of various other trademarks. We also have registered certain trademarks in the United States, Australia, Brazil, Canada, Hong Kong, India, Indonesia, Japan, Malaysia, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea, Thailand, the European Union and several other jurisdictions. In addition, we have registered our domain name *baidu.com* and certain other domain names with authorized registrars of ICANN (Internet Corporation for Assigned Names

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and Numbers). We have also successfully become designated Registry Operator for *.baidu* top-level domain names by ICANN.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement or other violations of intellectual property rights. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving and could involve substantial risks to us. See “Risk Factors—Risks Related to Our Business and Industry—We may face intellectual property infringement claims and other related claims, which could be time-consuming and costly to defend and may result in an adverse impact over our operations” and “—We may be subject to patent infringement claims with respect to our P4P platform.”

Sales and Distribution

We offer products and services for Baidu Mobile Ecosystem through our network of third-party agents and our direct sales team. We typically enter into framework sales agreements with third-party agents, where third-party agents will sell online marketing services to customers such as SMEs, domestic businesses and multinational companies on our behalf. The sales agreements typically limit the industry focus of the third-party agents. The third-party agents provide our online marketing customers with numerous services, including identifying customers, collecting payments, assisting customers in setting up accounts with us, suggesting keywords to maximize ROI and engaging in other marketing and educational services aimed at acquiring customers. We have direct sales presence in Beijing, Shanghai, Guangzhou, Shenzhen, and other cities, covering the major regional markets for our online marketing services and other services. We cover our key accounts through direct sales team and enter into agreements with such key accounts directly.

For AI Cloud, we sell our cloud solutions including IaaS, PaaS and SaaS to our enterprise clients directly or through solution integrators. We offer smart transportation solutions directly to provide tailored solutions to meet the specific needs of our clients.

For Intelligent Driving and OGI, we sell our products and services to our clients directly and through our third-party agents.

iQIYI’s brand advertising is sold through third-party advertising agencies, including members of American Association of Advertising Agencies, or 4As, and leading Chinese advertising agencies, as well as through a direct sales force. Feed advertising services is sold primarily through third-party advertising agencies, whose existing long-term relationships and network resources we strategically leverage, to increase our sales and expand our advertiser base.

Marketing

We focus on continually improving the quality of our products and services, as we believe satisfied users and customers are more likely to recommend our products and services to others. Through these efforts and the increased use of internet in China, we have built our brand with modest marketing expenditures.

We have implemented a number of marketing initiatives designed to promote our brand awareness among potential users, customers and Baidu Union partners. In addition to our brand positioning in the market, we have also initiated a series of marketing activities to promote our products and technologies among existing and potential users and customers, including, but not limited to, Baidu World Conference.

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Competition

For Baidu Core business, our primary competitors are mainly internet companies and online marketing platforms in China. We compete with these entities for both users and customers on the basis of user traffic, cyber security, quality (relevance) of search (and other marketing and advertising) results, availability and user experience of products and services, distribution channels and the number of associated third-party websites. We also face competition from U.S.-based internet search providers providing Chinese language services and online marketing platforms, as well as traditional advertising media.

Online Marketing Platforms, Internet, Cloud and Smart Device Companies in China. Chinese internet companies, such as Alibaba, Tencent, ByteDance, and Xiaomi, offer a broad range of online services, including search, feed, cloud services and smart devices. These companies have widely recognized brand names in China and significant financial resources. Furthermore, some of these companies are private and are able to expend significant resources without consideration for near-term return on investment. We compete with these companies primarily for user traffic, user time, content, advertising budget and marketing resources. We leverage our AI technology, user traffic, product design and various marketing to enhance users’ reliance on our platforms and services.

U.S.-based Internet Search Providers and Online Marketing Platforms. U.S.-based internet search providers and online marketing platforms, such as Microsoft, Google and Facebook, have a strong global presence, well established brand names, more users and customers and significantly greater financial resources than we do. We may also continue to face competition from other existing competitors and new entrants in the markets of Chinese language search, online marketing, cloud services and smart devices.

Other Advertising Media. Other advertising media, such as newspapers, yellow pages, magazines, billboards, other forms of outdoor media, television, radio and mobile apps compete for a share of our customers’ marketing budgets.

iQIYI competes with Tencent Video and Youku for both users and advertising customers. iQIYI also competes with other internet media and entertainment services, such as internet and social platforms and short-form video platforms, as well as major television stations. iQIYI competes with these market players primarily on the basis of obtaining IP rights to popular content, conducting brand promotions and other marketing activities, and making investments in and acquisitions of business partners.

