EDGAR Search Results

SANDS CAPITAL MANAGEMENT, LLC CIK#: 0001020066 (see all company filings)

State location: VA  | State of Inc.: DE  | Fiscal Year End: 1231
formerly: SANDS CAPITAL MANAGEMENT INC (filings through 2005-08-03)
formerly: SANDS CAPITAL MANAGEMENT, LP (filings through 2005-11-14)

Filing Type: Prior to: Ownership?
Filter Results: Filing Type: Prior to: (YYYYMMDD) Ownership?
Ownership? include exclude only

Limit Results Per Page

Items 1 - 40 RSS Feed

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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

IRS No.: **202830751** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **SC 13G/A**

**Mindray Medical International LTD (Subject) CIK: 0001373060 (see all company filings)**

IRS No.: **0000000000** | State of Incorp.: **E9** | Fiscal Year End: **1231**
Type: **SC 13G/A** | Act: **34** | File No.: **005-82637** | Film No.: **091230782**
SIC: **3841** | Surgical & Medical Instruments & Apparatus
Assistant Director 10
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PUBLIC DOCUMENT COUNT:          1
FILED AS OF DATE:               20091209
DATE AS OF CHANGE:              20091209

SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME:                 Mindray Medical International LTD
CENTRAL INDEX KEY:                      0001373060
STANDARD INDUSTRIAL CLASSIFICATION:     SURGICAL & MEDICAL INSTRUMENTS & APPARATUS [3841]
IRS NUMBER:                             000000000
STATE OF INCORPORATION:                 E9
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              SC 13G/A
SEC ACT:                1934 Act
SEC FILE NUMBER:        005-82637
FILM NUMBER:            091230782

BUSINESS ADDRESS:
STREET 1:               MINDRAY BUILDING, KEJI 12TH ROAD SOUTH
STREET 2:               HI-TECH INDUSTRIAL PARK, NANSHAN
CITY:                   SHENZHEN
STATE:                  F4
ZIP:                    518057
BUSINESS PHONE:         (86)-755-2658-2888

MAIL ADDRESS:
STREET 1:               MINDRAY BUILDING, KEJI 12TH ROAD SOUTH
STREET 2:               HI-TECH INDUSTRIAL PARK, NANSHAN
CITY:                   SHENZHEN
STATE:                  F4
ZIP:                    518057

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)

(Amendment No. 1)*

Mindray Medical International Limited
   (Name of Issuer)

Class A Ordinary Share, Par Value HK $0.001 per share
   (Title of Class of Securities)

602675100
   (CUSIP Number)

November 30, 2009
   (Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to
which this Schedule is filed:

[ X ]   Rule 13d-1(b)
[ ]     Rule 13d-1(c)
[ ]     Rule 13d-1(d)

CUSIP No.  602675100

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With
5. Sole Voting Power      2,176,104
6. Shared Voting Power   None
7. Sole Dispositive Power         2,958,424
8. Shared Dispositive Power   None
9. Aggregate Amount Beneficially Owned by Each Reporting Person   2,958,424
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 3.9%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

Mindray Medical International Limited

Item 1(b). Address of Issuer's Principal Executive Offices:

Mindray Building
Keji 12th Road South
Hi-tech Industrial Park
Nanshan, Shenzhen  518057

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA  22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Class A Ordinary Share, Par Value HK $0.001 per share

Item 2(e). CUSIP Number:

602675100

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
Item 4. Ownership:

a. Amount beneficially owned: 2,958,424

b. Percent of Class: 3.9%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote 2,176,104

   (ii) Shared power to vote or to direct the vote   None

   (iii) Sole power to dispose or to direct the disposition of 2,958,424

   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:

[X] This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:
Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    December 9, 2009

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:   Chief Operating Officer & Chief Compliance Officer

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**Form 13F-HR** - Quarterly report filed by institutional managers, Holdings

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**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

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Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
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DATE AS OF CHANGE:              20100209
EFFECTIVENESS DATE:             20100209

FILER:

COMPANY DATA:
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CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

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FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            10584524

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: December 31, 2009

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
        Suite 2300
        Arlington, VA  22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock  Arlington, VA  February 09, 2010

Report Type (Check only one.):
List of Other Managers Reporting for this Manager:

Form 13F File Number   Name
28-01190              Russell Investment Co.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers: 0

Form13F Information Table Entry Total: 52

Form13F Information Table Value Total: $13,096,426 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

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APPLE                          COM             037833100  954,649  4530156 SH          SOLE               2916424        0 1613732
BIOMARIN PHARMS                COM             09061G101   4,652  247300 SH          SOLE                 35500        0 211800
BROADCOM                       CL A            111320107  255,794  8128179 SH          SOLE               5323478        0 2804701
CELGENE                        COM             151020104   4,273  76750 SH          SOLE               10950 0 65800
CHARLES SCHWAB                 COM             808513105  173,347  9210792 SH          SOLE               5693767
CISCO SYSTEMS                  COM             17275R102   335  14000 SH          SOLE                7500        0 6500
CME GROUP                      COM             12572Q105   311,291  926573 SH          SOLE               574850        0 351723
CR BARD INC.                   COM             067383109   3,495  44860 SH          SOLE               6460 0 38400
DENTSPLY INTL                  COM             249030107   3,186  90600 SH          SOLE               13000 0 77600
EDWARDS LIFESCIENCES CORP      COM             28176E108   3,340  38460 SH          SOLE               5560 0 32900
FLIR SYSTEMS INC               COM             302445101  208,783  6378939 SH          SOLE               4147996 0 2230943
FMC TECHNOLOGIES               COM             30249U101   497,561  8602372 SH          SOLE               5744311 0 2858061
GENZYME                        COM             372917104   543,501 11089588 SH          SOLE               7062413 0 4027175
GILEAD SCIENCES                 COM             375558103   3,717  85900 SH          SOLE               12400 0 73500
GOOGLE                         CL A            38259P508   846,326  6378939 SH          SOLE               876542 0 488544
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ILLUMINA INC                   COM             452327109   197,975  6452895 SH          SOLE               3999188 0 2453707
INTERCONTINENTAL EXCHANGE      COM             45865V100   522,821  4655575 SH          SOLE               239823 0 3005825 0 1649750
INTUITIVE SURGICAL             COM             46120E602   817,223  2693284 SH          SOLE               1729809 0 963475
IRON MOUNTAIN                  COM             462846106   118,807  5220012 SH          SOLE               3234044 0 1985968
ISHARES RUSS 1000 GROWTH INDX  RUSSELL1000GRW  464287614   1,864  37395 SH          SOLE               32595 0 4800
ISIS PHARMACEUTICAL            COM             464330109   1,764  158800 SH          SOLE               22800 0 136000
LAS VEGAS SANDS                COM             517834107   245,281  16417753 SH          SOLE               11164561 0 5253192
MERCADOLIBRE ADR               ADR             58733R102   28,207  543800 SH          SOLE               520800 0 23000
MINDRAY MEDICAL INTL ADR       ADR             602675100   38,011  1120603 SH          SOLE               945999 0 174604
MONSANTO                       COM             61166W101   510,771  6247962 SH          SOLE               3998123 0 2249839
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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

**INTERCONTINENTALEXCHANGE INC (Subject) CIK: 0001174746 (see all company filings)**

IRS No.: 0000000000 | Fiscal Year End: 1231
Type: SC 13G/A | Act: 34 | File No.: 005-81171 | Film No.: 10596987
SIC: 6200 Security & Commodity Brokers, Dealers, Exchanges & Services
Assistant Director 8

Business Address
2100 RIVEREDGE PARKWAY
SUITE 500
ATLANTA GA 30328
7708574700

Mailing Address
2100 RIVEREDGE PARKWAY
SUITE 500
ATLANTA GA 30328
Subject Company:

Company Data:
- Company Conformed Name: INTERCONTINENTALEXCHANGE INC
- Central Index Key: 0001174746
- Standard Industrial Classification: SECURITY & COMMODITY BROKERS, DEALERS, EXCHANGES & SERVICES [6200]
- IRS Number: 000000000
- Fiscal Year End: 1231

Filing Values:
- Form Type: SC 13G/A
- SEC Act: 1934 Act
- SEC File Number: 005-81171
- Film Number: 10596987

Business Address:
- Street 1: 2100 RIVEREDGE PARKWAY
- Street 2: SUITE 500
- City: ATLANTA
- State: GA
- Zip: 30328
- Business Phone: 7708574700

Mail Address:
- Street 1: 2100 RIVEREDGE PARKWAY
- Street 2: SUITE 500
- City: ATLANTA
- State: GA
- Zip: 30328

Filed By:

Company Data:
- Company Conformed Name: SANDS CAPITAL MANAGEMENT, LLC
- Central Index Key: 0001020066
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 3)*

IntercontinentalExchange, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

45865V100

(CUSIP Number)

December 31, 2009

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]  Rule 13d-1(b)
[ ]   Rule 13d-1(c)
[ ]   Rule 13d-1(d)

CUSIP No.  45865V100

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With
5. Sole Voting Power      3,005,825
6. Shared Voting Power   None
7. Sole Dispositive Power       4,655,575
8. Shared Dispositive Power   None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  4,655,575
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [   ]
11. Percent of Class Represented by Amount in Row (9) 6.32%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
       IntercontinentalExchange, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

       2100 RiverEdge Parkway
       Suite 500
       Atlanta, GA 30328
       United States

Item 2(a). Name of Person Filing

       Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

       1101 Wilson Blvd.
       Suite 2300
       Arlington, VA  22209

Item 2(c). Citizenship

       Delaware, United States

Item 2(d). Title of Class of Securities:

       Common Stock

Item 2(e). CUSIP Number:

       45865V100

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:
Item 4. Ownership:

a. Amount beneficially owned: 4,655,575

b. Percent of Class: 6.32%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote 3,005,825

   (ii) Shared power to vote or to direct the vote None

   (iii) Sole power to dispose or to direct the disposition of 4,655,575

   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:
Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date February 12, 2010

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
### Form SC 13G - Statement of acquisition of beneficial ownership by individuals

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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- IRS No.: 202830751
- State of Incorp.: DE
- Fiscal Year End: 1231
- Type: SC 13G

**ILLUMINA INC (Subject) CIK: 0001110803 (see all company filings)**

- IRS No.: 330804655
- State of Incorp.: DE
- Fiscal Year End: 1228
- Type: SC 13G
- Act: 34
- File No.: 005-60457
- Film No.: 10596993
- SIC: 3826

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**Business Address**

SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD, SUITE 2300  
ARLINGTON VA 22209  
703-562-4000

**Mailing Address**

SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD, SUITE 2300  
ARLINGTON VA 22209

**Business Address**

ILLUMINA INC  
9885 TOWNE CENTRE DRIVE  
SAN DIEGO CA 92121  
8582024500

**Mailing Address**

ILLUMINA INC  
9885 TOWNE CENTRE DRIVE  
SAN DIEGO CA 92121
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: ILLUMINA INC
CENTRAL INDEX KEY: 0001110803
STANDARD INDUSTRIAL CLASSIFICATION: LABORATORY ANALYTICAL INSTRUMENTS

IRS NUMBER: 330804655
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1228

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-60457
FILM NUMBER: 10596993

BUSINESS ADDRESS:
STREET 1: 9885 TOWNE CENTRE DRIVE
CITY: SAN DIEGO
STATE: CA
ZIP: 92121
BUSINESS PHONE: 8582024500

MAIL ADDRESS:
STREET 1: 9885 TOWNE CENTRE DRIVE
CITY: SAN DIEGO
STATE: CA
ZIP: 92121

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
Illumina, Inc.
( Name of Issuer)

Common Stock
(Title of Class of Securities)

452327109
(CUSIP Number)

December 31, 2009
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[   ] Rule 13d-1(c)
[   ] Rule 13d-1(d)

CUSIP No. 452327109

1. Names of Reporting Persons.
Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2. Check the Appropriate Box if a Member of a Group
(a) [   ]
(b) [   ]

3. SEC Use Only

4. Citizenship or Place of Organization

   Delaware, United States

   Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power 3,999,188
6. Shared Voting Power   None
7. Sole Dispositive Power   6,452,895
8. Shared Dispositive Power   None
9. Aggregate Amount Beneficially Owned by Each Reporting Person 6,452,895
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 5.16%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
Illumina, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:
9885 Towne Centre Drive
San Diego, CA 92121
United States

Item 2(a). Name of Person Filing
Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence
1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship
Delaware, United States

Item 2(d). Title of Class of Securities:
Common Stock

Item 2(e). CUSIP Number:
452327109

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 6,452,895

b. Percent of Class: 5.16%

c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote  3,999,188
   (ii) Shared power to vote or to direct the vote   None
   (iii) Sole power to dispose or to direct the disposition of 6,452,895
   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:
Not applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]
Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 12, 2010

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: LAS VEGAS SANDS CORP
CENTRAL INDEX KEY: 0001300514
STANDARD INDUSTRIAL CLASSIFICATION: HOTELS & MOTELS [7011]
IRS NUMBER: 270099920
STATE OF INCORPORATION: NV
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-80460
FILM NUMBER: 10597004

BUSINESS ADDRESS:
STREET 1: 3355 LAS VEGAS BOULEVARD, SOUTH
STREET 2: ROOM 1A
CITY: LAS VEGAS
STATE: NV
ZIP: 89109
BUSINESS PHONE: (702) 414-1000

MAIL ADDRESS:
STREET 1: 3355 LAS VEGAS BOULEVARD, SOUTH
STREET 2: ROOM 1A
CITY: LAS VEGAS
STATE: NV
ZIP: 89109

FILED BY:
COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066

UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
Las Vegas Sands Corp.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

517834107

(CUSIP Number)

December 31, 2009

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[   ] Rule 13d-1(c)
[   ] Rule 13d-1(d)

CUSIP No. 517834107

1. Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2. Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3. SEC Use Only

4. Citizenship or Place of Organization

   Delaware, United States

   Number of Shares Beneficially Owned by Each Reporting Person With

   5. Sole Voting Power 11,164,561
6. Shared Voting Power   None
7. Sole Dispositive Power   16,417,753
8. Shared Dispositive Power   None
9. Aggregate Amount Beneficially Owned by Each Reporting Person   16,417,753
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares   [  ]
11. Percent of Class Represented by Amount in Row (9)   2.49%
12. Type of Reporting Person:   IA

Item 1(a).   Name of Issuer:

    Las Vegas Sands Corp.