Our user traffic tends to be seasonal. For example, we generally experience less user traffic during public holidays and other special event periods in China. In addition, advertising and other marketing spending in China has historically been cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. Our results of operations may fluctuate due to the cyclicity and seasonality in our business.

Customers and Suppliers

We have a broad base of customers, and our top five customers accounted for less than 10% of our total revenues for each of the years ended December 31, 2018, 2019 and 2020, respectively. Our top five suppliers accounted for less than 20% of our purchases for each of the years ended December 31, 2018, 2019 and 2020, respectively.

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Our Environmental, Social and Governance (ESG) Initiatives

We are committed to corporate social responsibility and meeting society’s changing needs despite the challenging economic environment. We have established an internal environmental, social and governance communications and management mechanism to comprehensively improve our corporate governance and benefit society.

We have continuously improved our corporate social responsibility initiatives under the guidance of our ESG framework. We appreciate the oversight, guidance and feedback from different parties and are committed to collaborating closely with domestic and international organizations to support broader industry-wide ESG practices, to explore multi-dimensional use cases for our technology, to empower traditional industries with our capabilities and to promote a healthier lifestyle and the long-term sustainability of our society.

Environmentally Sustainable Mindset

We are a strong supporter of the Ten Principles of the United Nations Global Compact and the UN’s 17 Sustainable Development Goals (SDGs). We have participated in the Climate Group’s EV100 campaign, a global initiative bringing together forward-looking companies committed to accelerating the transition to electric transportation, and are committed to making Baidu a low-carbon, energy-efficient and eco-friendly company through concrete actions. For example, to improve energy efficiency, we implemented various power supply solutions including HVDC offline and BBU (Battery Back-up Unit) in our data centers. Furthermore, our data centers are equipped with large-scale water cooling systems with a free cooling module and OCU (Overhead Cooling Unit) supplemented by fine-tuning operation optimization. As a result of these measures, we improved power usage effectiveness (PUE) of our data centers and further reduced our carbon emissions. We have also adopted various water and energy conservation measures, such as recycling heat energy and introducing electric commuter shuttle busses on our campus to make our offices more environmentally friendly. These initiatives reduced our carbon emissions by over 180,000 tons, as calculated by deducting carbon emissions in project scenario from carbon emissions in baseline scenario, in 2019.

While we rigorously implement environmentally sustainable policies and initiatives, we also encourage our users and the general public to adopt similar measures. For example, by adding new features to the app, we encourage the users of Baidu Maps app to take eco-friendly transportation options including biking and walking to reduce carbon emissions. In 2019, the total number of eco-friendly trips reached 100 million, reducing carbon emissions by approximately 44,000 tons, as calculated by aggregating carbon emissions reduced through various eco-friendly transportation options: (i) for carbon free transportation options such as walking, running and cycling, the amount of carbon emission reduced equals the quotient of the total distance so traveled by the average carbon emission factor of a typical fuel-based vehicle, and (ii) for transportation options with a lower carbon footprint such as taking a bus, the amount of carbon emission reduced equals the quotient of the total distance so traveled by the average carbon emission factor differential between a typical fuel-based vehicle and a typical bus on a per capita basis. We also cooperate with non-profit organizations, such as the International Fund for Animal Welfare, to conduct a series of events that promote public awareness of conservation efforts and science.

Building Social Trust and Developing Talent

Data Privacy and Data Security. As a reputable hi-tech company serving a large community of users, we put data privacy protection and data security as our top priorities. Within the company, we have

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established the Baidu Security Committee and Baidu Data Privacy Committee, comprised of senior decision makers to oversee these two areas, ensure compliance with applicable laws and regulations and to ensure that we are meeting the expectations of our users. We communicate with our users in an easy-to-understand manner to help them understand their rights under applicable laws and regulations. Through our data privacy and data security policies, users can learn about and control how their data is used and provide consent for data collection when necessary. We have put in place a comprehensive auditing mechanism across our business, to keep track of the data privacy and data security actions taken throughout the lifecycle of our products and services. We utilize a complete set of data privacy and data security management systems that allow us to continuously review and improve our processes. We have designed the General Privacy Policies and have drawn up specific privacy policies for individual products and services. We have also built an independent one-stop privacy protection platform, from which users can learn about our data privacy policies and provide feedback. Baidu believes that we can make a complex world simpler through AI, but such vision can only be realized if AI is used properly.

Outlook on Talent and Organizational Development. Our employees are our most important asset. To promote work-life balance for our employees, we have adopted flexible working arrangements and a system of paid leave and compensatory leave, in addition to statutory annual leave. Since 2019, we have been working with an insurance company to introduce commercial healthcare coverage for both our employees and their parents. We are the early adopter among Chinese internet companies to offer such customized coverage. Moreover, we provide a multitude of benefits to our employees and their family members, including pregnant and nursing employees. To better understand employee satisfaction, help employees address work challenges and improve the company’s overall work environment, we conduct annual human capital assessment surveys with all of our employees. We also provide a variety of channels for employees to provide feedback and file complaints. We fully respect and value our employees’ suggestions and feedback.

Innovation and Practice in Social Responsibility

We care about the society that we live in, and we encourage our employees across different product lines to leverage Baidu AI technologies to make our community a better place for everyone.

We retooled our AI capabilities to help users, municipalities and health organizations better cope with the COVID-19 pandemic, as part of our corporate social responsibility effort:

- We provided tens of millions of free online doctor consultations on our healthcare platform and made available our online healthcare services, such as pneumonia screening, to third-party medical apps, to free up hospitals for critical emergencies.
- We donated nearly 20,000 Xiaodu Smart Displays to frontline doctors and their families, allowing them to use contact-less, voice-enabled Internet and conveniently video conference home to stay in touch with their loved ones, while minimizing virus infection. DuerOS also partnered with online education organizations to enable home teaching for kids, while schools were closed down.
- More than 100 Apollo-powered autonomous vehicles have been deployed across 17 cities in China, including Wuhan, Beijing, Shanghai, Shenzhen and Xiamen, to provide medication, face mask and food deliveries, as well as unmanned fever screening and sterilization services.
- Baidu AI call center solution was retooled to allow local municipalities and health commissions to call people and survey their health conditions and travel information. Our smart call center handled over 3 million calls in the first two months, which is equivalent to the workload of approximately 1,000 full-time employees over a month’s period. Our smart call center was also

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used to update the new hours of operation for businesses on Baidu Maps, as restaurants, shops and supermarkets re-opened for business.

- We open-sourced LinearFold, our RNA analysis algorithm, to researchers worldwide for research on COVID-19. LinearFold can accelerate the prediction time of a virus’s RNA secondary structure, potentially from 55 minutes to 27 seconds, affording researchers an opportunity to better understand the pandemic and develop effective vaccines.

We are actively exploring the application of voice-based Xiaodu Smart Display for the education sector and aiding the elderly and the disadvantaged. We have donated Xiaodu Smart Display to 50 primary schools in China where they serve as classroom voice assistants to provide students with an extensive selection of high-quality educational resources. We have worked with an elderly community in Beijing to turn Xiaodu Smart Display into an “elderly care station,” allowing its senior citizens to access community services at any time through far-field voice activation. This service has benefited hundreds of elderly people. Xiaodu Smart Display has also been adopted to help visually impaired students in schools and masseurs in their workplaces in more than 40 cities across China. Xiaodu Smart Display allows visually impaired students to access a wealth of information on the Internet and visually impaired masseurs to control the lighting and room temperature of their work place through far-field voice commands.

As the leading search engine in China, we leverage our platform to reduce gender discrimination and provide charitable organizations with opportunities to be discovered and heard by the public. We have optimized search results for gender-related keywords and deploy technologies to help eliminate gender discrimination on the Internet. To help people build more confidence and cope with mental health issues, we worked with leading psychology institutions in China to launch a Smart Mini Program, an applet within Baidu App, that provided more than 1.2 million users/accounts with timely support and counseling in 2019. To empower charitable organizations and use technology to create a better Internet community, we launched the Common Benefit Project to promote and allow 200 charitable programs to be easily discovered.

Building on our close communication and collaboration with all stakeholders, we will continue to benefit our society. As part of our efforts to create value for our society, we attach great importance to communication and engagement with our users, partners, social organizations and third-party agencies.