Item 1(b).   Address of Issuer's Principal Executive Offices:

    3355 Las Vegas Boulevard South
    Las Vegas, NV 89109
    United States

Item 2(a).   Name of Person Filing

    Sands Capital Management, LLC

Item 2(b).   Address of Principal Business Office or, if None, Residence

    1101 Wilson Blvd.
    Suite 2300
    Arlington, VA 22209

Item 2(c).   Citizenship

    Delaware, United States

Item 2(d).   Title of Class of Securities:

    Common Stock

Item 2(e).   CUSIP Number:

    517834107

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

    (a) - Broker or dealer registered under Section 15 of the Act.
    (b) - Bank as defined in Section 3(a)(6) of the Act.
    (c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 16,417,753

b. Percent of Class: 2.49%

c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote  11,164,561
   (ii) Shared power to vote or to direct the vote   None
   (iii)Sole power to dispose or to direct the disposition of 16,417,753
   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:

[ X ]This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:
Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date February 12, 2010

By: /s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Filing Detail

Form 13F-HR - Quarterly report filed by institutional managers, Holdings

SEC Accession No. 0001020066-10-000010

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SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 10830313

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

United States Security and Exchange Commission
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: March 31, 2010

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
       Suite 2300
       Arlington, VA 22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock     Arlington, VA     May 13, 2010

Report Type (Check only one.):
List of Other Managers Reporting for this Manager:

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List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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**Filing Detail**

**Form 13F-HR** - Quarterly report filed by institutional managers, Holdings

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**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

IRS No.: **202830751** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **13F-HR** | Act: **34** | File No.: **028-05734** | Film No.: **101014880**

**Business Address**
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

**Mailing Address**
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
ACCESSION NUMBER:               0001020066-10-000012
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20100630
FILED AS OF DATE:               20100813
DATE AS OF CHANGE:              20100813
EFFECTIVENESS DATE:             20100813

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            101014880

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:  20051024
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.  20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: June 30, 2010

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name:  Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
         Suite 2300
         Arlington, VA  22209

13F File Number:  28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock  Arlington, VA  August 13, 2010

Report Type (Check only one.):
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### Filing Detail

**Form 13F-HR** - Quarterly report filed by institutional managers, Holdings

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**Business Address**

SANDS CAPITAL
MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

**Mailing Address**

SANDS CAPITAL
MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
ACCESSION NUMBER:               0001020066-10-000014
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20100930
FILED AS OF DATE:               20101112
DATE AS OF CHANGE:              20101112
EFFECTIVENESS DATE:             20101112

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            101185570

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024
FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE:  19990317

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: September 30, 2010

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name:  Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
         Suite 2300
         Arlington, VA  22209

13F File Number:  28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name:    Robert C. Hancock
Title:    Chief Operating Officer & Chief Compliance Officer
Phone:    703-562-4000

Signature, Place, and Date of Signing:

        Robert C. Hancock    Arlington, VA    November 12, 2010

Report Type (Check only one.):
List of Other Managers Reporting for this Manager:

Form 13F File Number          Name
28-01190                      Russell Investment Co.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers:         0
Form13F Information Table Entry Total:     51
Form13F Information Table Value Total:     $12,861,906 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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FORM 13F INFORMATION TABLE

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ALLERGAN                        COM             018490102   556868  8370173 SH          SOLE               3173426
ALNYLAM PHARMS                  COM             02043Q107      255    20775 SH          SOLE              19200

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Form SC 13G - Statement of acquisition of beneficial ownership by individuals

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CREE INC (Subject) CIK: 0000895419 (see all company filings)
IRS No.: 561572719 | State of Incorp.: NC | Fiscal Year End: 0626
Type: SC 13G | Act: 34 | File No.: 005-44695 | Film No.: 11606270
SIC: 3674 Semiconductors & Related Devices
Assistant Director 10

Business Address
4600 SILICON DR
DURHAM NC 27703
9193135300

Mailing Address
4600 SILICON DR
DURHAM NC 27703-8475

SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
Cree, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

225447101
(CUSIP Number)

December 31, 2010
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 225447101

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person:

Person With

5. Sole Voting Power     3,813,778

6. Shared Voting Power   None

7. Sole Dispositive Power         5,771,913

8. Shared Dispositive Power   None

9. Aggregate Amount Beneficially Owned by Each Reporting Person 5,771,913

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares[   ]

11. Percent of Class Represented by Amount in Row (9) 5.28%

12. Type of Reporting Person:  IA

Item 1(a).      Name of Issuer:

Cree, Inc.

Item 1(b).      Address of Issuer's Principal Executive Offices:

    4600 Silicon Drive
    Durham, NC 27703
    United States

Item 2(a).      Name of Person Filing

Sands Capital Management, LLC

Item 2(b).      Address of Principal Business Office or, if None, Residence

    1101 Wilson Blvd.
    Suite 2300
    Arlington, VA  22209

Item 2(c).      Citizenship

Delaware, United States

Item 2(d).      Title of Class of Securities:

Common Stock

Item 2(e).      CUSIP Number:

    225447101

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.

(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) - An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 5,771,913

b. Percent of Class: 5.28%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  3,813,778

   (ii) Shared power to vote or to direct the vote  None

   (iii) Sole power to dispose or to direct the disposition of 5,771,913

   (iv) Shared power to dispose or to direct the disposition  None

Item 5. Ownership of Five Percent or Less of a Class:
   Not applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

   [ X ]
   Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

   Not applicable.
Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 14, 2011

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:   Chief Operating Officer & Chief Compliance Officer
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              SC 13G/A

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE:    20050804

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE:    19990317

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UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
(AMENDMENT No. 1)

Illumina, Inc.
(Name of Issuer)

Common Stock

(Title of Class of Securities)

452327109

(CUSIP Number)

December 31, 2010

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 452327109

1 NAMES OF REPORTING PERSONS.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [ ]
(b) [ ]

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware, United States

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

5 Sole Voting Power 5,997,426
6. Shared Voting Power  None

7. Sole Dispositive Power  9,055,831

8. Shared Dispositive Power  None

9. Aggregate Amount Beneficially Owned by Each Reporting Person  9,055,831

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares[ ]

11. Percent of Class Represented by Amount in Row (9) 7.24%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

Illumina, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

9885 Towne Centre Drive
San Diego, CA 92121
United States

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

452327109

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
Act of 1940.
(e) An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 9,055,831

b. Percent of Class: 7.24%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  5,997,426

   (ii) Shared power to vote or to direct the vote  None

   (iii) Sole power to dispose or to direct the disposition of 9,055,831

   (iv) Shared power to dispose or to direct the disposition  None

Item 5. Ownership of Five Percent or Less of a Class:
Not applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]
Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:
Not applicable.

Item 8. Identification and Classification of Members of the Group:
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date   February 14, 2011

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
**Form SC 13G - Statement of acquisition of beneficial ownership by individuals [amend]**

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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- Business Address: SANDS CAPITAL MANAGEMENT, LLC
  - 1101 WILSON BLVD,
  - SUITE 2300
  - ARLINGTON VA 22209
  - 703-562-4000

- Mailing Address: SANDS CAPITAL MANAGEMENT, LLC
  - 1101 WILSON BLVD,
  - SUITE 2300
  - ARLINGTON VA 22209

**INTUITIVE SURGICAL INC (Subject) CIK: 0001035267 (see all company filings)**

- Business Address: INTUITIVE SURGICAL INC
  - 950 KIFER ROAD
  - SUNNYVALE CA 94086
  - 4085232100

- Mailing Address: INTUITIVE SURGICAL INC
  - 950 KIFER ROAD
  - SUNNYVALE CA 94086

**Additional Details**

- IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231 | Type: SC 13G/A
- IRS No.: 770416458 | State of Incorp.: DE | Fiscal Year End: 1231 | Type: SC 13G/A
- Act: 34 | File No.: 005-59661 | Film No.: 11606284 | SIC: 3842 Orthopedic, Prosthetic & Surgical Appliances & Supplies
- Assistant Director 10
UNITED STATES SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
Intuitive Surgical, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

46120E602

(CUSIP Number)

December 31, 2010

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]   Rule 13d-1(b)
[   ]   Rule 13d-1(c)
[   ]   Rule 13d-1(d)

CUSIP No. 46120E602

1. Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2. Check the Appropriate Box if a Member of a Group

(a) [   ]

(b) [   ]

3. SEC Use Only

4. Citizenship or Place of Organization

   Delaware, United States

Number of Shares Beneficially Owned by Each
Reporting Person With

5. Sole Voting Power  1,303,028
6. Shared Voting Power  None
7. Sole Dispositive Power  1,884,721
8. Shared Dispositive Power  None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  1,884,721
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 4.85%
12. Type of Reporting Person:  IA

Item 1(a). Name of Issuer:

Intuitive Surgical, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

950 Kifer Road
Sunnyvale, CA  94086
United States

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA  22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

46120E602
Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 1,884,721

b. Percent of Class: 4.85%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  1,303,028

   (ii) Shared power to vote or to direct the vote None

   (iii)Sole power to dispose or to direct the disposition of 1,884,721

   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

[ X ] This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control
Person:
Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date February 14, 2011

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
**Filing Detail**

**SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page**

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**VARIAN MEDICAL SYSTEMS INC (Subject) CIK: 0000203527 (see all company filings)**

- IRS No.: 942359345
- State of Incorp.: DE
- Fiscal Year End: 1001
- Type: SC 13G/A
- Act: 34
- File No.: 005-17026
- Film No.: 11606291
- SIC: 3845 (Electromedical & Electrotherapeutic Apparatus)

Assistant Director 10

**Business Address**
3100 HANSEN WAY
PALO ALTO CA 94304-1000
650-424-5834

**Mailing Address**
3100 HANSEN WAY
PALO ALTO CA 94304-1000

**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- IRS No.: 202830751
- State of Incorp.: DE
- Fiscal Year End: 1231
- Type: SC 13G/A

**Business Address**
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

**Mailing Address**
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: VARIAN MEDICAL SYSTEMS INC
CENTRAL INDEX KEY: 0000203527
STANDARD INDUSTRIAL CLASSIFICATION: ELECTROMEDICAL & ELECTROTHERAPEUTIC APPARATUS [3845]
IRS NUMBER: 942359345
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1001

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-17026
FILM NUMBER: 11606291

BUSINESS ADDRESS:
STREET 1: 3100 HANSEN WAY
CITY: PALO ALTO
STATE: CA
ZIP: 94304-1000
BUSINESS PHONE: 650-424-5834

MAIL ADDRESS:
STREET 1: 3100 HANSEN WAY
CITY: PALO ALTO
STATE: CA
ZIP: 94304-1000

FORMER COMPANY:
FORMER CONFORMED NAME: VARIAN ASSOCIATES INC /DE/
DATE OF NAME CHANGE: 19920703

FORMER COMPANY:
FORMER CONFORMED NAME: VARIAN DELAWARE INC
DATE OF NAME CHANGE: 19761123

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

</SEC-HEADER>

UNTIED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(b)

(Amendment No. 2)*

Varian Medical Systems, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

92220P105

(CUSIP Number)

December 31, 2010

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]  Rule 13d-1(b)
[   ]  Rule 13d-1(c)
[   ]  Rule 13d-1(d)

CUSIP No.  92220P105

1. Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2. Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3. SEC Use Only

4. Citizenship or Place of Organization

    Delaware, United States

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

5. Sole Voting Power  3,953,223
6. Shared Voting Power  None
7. Sole Dispositive Power  5,959,626
8. Shared Dispositive Power  None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  5,959,626
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 5.01%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
Varian Medical Systems, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:
3100 Hanson Way
Palo Alto, CA 94304
United States

Item 2(a). Name of Person Filing
Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence
1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship
Delaware, United States

Item 2(d). Title of Class of Securities:
Common Stock

Item 2(e). CUSIP Number:
92220P105
Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 5,959,626

b. Percent of Class: 5.01%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  3,953,223

   (ii) Shared power to vote or to direct the vote   None

   (iii) Sole power to dispose or to direct the disposition of  5,959,626

   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control
Person:
Not applicable.

Item 8. Identification and Classification of Members of the Group:
Not applicable.

Item 9. Notice of Dissolution of Group:
Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 14, 2011

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:   Chief Operating Officer & Chief Compliance Officer
**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

**Summary:**
- **Filing Date:** 2011-02-14
- **Period of Report:** 2010-12-31
- **Filing Date Changed:** 2011-02-14
- **Effectiveness Date:** 2011-02-14

**Document Format Files**

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**Contact Information:**
- **Business Address:**
  - SANDS CAPITAL MANAGEMENT, LLC
  - 1101 WILSON BLVD, SUITE 2300
  - ARLINGTON VA 22209
  - 703-562-4000
- **Mailing Address:**
  - SANDS CAPITAL MANAGEMENT, LLC
  - 1101 WILSON BLVD, SUITE 2300
  - ARLINGTON VA 22209

**Other Information:**
- **IRS No.:** 202830751
- **State of Incorp.:** DE
- **Fiscal Year End:** 1231
- **Type:** 13F-HR
- **Act:** 34
- **File No.:** 028-05734
- **Film No.:** 11606605
ACCESSION NUMBER:               0001020066-11-000010
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20101231
FILED AS OF DATE:               20110214
DATE AS OF CHANGE:              20110214
EFFECTIVENESS DATE:             20110214

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            11606605

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024
FORMER COMPANY:  
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT  
DATE OF NAME CHANGE:  20050804  

FORMER COMPANY:  
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT INC  
DATE OF NAME CHANGE:  19990317  

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  

Form 13F  

Form 13F COVER PAGE  

Report for the Calendar Year or Quarter Ended: December 31, 2010  

Check here if Amendment [ ]; Amendment Number:  
This Amendment (Check only one.): [ ] is a restatement.  
[ ] adds new holdings entries.  

Institutional Investment Manager Filing this Report:  

Name: Sands Capital Management, LLC  
Address: 1101 Wilson Blvd.  
Suite 2300  
Arlington, VA 22209  

13F File Number: 28-05734  

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.  

Person Signing this Report on Behalf of Reporting Manager:  

Name: Robert C. Hancock  
Title: Chief Operating Officer & Chief Compliance Officer  
Phone: 703-562-4000  

Signature, Place, and Date of Signing:  
Robert C. Hancock  Arlington, VA  February 14, 2011  

Report Type (Check only one.):
List of Other Managers Reporting for this Manager:

Form 13F File Number   Name
28-01190   Russell Investment Co.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers:    0

Form13F Information Table Entry Total:   60

Form13F Information Table Value Total:  $ 15,228,607(thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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**Filing Detail**

**Form 13F-HR** - Quarterly report filed by institutional managers, Holdings

- **Filing Date**: 2011-05-13
- **Period of Report**: 2011-03-31
- **Filing Date Changed**: 2011-05-13
- **Effectiveness Date**: 2011-05-13

**SEC Accession No.** 0001020066-11-000012

**Document Format Files**

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**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

- **IRS No.:** 202830751 | **State of Incorp.:** DE | **Fiscal Year End:** 1231
- **Type:** 13F-HR | **Act:** 34 | **File No.:** 028-05734 | **Film No.:** 11841392

- **Business Address**: SANDS CAPITAL MANAGEMENT, LLC
  1101 WILSON BLVD, SUITE 2300
  ARLINGTON VA 22209
  703-562-4000

- **Mailing Address**: SANDS CAPITAL MANAGEMENT, LLC
  1101 WILSON BLVD, SUITE 2300
  ARLINGTON VA 22209

ACCESSION NUMBER:               0001020066-11-000012
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20110331
FILED AS OF DATE:               20110513
DATE AS OF CHANGE:              20110513
EFFECTIVENESS DATE:             20110513

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            11841392

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE:    20050804

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE:    19990317
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: March 31, 2011

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
        Suite 2300
        Arlington, VA  22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by
whom it is signed hereby represent that the person signing the report is
authorized to submit it, that all information contained herein is true,
correct and complete, and that it is understood that all required items,
statements, schedules, lists, and tables, are considered integral parts
of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock  Arlington, VA  May 13, 2011

Report Type (Check only one.):

[ X] 13F HOLDINGS REPORT.

[ ] 13F NOTICE.

[ ] 13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Form 13F File Number          Name  
28-01190                      Russell Investment Co.  