Corporate Governance

In July 2005, our board of directors adopted a code of business conduct and ethics (the “Code of Ethics”) that applies to our directors, officers, employees and advisors. The Code of Ethics contains general guidelines for conducting our business consistent with the highest standards of business ethics, and is intended to qualify as a “code of ethics” within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. It is designed to deter wrongdoing and to promote (i) compliance with applicable governmental laws, rules and regulations, (ii) honest and ethical conduct, and (iii) full, fair, accurate and timely disclosure in regulatory filings and other public communications made by the Company. The Code of Ethics contains guidelines on fair employment practices and working environment, relationships with counterparties, fair transactions, public disclosure and confidentiality and protection of Company information. We have posted a copy of our code of business conduct and ethics on our website.

We announce our unaudited financial results for every quarter and file our annual reports on Form 20-F for every fiscal year to keep our shareholders and the investing public abreast of the developments of

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the Group. We have also consistently disclosed material events by filing Form 6-Ks with the SEC. We regularly host events, summits and roadshows to facilitate communication between investors and our management. We also strive to maintain open channels for queries from investors and respond to them in a timely fashion — our website contains an Information Request form for requests of additional information. Alternatively, investor inquiries and feedback can be directed by e-mail to irfeedback@baidu.com or by mail to our address. The Company’s investor relations function strives to ensure that shareholders and investors can communicate their opinions to the Company by (1) maintaining the Company’s investor relations website and ensuring that the investor relations mailbox is open for investor contact, (2) maintaining contact with current shareholders and prospective [REDACTED] through various channels such as email, telephone calls, investor tours and conferences, and post-earnings release roadshows; (3) maintaining relationships between the Company and other capital markets intermediaries and (4) facilitating the Company’s earnings calls, collecting investor questions in advance and preparing responses to questions ahead of the conference call. It also hosts designated sessions for investors to communicate directly with members of management at designated events throughout the year. The Company plans to further enhance corporate governance of its investor relations function via management reports on investor relation to the audit committee, which is comprised of independent directors. The audit committee will be added to a distribution list and e-mails sent to irfeedback@baidu.com will be simultaneously received by the audit committee, which will help audit committee determine any key issues that may need further attention. This will enhance the communication between investors, the Company’s management and independent members of the Board, as our investor relations function will able to seek their guidance, as appropriate. Our independent directors bring a wealth of experience from and serve on boards across different sectors and are well placed to provide insight into investor relations. The Company held an extraordinary general meeting in 2021 and has undertaken to hold annual general meetings thereafter, for which 14 days’ notice will be given to members, in addition to its regular quarterly earnings calls, to facilitate communication with shareholders.

Further, we have three committees under the board of directors: an audit committee, a compensation committee and a corporate governance and nominating committee. We have adopted a charter for each of the three committees. Please see “Directors and senior management — Board practices” for further details.

Investments Management

We invest our excess cash in highly liquid investments, primarily short-term investments with maturities less than one year. Our audit committee approves our treasury policy and reviews our short-term investment portfolio on a regular basis. Addition of new financial institution and investment product are assessed and approved by the treasury, accounting and legal departments, as applicable.

For long-term investments, the Company conducts commercial, financial and legal due diligence on new opportunities and approvals from the investment committee and the Board of the Company depending on materiality.

Properties

Our corporate headquarters, Baidu Campus, is located in Shangdi, Haidian district of Beijing. We own the office building of Baidu Campus and a nearby office building, Baidu Science Park, both located in Shangdi. We are in the process of obtaining the land use permit with the local authority for Baidu Science Park and may result in us paying additional land transaction fee. Besides Beijing, we own and occupy office buildings in Shanghai and Shenzhen.

We also lease offices in Beijing, many other cities in mainland China and places outside of mainland China, including in California (USA), Washington (USA), Hong Kong, Japan and Singapore.

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Our servers are hosted at the internet data centers of major telecom operators, including China Telecom, China Unicom and China Mobile, in over ten selected cities across China. Our content delivery network covers most of the major cities in China.

In 2018, we completed the construction of our Shanxi cloud computing center, which serves as one of our internet data centers in China. In 2019, we completed the construction of our office building in Shenzhen, China.