<Form 13F SUMMARY PAGE>

Report Summary:

Number of Other Included Managers:    0
Form13F Information Table Entry Total:  63
Form13F Information Table Value Total: $ 16,122,013 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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VALUE  SHARES/ SH/ PUT/ INVSTMT OTHER  VOTING  
AUTHORITY  NAME OF ISSUER  TITLE OF CLASS  CUSIP  (x$1000)  PRN AMT PRN CALL DSCRETN MANAGERS  SOLE  SHARED  NONE  
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Filing Detail

SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page

Form SC 13G - Statement of acquisition of beneficial ownership by individuals

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2011-06-09

Filing Date Changed
2011-06-09

Accepted
2011-06-09 16:13:07

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SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

OPENTABLE INC (Subject) CIK: 0001125914 (see all company filings)
IRS No.: 943374049 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G | Act: 34 | File No.: 005-84906 | Film No.: 11903339
SIC: 7389 Services-Business Services, NEC
Assistant Director 2 & 3

Business Address
799 MARKET STREET
FOURTH FLOOR
SAN FRANCISCO CA 94103
(415) 344-4200

Mailing Address
799 MARKET STREET
FOURTH FLOOR
SAN FRANCISCO CA 94103
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: OPENTABLE INC
CENTRAL INDEX KEY: 0001125914
STANDARD INDUSTRIAL CLASSIFICATION: SERVICES-BUSINESS SERVICES, NEC [7389]
IRS NUMBER: 943374049
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-84906
FILM NUMBER: 11903339

BUSINESS ADDRESS:
STREET 1: 799 MARKET STREET
STREET 2: FOURTH FLOOR
CITY: SAN FRANCISCO
STATE: CA
ZIP: 94103
BUSINESS PHONE: (415) 344-4200

MAIL ADDRESS:
STREET 1: 799 MARKET STREET
STREET 2: FOURTH FLOOR
CITY: SAN FRANCISCO
STATE: CA
ZIP: 94103

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

OpenTable, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

68372A104
(CUSIP Number)

May 31, 2011
(Date of Event which Requires Filing of this Statement)
Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]   Rule 13d-1(b)
[   ]   Rule 13d-1(c)
[   ]   Rule 13d-1(d)

CUSIP No.  68372A104

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3.SEC Use Only

4.Citizenship or Place of Organization

    Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5.Sole Voting Power  1,620,699

6.Shared Voting Power  None

7.Sole Dispositive Power  2,481,379

8.Shared Dispositive Power  None

9.Aggregate Amount Beneficially Owned by Each Reporting Person  2,481,379

10.Check if the Aggregate Amount in Row (9) Excludes Certain Shares [   ]

11.Percent of Class Represented by Amount in Row (9) 10.6%

12.Type of Reporting Person:  IA
Item 1(a). Name of Issuer:

OpenTable, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

799 Market Street
Fourth Floor
San Francisco, CA 94103

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

68372A104

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 2,481,379
b. Percent of Class: 10.6%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote   1,620,699

   (ii) Shared power to vote or to direct the vote   None

   (iii) Sole power to dispose or to direct the disposition of   2,481,379

   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:

   Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

   [ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

   Not applicable.

Item 8. Identification and Classification of Members of the Group:

   Not applicable.

Item 9. Notice of Dissolution of Group:

   Not applicable.

Item 10. Certification:

   By signing below I certify that, to the best of my knowledge and belief, the
securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date June 9, 2011

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer

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**Form 13F-HR - Quarterly report filed by institutional managers, Holdings**

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**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

- IRS No.: **202830751** | State of Incorp.: **DE** | Fiscal Year End: **1231**
- Type: **13F-HR** | Act: **34** | File No.: **028-05734** | Film No.: **111031850**

**Business Address**

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

**Mailing Address**

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.  20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: June 30, 2011

Check here if Amendment [  ]; Amendment Number:
This Amendment (Check only one.): [  ] is a restatement.
[  ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name:  Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
       Suite 2300
       Arlington, VA  22209

13F File Number:  28-05734

The institutional investment manager filing this report and the person by
whom it is signed hereby represent that the person signing the report is
authorized to submit it, that all information contained herein is true,
correct and complete, and that it is understood that all required items,
statements, schedules, lists, and tables, are considered integral parts
of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name:    Robert C. Hancock
Title:    Chief Operating Officer & Chief Compliance Officer
Phone:   703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock     Arlington, VA     August 12, 2011

Report Type (Check only one.):

[ X]    13F HOLDINGS REPORT.

[ ]    13F NOTICE.

[ ]    13F COMBINATION REPORT.
List of Other Managers Reporting for this Manager:

Form 13F File Number       Name
28-01190          Russell Investment Co.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers:         0
Form13F Information Table Entry Total:     59
Form13F Information Table Value Total:     $16,964,752 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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|--------------------------------------------|----------|----------|--------|--------|----------|-------------|--------------|-------------|--------|-------|-------|
| ASML ADR                                   | ADR      | N07059186 | 346977 | 9387907 | SH       | SOLE        | 6586600      | 0           |        |       | 6586600|
| ATELENAHEALTH, INC                         | COM      | 04685W103 | 14191  | 345275  | SH       | SOLE        | 217475       | 0           |        |       | 217475|
| BIOMARIN PHARMS                            | COM      | 09061G101 | 4142   | 152225  | SH       | SOLE        | 4925         | 0           |        |       | 4925  |
| C H ROBINSON WORLDWIDE, INC.               | COM      | 12541W209 | 288800 | 3663111 | SH       | SOLE        | 2407171      | 0           | 1255940 |      | 1255940|
| CELGENE                                    | COM      | 151020104 | 1668   | 27650   | SH       | SOLE        | 850          | 0           | 26800  |      | 26800 |
| CHARLES SCHWAB                             | COM      | 808513105 | 445366 | 27073938| SH       | SOLE        | 18465653     | 0           |        |       | 18465653|
| CISCO SYSTEMS                              | COM      | 17275R102 | 219    | 14000   | SH       | SOLE        | 7500         | 0           |        |       | 7500  |
| COMPLETE GENOMICS INC                      | COM      | 20454K104 | 12194  | 798028  | SH       | SOLE        | 481876       | 0           | 316152  |      | 316152|
| CONCUR TECHNOLOGIES INC                    | COM      | 206708109 | 7613   | 152054  | SH       | SOLE        | 112370       | 0           |        |       | 112370|
| CREE INC.                                  | COM      | 225447101 | 14964  | 445500  | SH       | SOLE        | 330100       | 0           | 115400  |      | 115400|
| DENDREON                                   | COM      | 24823Q107 | 2246   | 56950   | SH       | SOLE        | 55100        | 0           |        |       | 55100 |
| DEXCOM INC                                 | COM      | 252131107 | 1800   | 124225  | SH       | SOLE        | 120200       | 0           |        |       | 120200|
| EDWARDS LIFESCIENCES CORP                  | COM      | 28176E108 | 2927   | 33570   | SH       | SOLE        | 1070         | 0           | 32500  |      | 32500 |
| F5 NETWORKS INC                            | COM      | 315616102 | 536653 | 4867600 | SH       | SOLE        | 3211125      | 0           |        |       | 3211125|
| FLIR SYSTEMS INC                           | COM      | 302445101 | 17994  | 533800  | SH       | SOLE        | 396300       | 0           | 137500  |      | 137500|
| FMC TECHNOLOGIES                           | COM      | 30249U101 | 460162 | 10273770| SH       | SOLE        | 6961660      | 0           |        |       | 6961660|
| GOOGLE                                    | CL A     | 38259P508 | 689737 | 1362093 | SH       | SOLE        | 422247       | 0           |        |       | 422247|
| HEARTWARE INTERNATIONAL INC                | COM      | 422368100 | 2078   | 28050   | SH       | SOLE        | 900          | 0           | 27150  |      | 27150 |
| HUMAN GENOME SCIENCES                      | COM      | 444903108 | 1496   | 60975   | SH       | SOLE        | 1975         | 0           | 59000  |      | 59000 |
| ILLUMINA INC                               | COM      | 452327109 | 707190 | 9410385 | SH       | SOLE        | 3243350      | 0           |        |       | 3243350|
| INCYTE CORPORATION                         | COM      | 45337C102 | 1382   | 72950   | SH       | SOLE        | 2350         | 0           | 70600  |      | 70600 |
| INTERCONTINENTAL EXCHANGE                  | COM      | 45865V100 | 451369 | 3619347 | SH       | SOLE        | 2457590      | 0           | 1161757 |      | 1161757|
| INTUITIVE SURGICAL                         | COM      | 46120E602 | 714683 | 1920623 | SH       | SOLE        | 1305376      | 0           |        |       | 1305376|
| IPG PHOTONICS CORP                         | COM      | 44980X109 | 17706  | 243510  | SH       | SOLE        | 180610       | 0           | 62900  |      | 62900 |
| LAS VEGAS SANDS                            | COM      | 517834107 | 386725 | 9161929 | SH       | SOLE        | 6254307      | 0           | 2907622 |      | 2907622|
| MERCADOLIBRE                               | ADR      | 58733R102 | 41233  | 519700  | SH       | SOLE        | 473000       | 0           |        |       | 473000|
| MINDRAY MEDICAL INTL ADR                   | ADR      | 602675100 | 2318   | 82650   | SH       | SOLE        | 2650         | 0           | 80000  |      | 80000 |
| NATIONAL OILWELL VARCO                    | COM      | 637071101 | 731933 | 9358565 | SH       | SOLE        | 6482606      | 0           | 2875959 |      | 2875959|