Employees

We had approximately 40,000, 38,000 and 41,000 full time employees as of December 31, 2018, 2019 and 2020, respectively. As of December 31, 2020, we had approximately 24,000 employees in research and development, 10,000 employees in sales and marketing, 4,000 employees in operation and service, and 3,000 employees in management and administration. As of December 31, 2020, we had approximately 26,000 employees in Beijing, 14,000 employees outside of Beijing but within China, and approximately 300 employees outside of China. We also hire temporary employees and contractors from time to time.

As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

We enter into standard labor contracts with our employees. Our employees are not covered by any collective bargaining agreement. We also enter into standard confidentiality and non-compete agreements with our senior management. The non-compete restricted period typically expires one year after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We consider our relations with our employees to be generally good. However, as our operations and employee base further expand, we cannot assure you that we will always be able to maintain good relations with all of our employees. See “Risk Factors—Risks Related to Our Business and Industry—We may not be able to manage our expanding operations effectively.”

Insurance

We have purchased insurance to cover certain liabilities, properties and employees in connection with our intelligent driving business. We only have limited business liability or disruption insurance coverage for our operations in China. We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. See “Risk Factors—Risks Related to Our Business and Industry—We have limited business insurance coverage.”

Legal Proceedings

From time to time, we have been involved in litigation, administrative proceedings or other disputes regarding, among other things, copyright and trademark infringement, defamation, unfair competition, labor disputes, and anti-monopoly inquiries. Our search results provide links to materials, and our P4P,

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Baidu Wenku, Baidu Post, Baidu Wiki, Baidu Knows, Baidu Feed, Baidu Drive, iQIYI and certain other products or services may contain materials, in which others may allege to own copyrights, trademarks or image rights or which others may claim to be defamatory or objectionable.

In 2020, 3,288 complaints were filed against us before various courts in China, and the aggregate amount of the damages sought in these complaints totals approximately RMB628 million (US\$96 million). As of December 31, 2020, 2,127 cases against us were pending before various courts in China. The aggregate amount of damages sought under these pending cases is approximately RMB854 million (US\$131 million). As of December 31, 2020, 7 cases against us were pending before various courts outside China. Some of these proceedings are in a preliminary stage with undetermined damages sought.

In November 2018, an individual, together with his related company, filed a complaint alleging acts of defamation and libel, commercial disparagement, tortious inference with prospective business relations, intentional infliction of emotional distress and civil conspiracy against, among others, us and Robin Yanhong Li in his capacity as our chairman and chief executive officer, in the Supreme Court of New York. The complaint alleged, among other things, that the defendants published articles containing false and defamatory statements concerning the plaintiffs, and sought damages in an aggregate amount of US\$11 billion, including purported punitive damages of US\$10 billion. The defendants moved the complaint to the U.S. District Court for the Eastern District of New York and filed motions to dismiss the complaint. The plaintiff voluntarily dismissed that complaint, and then added us and Mr. Li as defendants to the Second State Court Lawsuit. We filed motions to dismiss that complaint, which were not opposed. The Plaintiff filed a notice of voluntary discontinuance of the complaint in the Second State Court Lawsuit, and subsequently filed a nearly identical complaint in the U.S. District Court for the Eastern District of New York. In January 2020, the U.S. District Court for the Eastern District of New York dismissed that complaint in its entirety with prejudice, and the time for plaintiff to appeal that dismissal has expired. In February 2020, the Supreme Court of New York granted defendants' motions to discontinue the Second State Court Lawsuit with prejudice. No appeal of that order has been filed as of the date of this disclosure. We believe these claims to be without merit and intend to continue to defend ourselves vigorously. The Joint Sponsors with the assistance of their legal advisors, have conducted independent due diligence in relation to the claims, including but not limited to, (i) independent litigation searches on the law suit, including among others, review of the U.S. District Court Docket, the claims in the complaint filed in November 2018 and the order dismissing case from U.S. District Court for Eastern District of New York in January 2020, (ii) desktop searches on the plaintiffs, and (iii) inquiries with the Directors to understand their involvement in litigations or disputes. Based on the due diligence conducted by the Joint Sponsors, nothing material has come to the Joint Sponsors' attention to disagree with the Company's view on the claims.

For many of the above-mentioned legal proceedings, we are currently unable to estimate the reasonably possible loss or a range of reasonably possible loss as the proceedings are in the early stages, or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such proceedings, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible loss cannot be made. With respect to the limited number of proceedings for which we are able to estimate the reasonably possible loss or the range of reasonably possible loss, such estimates are immaterial. However, we believe that such proceedings, individually and in the aggregate, when finally resolved, are not reasonably likely to have a material and adverse effect on our results of operations, financial position and cash flows.

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In April 2020, a short seller report was published by Wolfpack Research (the Wolfpack Report). In sum and substance, the Wolfpack Report alleges that iQIYI inflated its user numbers, inflated its revenue and deferred revenue in connection with certain parts of iQIYI’s business, inflated its expenses and the purchase prices of certain assets to conceal revenue inflation, and provided misleading financial statements of cash flows by adopting an incorrect accounting method. Following the publication of the Wolfpack Report, the SEC requested iQIYI to produce certain financial, operating, and other documents and records primarily relate to the allegations in the Wolfpack Report. In particular, the SEC requested that iQIYI voluntarily provide it with documents and information relating to, among other things, iQIYI’s organizational charts, accounting policies, and financial books and records from 2018 to the present, as well as documents relating to iQIYI’s acquisition or investments in certain entities mentioned in the Wolfpack Report and the valuation of those entities at the time of those transactions. On April 7, 2020, iQIYI publicly addressed the allegations contained in the Wolfpack Report in a press release on its website, noting that iQIYI “believes that the report contains numerous errors, unsubstantiated statements and misleading conclusions and interpretations regarding information relating to the Company.” iQIYI also reiterated that “it has always been and will remain committed to maintaining high standards of corporate governance and internal control, as well as transparent and timely disclosure in compliance with the applicable rules and regulations of the Securities and Exchange Commission and the Nasdaq Global Select Market.” On August 13, 2020, iQIYI issued another press release announcing its second quarter financial results, and also disclosed that the SEC’s Division of Enforcement is seeking the production of certain financial and operating records dating from January 1, 2018, as well as documents related to certain acquisitions and investments that were identified in a report issued the Wolfpack Report. In addition, iQIYI disclosed that shortly after the publication of the Wolfpack Report, iQIYI engaged professional advisers to conduct an internal review into certain of the key allegations in the Wolfpack Report and to report their findings to its audit committee. These professional advisers examined iQIYI’s books and records and undertook testing procedures that, in their judgment, were necessary and appropriate to evaluating the key allegations in the Wolfpack Report, including accounting policy analysis, data analytics on whether iQIYI manufactured orders and inflated revenues and/or expenses. On October 5, 2020, iQIYI publicly disclosed that the internal review within the agreed scope has been substantially completed and did not uncover any evidence that would substantiate the allegations. The SEC has also sought the production of certain documents and records from iQIYI related to such internal review and other related information. iQIYI is cooperating with the SEC. iQIYI has voluntarily and publicly disclosed the SEC’s request for information, and, through its legal counsel, it has been providing the SEC with requested documents and information. As a matter of U.S. law, as confirmed by iQIYI’s U.S. legal counsel, the initiation of a request for information is not a finding of fact or an indication by the SEC or its enforcement staff that any violation of the federal securities laws has occurred. We are unable to predict the timing, outcome, or consequences of the SEC investigation of iQIYI, or from the SEC’s review of the documents and records requested from iQIYI. Because the SEC has not charged iQIYI or any of its officers and directors with any wrongdoing, there is no factual basis to offer even a speculative prognosis as to what the “worst case scenario” may be. As advised by iQIYI’s U.S. legal counsel, successful enforcement actions by the SEC (which can pursue only civil and administrative, not criminal, remedies) against other companies in the past have typically resulted in civil fines and disgorgement and other equitable remedies such as injunctions to refrain from further violations of law. However, there is no basis to conclude at this point whether there will be an enforcement action brought against iQIYI, whether any such action will be successful, or what the “worst case scenario” will be.