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Form 13F-HR - Quarterly report filed by institutional managers, Holdings

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Accepted
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Period of Report
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Filing Date Changed
2011-11-14

Effectiveness Date
2011-11-14

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SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 11198283

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 13F-HR
SEC ACT: 1934 Act
SEC FILE NUMBER: 028-05734
FILM NUMBER: 111198283

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: September 30, 2011

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
         Suite 2300
         Arlington, VA  22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by
whom it is signed hereby represent that the person signing the report is
authorized to submit it, that all information contained herein is true,
correct and complete, and that it is understood that all required items,
statements, schedules, lists, and tables, are considered integral parts
of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

   Robert C. Hancock     Arlington, VA     November 14, 2011

Report Type (Check only one.):

[ X] 13F HOLDINGS REPORT.

[ ] 13F NOTICE.

[ ] 13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Report Summary:

Number of Other Included Managers: 0

Form13F Information Table Entry Total: 60

Form13F Information Table Value Total: $15,072,868 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

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**VARIAN MEDICAL SYSTEMS INC (Subject) CIK: 00000203527 (see all company filings)**

- IRS No.: 942359345
- State of Incorp.: DE
- Fiscal Year End: 1001

Type: SC 13G/A | Act: 34 | File No.: 005-17026 | Film No.: 12600116

SIC: 3845 Electromedical & Electrotherapeutic Apparatus

Assistant Director 10

**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- IRS No.: 202830751
- State of Incorp.: DE
- Fiscal Year End: 1231

Type: SC 13G/A

Business Address

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: VARIAN MEDICAL SYSTEMS INC
CENTRAL INDEX KEY: 0000203527
STANDARD INDUSTRIAL CLASSIFICATION: ELECTROMEDICAL & ELECTROTHERAPEUTIC APPARATUS [3845]
IRS NUMBER: 942359345
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1001

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-17026
FILM NUMBER: 12600116

BUSINESS ADDRESS:
STREET 1: 3100 HANSEN WAY
CITY: PALO ALTO
STATE: CA
ZIP: 94304-1000
BUSINESS PHONE: 650-424-5834

MAIL ADDRESS:
STREET 1: 3100 HANSEN WAY
CITY: PALO ALTO
STATE: CA
ZIP: 94304-1000

FORMER COMPANY:
FORMER CONFORMED NAME: VARIAN ASSOCIATES INC /DE/
DATE OF NAME CHANGE: 19920703

FORMER COMPANY:
FORMER CONFORMED NAME: VARIAN DELAWARE INC
DATE OF NAME CHANGE: 19761123

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
(Amendment No. 3)*

Varian Medical Systems, Inc.

Common Stock

92220P105

(CUSIP Number)

December 31, 2011

(DATE OF EVENT WHICH REQUIRES FILING OF THIS STATEMENT)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X]  Rule 13d-1(b)
[ ]  Rule 13d-1(c)
[ ]  Rule 13d-1(d)

CUSIP No. 92220P105

1. Names of Reporting Persons.

Sands Capital Management, LLC

2. I.R.S. Identification Nos. of above persons (entities only).

20-2830751

3. Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

4. SEC Use Only

5. Citizenship or Place of Organization

Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power 1,850

6. Shared Voting Power None

7. Sole Dispositive Power 56,650
8. Shared Dispositive Power None
9. Aggregate Amount Beneficially Owned by Each Reporting Person 56,650
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 0.05%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
Varian Medical Systems, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:
3100 Hanson Way
Palo Alto, CA 94304
United States

Item 2(a). Name of Person Filing
Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence
1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship
Delaware, United States

Item 2(d). Title of Class of Securities:
Common Stock

Item 2(e). CUSIP Number:
92220P105

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with
240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 56,650

b. Percent of Class: 0.05%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  1,850

   (ii) Shared power to vote or to direct the vote   None

   (iii) Sole power to dispose or to direct the disposition of  56,650

   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:

[ X ]This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.
Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 13, 2012

By: /s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Filing Detail

Form 13F-HR - Quarterly report filed by institutional managers, Holdings

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SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 12606834

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

ACCESSION NUMBER:               0001020066-12-000003
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20111231
FILED AS OF DATE:               20120214
DATE AS OF CHANGE:              20120214
EFFECTIVENESS DATE:             20120214

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            12606834

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE:    20050804

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE:    19990317

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: December 31, 2011

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name:  Sands Capital Management, LLC
Address:  1101 Wilson Blvd.
          Suite 2300
          Arlington, VA 22209

13F File Number:  28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name:  Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
Phone:  703-562-4000

Signature, Place, and Date of Signing:

        Robert C. Hancock    Arlington, VA    February 13, 2011

Report Type (Check only one.):

[ X]  13F HOLDINGS REPORT.

[ ]  13F NOTICE.

[ ]  13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Form 13F File Number          Name
28-01190                      Russell Investment Co.

Form 13F Summary Page

Report Summary:

Number of Other Included Managers:         0
Form13F Information Table Entry Total:     58
Form13F Information Table Value Total:     $ 17,382,806 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

Form 13F Information Table

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### Form SC 13G - Statement of acquisition of beneficial ownership by individuals [amend]

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### CREE INC (Subject) CIK: 0000895419 (see all company filings)

- IRS No.: 561572719
- State of Incorp.: NC
- Fiscal Year End: 0624
- Type: SC 13G/A
- Act: 34
- File No.: 005-44695
- Film No.: 12606923
- SIC: 3674 Semiconductors & Related Devices
- Assistant Director 10

### SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)

- IRS No.: 202830751
- State of Incorp.: DE
- Fiscal Year End: 1231
- Type: SC 13G/A
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: CREE INC
CENTRAL INDEX KEY: 0000895419
STANDARD INDUSTRIAL CLASSIFICATION: SEMICONDUCTORS & RELATED DEVICES

[3674]
IRS NUMBER: 561572719
STATE OF INCORPORATION: NC
FISCAL YEAR END: 0624

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-44695
FILM NUMBER: 12606923

BUSINESS ADDRESS:
STREET 1: 4600 SILICON DR
CITY: DURHAM
STATE: NC
ZIP: 27703
BUSINESS PHONE: 9194075300

MAIL ADDRESS:
STREET 1: 4600 SILICON DR
CITY: DURHAM
STATE: NC
ZIP: 27703-8475

FORMER COMPANY:
FORMER CONFORMED NAME: CREE RESEARCH INC /NC/
DATE OF NAME CHANGE: 19940224

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A
UNITED STATES SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
(AMENDMENT No. 1)*