Furthermore, starting in April 2020, iQIYI and certain of its current and former officers and directors were named as defendants in four federal putative securities class actions alleging that they made

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material misstatements and omissions in documents filed with the SEC regarding certain of the key allegations contained in the Wolfpack Report. Plaintiffs allege, in sum and substance, that iQIYI’s disclosures materially misled investors by: (i) overstating the number of iQIYI’s daily active users; (ii) overstating deferred revenue; (iii) overstating membership services revenue; (iv) overstating the amounts paid to acquire an equity interest in Xin’ai Sports; and (v) improperly recording as deferred revenue and revenue the non-cash portion of the purchase price paid, in the form of content and services, iQIYI purportedly will and has provided to Xin’ai Sports in exchange for its equity stake. Plaintiffs allege that these false and misleading statements artificially inflated the value of iQIYI’s securities and constituted violations of Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934, and Sections 11 and 15 of the Securities Act of 1933. These cases remain in their preliminary stages, and the substantive allegations are subject to change as the litigations progress or if Plaintiffs file amended complaints. Because these actions remain in their preliminary stages, we cannot predict the timing, outcome or consequences of these federal actions. For similar reasons, there is not sufficient information to estimate the aggregate amount of monetary damages sought at this time, and plaintiffs have also not yet alleged the amount of monetary damages being sought. These four actions are captioned, respectively, as (i) *Lee v. iQIYI et al.*, No. 1:20-cv-01830-LDH-SJB (U.S. District Court for the Eastern District of New York, Amended Complaint filed Jan. 19, 2021) (the “*Lee Action*”); (ii) *Le Rivage LLC v. iQIYI, Inc. et al.*, No. 1:20-cv-03068 (U.S. District Court for the Eastern District of New York, filed June 15, 2020) (the “*Le Rivage Action*”); (iii) *Jenkins v. iQIYI et al.*, No. 1:20-cv-03068 (U.S. District Court for the Northern District of California, filed April 27, 2020) (the “*Jenkins Action*”); and (iv) *Shiferaw v. iQIYI, Inc. et al.*, No. 1:2020-cv-03115 (U.S. District Court for the Southern District of New York, filed April 17, 2020) (the “*Shiferaw Action*”). All four of these cases allege claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder, and the *Lee Action* also alleges claims under Sections 11 and 15 of the Securities Act. On June 15, 2020, plaintiffs in the *Shiferaw Action* (filed in the Southern District of New York) voluntarily dismissed their complaint. On July 9, 2020, the *Jenkins Action* (filed in the Northern District of California) was transferred to the U.S. District Court for the Eastern District of New York. On January 19, 2021, plaintiffs in the *Lee Action* (pending in the Eastern District of New York) filed their consolidated amended complaint, adding the Company and others as new defendants. Save for the *Shiferaw Action* which is dismissed, all actions remain in a preliminary stage. As confirmed by iQIYI’s U.S. legal counsel, iQIYI intends to vigorously defend itself against these claims, including by arguing that Plaintiffs have failed to state any claim as a matter of law. Based on the internal review overseen by iQiyi’s independent audit committee that had substantially been completed and which did not uncover any evidence that would substantiate the Wolfpack allegations, iQiyi believes that the Wolfpack allegations are without merit.

Starting in August 2020, we and certain of our current officers were named as defendants in two federal putative securities class actions alleging that defendants made material misstatements and omissions in documents filed with the SEC regarding certain of the key allegations contained in the Wolfpack Report. Both cases allege claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder and remain in their preliminary stages.

Because all of the ongoing securities class actions against iQIYI or Baidu are in their preliminary stages, the parties have not yet requested nor produced any discovery or admissible evidence to support or refute plaintiffs’ allegations. Nor has any court yet ruled on whether the plaintiffs have sufficiently stated a claim to relief under the relevant federal securities laws. Accordingly, there is no factual basis to offer even a speculative prognosis as to what the “worst case scenario” may be. In general, all of the aforementioned ongoing securities class actions seek monetary damages under the U.S. Securities Act of 1933 and/or the U.S. Securities Exchange Act of 1934 for alleged damages incurred as a result of

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defendants’ alleged misstatements or omissions in various public disclosures. In the view of the Directors, which is based on Baidu’s and iQIYI’s U.S. legal counsel, in the event that a court finds that iQIYI, Baidu and/or other defendants violated any of these securities laws, or in the event that iQIYI, Baidu and/or other defendants choose to reach a settlement with plaintiffs, iQIYI and/or Baidu may be liable for civil monetary damages and the potential financial, operational and reputational impact on iQIYI and/or Baidu may be material. However, we cannot predict the timing, outcome or consequences of these class actions, and there is no basis to conclude at this point whether such actions will be successful or whether the Company will be subject to any damages, let alone how much.