Cree, Inc.
(Name of Issuer)

Common Stock

(Title of Class of Securities)

225447101

(CUSIP Number)

December 31, 2011

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 225447101

1. Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2. Check the Appropriate Box if a Member of a Group

   (a) [ ]
   (b) [ ]

3. SEC Use Only

4. Citizenship or Place of Organization

   Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power 187,600

6. Shared Voting Power None

7. Sole Dispositive Power 249,600

8. Shared Dispositive Power None

9. Aggregate Amount Beneficially Owned by Each Reporting Person 249,600
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]

11. Percent of Class Represented by Amount in Row (9) 0.22%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

Cree, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

4600 Silicon Drive
Durham, NC 27703
United States

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

225447101

Item 3. If this Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) Broker or dealer registered under Section 15 of the Act.
(b) Bank as defined in Section 3(a)(6) of the Act.
(c) Insurance company as defined in Section 3(a)(19) of the Act.
(d) Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940; 
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 249,600

b. Percent of Class: 0.22%

c. Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote 187,600

(ii) Shared power to vote or to direct the vote None

(iii) Sole power to dispose or to direct the disposition of 249,600

(iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

[X] This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:
By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date  February 14, 2012

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
**Filing Detail**

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**SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page**

**Form SC 13G - Statement of acquisition of beneficial ownership by individuals**

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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- **IRS No.:** 202830751
- **State of Incorp.:** DE
- **Fiscal Year End:** 1231
- **Type:** SC 13G

**Business Address**

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

**Mailing Address**

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209

---

**F5 NETWORKS INC (Subject) CIK: 0001048695 (see all company filings)**

- **IRS No.:** 911714307
- **State of Incorp.:** WA
- **Fiscal Year End:** 0930
- **Type:** SC 13G
- **Act:** 34
- **File No.:** 005-56407
- **Film No.:** 12607175
- **SIC:** 3576

**Business Address**

401 ELLIOT AVE WEST
STE 500
SEATTLE WA 98119
2062725555

**Mailing Address**

401 ELLIOT AVE WEST
STE 500
SEATTLE WA 98119
ACCESSION NUMBER:               0001020066-12-000005
CONFORMED SUBMISSION TYPE:      SC 13G
PUBLIC DOCUMENT COUNT:          1
FILED AS OF DATE:               20120214
DATE AS OF CHANGE:              20120214

SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME:                 F5 NETWORKS INC
CENTRAL INDEX KEY:                      0001048695
STANDARD INDUSTRIAL CLASSIFICATION:     COMPUTER COMMUNICATIONS EQUIPMENT
[3576]
IRS NUMBER:                             911714307
STATE OF INCORPORATION:                 WA
FISCAL YEAR END:                        0930

FILING VALUES:
FORM TYPE:              SC 13G
SEC ACT:                1934 Act
SEC FILE NUMBER:        005-56407
FILM NUMBER:            12607175

BUSINESS ADDRESS:
STREET 1:               401 ELLIOT AVE WEST
STREET 2:               STE 500
CITY:                   SEATTLE
STATE:                  WA
ZIP:                    98119
BUSINESS PHONE:         2062725555

MAIL ADDRESS:
STREET 1:               401 ELLIOT AVE WEST
STREET 2:               STE 500
CITY:                   SEATTLE
STATE:                  WA
ZIP:                    98119

FORMER COMPANY:
FORMER CONFORMED NAME:  F5 LABS INC
DATE OF NAME CHANGE:    19990305

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

F5 Networks, Inc.
(Name of Issuer)

Common Stock

(Title of Class of Securities)

315616102
CUSIP No. 315616102

1. Names of Reporting Persons.
Sands Capital Management, LLC

2. I.R.S. Identification Nos. of above persons (entities only).
20-2830751

4. Citizenship or Place of Organization
Delaware, United States

5. Sole Voting Power 3,393,581

6. Shared Voting Power None

7. Sole Dispositive Power 5,027,982

8. Shared Dispositive Power None

9. Aggregate Amount Beneficially Owned by Each Reporting Person 5,027,982

11. Percent of Class Represented by Amount in Row (9) 6.33%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

F5 Networks, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

401 Elliott Avenue West
Seattle, WA 98119

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

315616102

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b)
or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).
Item 4. Ownership:

a. Amount beneficially owned: 5,027,982

b. Percent of Class: 6.33%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  3,393,581

   (ii) Shared power to vote or to direct the vote  None

   (iii) Sole power to dispose or to direct the disposition of  5,027,982

   (iv) Shared power to dispose or to direct the disposition  None

Item 5. Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.
Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date   February 14, 2012

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A
Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000
Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

ILLUMINA INC (Subject) CIK: 0001110803 (see all company filings)
IRS No.: 330804655 | State of Incorp.: DE | Fiscal Year End: 0103
Type: SC 13G/A | Act: 34 | File No.: 005-60457 | Film No.: 12607248
SIC: 3826 Laboratory Analytical Instruments
Assistant Director 10
Business Address
9885 TOWNE CENTRE DRIVE
SAN DIEGO CA 92121
8582024500
Mailing Address
9885 TOWNE CENTRE DRIVE
SAN DIEGO CA 92121
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: ILLUMINA INC
CENTRAL INDEX KEY: 0001110803
STANDARD INDUSTRIAL CLASSIFICATION: LABORATORY ANALYTICAL INSTRUMENTS

[3826]
IRS NUMBER: 330804655
STATE OF INCORPORATION: DE
FISCAL YEAR END: 0103

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-60457
FILM NUMBER: 12607248

BUSINESS ADDRESS:
STREET 1: 9885 TOWNE CENTRE DRIVE
CITY: SAN DIEGO
STATE: CA
ZIP: 92121
BUSINESS PHONE: 8582024500

MAIL ADDRESS:
STREET 1: 9885 TOWNE CENTRE DRIVE
CITY: SAN DIEGO
STATE: CA
ZIP: 92121

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
(AMENDMENT No. 2)*

Illumina, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

452327109
(CUSIP Number)

December 31, 2011

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]   Rule 13d-1(b)
[   ]   Rule 13d-1(c)
[   ]   Rule 13d-1(d)

CUSIP No.  452327109

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

Number of Shares
Beneficially Owned by Each Reporting Person With

5.Sole Voting Power   7,442,211

6.Shared Voting Power   None

7.Sole Dispositive Power   11,122,866

8.Shared Dispositive Power   None

9.Aggregate Amount Beneficially Owned by Each Reporting Person 11,122,866

10.Check if the Aggregate Amount in Row (9) Excludes Certain Shares[   ]
11. Percent of Class Represented by Amount in Row (9) 9.16%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

Illumina, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

9885 Towne Centre Drive
San Diego, CA 92121
United States

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

452327109

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).
Item 4. Ownership:

a. Amount beneficially owned: 11,122,866

b. Percent of Class: 9.16%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote  7,442,211

   (ii) Shared power to vote or to direct the vote   None

   (iii) Sole power to dispose or to direct the disposition of 11,122,866

   (iv) Shared power to dispose or to direct the disposition   None

Item 5. Ownership of Five Percent or Less of a Class:
Not applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:
[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:
Not applicable.

Item 8. Identification and Classification of Members of the Group:
Not applicable.