Unrelated to the Wolfpack Report, we and certain of our current officers were also named as defendants in a federal putative securities class action alleging that defendants made material misstatements and omissions in documents filed with the SEC relating to contents on our platform. In this lawsuit, filed in or about April 2020, plaintiffs allege, in sum and substance, that the Company’s disclosures were materially false or misleading as they misrepresented Baidu’s ability to monitor and filter illicit or improper content on its platform, and failed to disclose alleged investigations and violations of PRC regulatory requirements relating to the monitoring or filtering of illicit or improper content online. Plaintiffs allege that these false and misleading statements constituted violations of Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934. The case remains at a preliminary stage, with the parties awaiting the Court’s ruling on a motion-to-dismiss, and the Company is therefore unable to predict the potential or likely outcome, or “worst case scenario,” of this litigation.

We and iQIYI will have to defend against these putative securities class action lawsuits, as applicable, including any appeals of such lawsuits should our or iQIYI’s initial defense be unsuccessful. We are currently unable to estimate the possible outcome or loss or possible range of loss, if any, associated with the resolution of these lawsuits. In the event that our or iQIYI’s initial defense of these lawsuits is unsuccessful, we cannot assure you that we or iQIYI will prevail in any appeal. Any adverse outcome of these cases, including any plaintiff’s appeal of a judgment in these lawsuits, could have a material adverse effect on our or iQIYI’s business, financial condition, results of operation, cash flows, and reputation. Similarly, we are currently unable to predict the timing, outcome, or consequences of the SEC investigation of iQIYI, or from the SEC’s review of the documents and records requested from iQIYI. The litigation or SEC investigation process may utilize a significant portion of our or iQIYI’s resources and divert management’s attention from the day-to-day operations, all of which could harm our business.

The Joint Sponsors have conducted independent due diligence in relation to the above class action lawsuits, including but not limited to, independent background, litigation and bring-down searches, as well as inquiries with the management, to understand the latest status of the class actions. Based on the due diligence conducted by the Joint Sponsors, nothing material has come to the Joint Sponsors’ attention to disagree with the Company’s view on the materiality of such class actions.

In the opinion of our PRC Legal Adviser, except as disclosed in the “Risk Factors” section in this document, our Significant Subsidiaries incorporated in the PRC were in compliance with relevant PRC laws and regulations in all material aspects during the Track Record Period. For the risks related to anti-monopoly matters such as failure to file prior notification of concentrations of undertaking, please see “Risk Factors—Risks Related to Doing Business in China—Any failure or perceived failure by us to comply with the enacted Anti-Monopoly Guidelines for Internet Platforms and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.” and “—PRC regulations establish complex procedures for some acquisitions conducted by

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foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.” As of the date of this document, we are unable to predict SAMR’s position toward our transactions related to such concentrations of undertaking. Because the PRC Anti-Monopoly Law gives SAMR wide latitude in imposing penalties including asset divestiture, restoring market competition, financial fines, among others, we are not able to predict exactly what penalties SAMR would impose on us, if we were deemed as failing to file prior notification of concentrations of undertaking. However, based on current applicable laws and regulations and with reference to precedents of failure-of-notification including the three recent cases involving VIE structure, SAMR so far has only imposed financial fines of no higher than RMB500,000 for each transaction constituting failure to file notification of concentrations of undertaking. Therefore, we believe it is reasonable to estimate that SAMR may only impose on us a financial fine of not higher than RMB500,000 for each transaction constituting failure of filing prior notification of concentrations of undertaking. Our Directors believe that such financial fines would not have a material adverse effect on our financial and business operations. In the opinion of the PRC Legal Adviser, although failure of filing prior notification of concentrations of undertaking may subject us to fines of up to RMB500,000 per case, and in the most extreme case being ordered to terminate the contemplated concentration, to dispose of our equity or assets within a prescribed period, to transfer our business within a prescribed time or to take any other necessary measures to return to the pre-concentration status, such measures other than financial fines have never been instituted by SAMR in any previous case; with reference to all past failure-of-notification precedents including the three recent cases involving VIE structure, the likelihood that SAMR orders us to terminate any contemplated concentration, dispose of its equity or assets, or transfer its business is relatively low. Based on our assessment, the non-compliance as set out in such risk factors, if raised by the relevant competent authorities and determined against us, would not have a material adverse effect on the business operation and finance of our Company.