Item 9. Notice of Dissolution of Group:
Not applicable.
Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date February 14, 2012

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer

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Filing Detail

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Form SC 13G - Statement of acquisition of beneficial ownership by individuals [amend]  SEC Accession No. 0001020066-12-000007

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SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

FMC TECHNOLOGIES INC (Subject) CIK: 0001135152 (see all company filings)
IRS No.: 364412642 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A | Act: 34 | File No.: 005-78521 | Film No.: 12607301
SIC: 3533 Oil & Gas Field Machinery & Equipment
Assistant Director 4

Business Address
1803 GEARS ROAD
HOUSTON TX 77067
2815914000

Mailing Address
1803 GEARS ROAD
HOUSTON TX 77067

SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: FMC TECHNOLOGIES INC
CENTRAL INDEX KEY: 0001135152
STANDARD INDUSTRIAL CLASSIFICATION: OIL & GAS FILED MACHINERY & EQUIPMENT [3533]
IRS NUMBER: 364412642
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-78521
FILM NUMBER: 12607301

BUSINESS ADDRESS:
STREET 1: 1803 GEARS ROAD
CITY: HOUSTON
STATE: TX
ZIP: 77067
BUSINESS PHONE: 2815914000

MAIL ADDRESS:
STREET 1: 1803 GEARS ROAD
CITY: HOUSTON
STATE: TX
ZIP: 77067

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
(Amendment No. 1)*

FMC Technologies, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

30249U101

CUSIP Number 30249U101

1. Names of Reporting Persons.
   Sands Capital Management, LLC

2. Check the Appropriate Box if a Member of a Group
   (a) [ ]
   (b) [ ]

4. Citizenship or Place of Organization
   Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power  7,593,045

6. Shared Voting Power  None

7. Sole Dispositive Power  11,144,206

8. Shared Dispositive Power  None

9. Aggregate Amount Beneficially Owned by Each Reporting Person 11,144,206

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 4.68%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
FMC Technologies, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:
1803 Gears Road
Houston, TX 77067
United States

Item 2(a). Name of Person Filing
Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence
1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship
Delaware, United States

Item 2(d). Title of Class of Securities:
Common Stock

Item 2(e). CUSIP Number:
30249U101

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b)
or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).
Item 4. Ownership:

a. Amount beneficially owned: 11,144,206

b. Percent of Class: 4.68%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote 7,593,045
   (ii) Shared power to vote or to direct the vote None
   (iii) Sole power to dispose or to direct the disposition of 11,144,206
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

[X]

This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:
By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 14, 2012

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:   Chief Operating Officer & Chief Compliance Officer
Filing Detail

SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page

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SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

OPENTABLE INC (Subject) CIK: 0001125914 (see all company filings)

IRS No.: 943374049 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A | Act: 34 | File No.: 005-84906 | Film No.: 12743923
SIC: 7389 Services-Business Services, NEC
Assistant Director 2 & 3

Business Address
799 MARKET STREET
FOURTH FLOOR
SAN FRANCISCO CA 94103
(415) 344-4200

Mailing Address
799 MARKET STREET
FOURTH FLOOR
SAN FRANCISCO CA 94103
ACCESSION NUMBER:               0001020066-12-000009
CONFORMED SUBMISSION TYPE:      SC 13G/A
PUBLIC DOCUMENT COUNT:          1
FILED AS OF DATE:               20120405
DATE AS OF CHANGE:              20120405

SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME:                 OPENTABLE INC
CENTRAL INDEX KEY:                      0001125914
STANDARD INDUSTRIAL CLASSIFICATION:     SERVICES-BUSINESS SERVICES, NEC [7389]
IRS NUMBER:                             943374049
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              SC 13G/A
SEC ACT:                1934 Act
SEC FILE NUMBER:        005-84906
FILM NUMBER:            12743923

BUSINESS ADDRESS:
STREET 1:               799 MARKET STREET
STREET 2:               FOURTH FLOOR
CITY:                   SAN FRANCISCO
STATE:                  CA
ZIP:                    94103
BUSINESS PHONE:         (415) 344-4200

MAIL ADDRESS:
STREET 1:               799 MARKET STREET
STREET 2:               FOURTH FLOOR
CITY:                   SAN FRANCISCO
STATE:                  CA
ZIP:                    94103

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              SC 13G/A

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

PURSUANT TO RULE 13d-2(b)
(Amendment No. 1)*

OpenTable, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)
CUSIP No.  68372A104

1.Names of Reporting Persons.
Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).
20-2830751

2.Check the Appropriate Box if a Member of a Group
(a) [ ]
(b) [ ]

3.SEC Use Only

4.Citizenship or Place of Organization
   Delaware, United States

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

5.Sole Voting Power     168,055

6.Shared Voting Power   None

7.Sole Dispositive Power    213,355

8.Shared Dispositive Power   None

9.Aggregate Amount Beneficially Owned by Each Reporting Person 213,355

10.Check if the Aggregate Amount in Row (9) Excludes Certain Shares[ ]
Item 1(a). Name of Issuer:  
OpenTable, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:  
799 Market Street  
Fourth Floor  
San Francisco, CA 94103

Item 2(a). Name of Person Filing  
Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence  
1101 Wilson Blvd.  
Suite 2300  
Arlington, VA  22209

Item 2(c). Citizenship  
Delaware, United States

Item 2(d). Title of Class of Securities:  
Common Stock

Item 2(e). CUSIP Number:  
68372A104

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:  
(a) - Broker or dealer registered under Section 15 of the Act.  
(b) - Bank as defined in Section 3(a)(6) of the Act.  
(c) - Insurance company as defined in Section 3(a)(19) of the Act.  
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.  
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);  
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);  
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);  
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;  
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
Item 4. Ownership:

a. Amount beneficially owned: 213,355

b. Percent of Class: 0.95%

c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote 168,055
   (ii) Shared power to vote or to direct the vote None
   (iii) Sole power to dispose or to direct the disposition of 213,355
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

[ X ]

This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

Not applicable.
By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    April 5, 2012

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:   Chief Operating Officer & Chief Compliance Officer
**Filing Detail**

SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page

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**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 12837536

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
ACCESSION NUMBER: 0001020066-12-000011
CONFORMED SUBMISSION TYPE: 13F-HR
PUBLIC DOCUMENT COUNT: 1
CONFORMED PERIOD OF REPORT: 20120331
FILED AS OF DATE: 20120514
DATE AS OF CHANGE: 20120514
EFFECTIVENESS DATE: 20120514

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 13F-HR
SEC ACT: 1934 Act
SEC FILE NUMBER: 028-05734
FILM NUMBER: 12837536

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

</TYPE>
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: March 31, 2012

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
       Suite 2300
       Arlington, VA 22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by
whom it is signed hereby represent that the person signing the report is
authorized to submit it, that all information contained herein is true,
correct and complete, and that it is understood that all required items,
statements, schedules, lists, and tables, are considered integral parts
of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock  Arlington, VA  May 14, 2012

Report Type (Check only one.):

[ X] 13F HOLDINGS REPORT.

[ ] 13F NOTICE.

[ ] 13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:

Form 13F File Number  Name
FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers: 0

Form13F Information Table Entry Total: 42

Form13F Information Table Value Total: $ 22,336,308 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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Form 13F-HR - Quarterly report filed by institutional managers, Holdings

SEC Accession No. 0001020066-12-000012

Filing Date  Period of Report  Effectiveness Date
2012-08-13  2012-06-30  2012-08-13

Filing Date Changed 2012-08-13

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SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 121026392

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: June 30, 2012

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
        Suite 2300
        Arlington, VA 22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

        Robert C. Hancock     Arlington, VA     August 13, 2012

Report Type (Check only one.):

[ X] 13F HOLDINGS REPORT.

[ ] 13F NOTICE.

[ ] 13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Form 13F File Number          Name
28-01190                      Russell Investment Co.

REPORT SUMMARY PAGE

Report Summary:

Number of Other Included Managers:         0
Form13F Information Table Entry Total:     39
Form13F Information Table Value Total:     $ 22,038,675(thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 121197069

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

ACCESSION NUMBER:               0001020066-12-000013
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20120930
FILED AS OF DATE:               20121113
DATE AS OF CHANGE:              20121113
EFFECTIVENESS DATE:             20121113

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            121197069

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

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FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024

FORMER COMPANY:
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DATE OF NAME CHANGE:    19990317

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: September 30, 2012

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name: Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
         Suite 2300
         Arlington, VA 22209

13F File Number: 28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name: Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Phone: 703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock Arlington, VA November 13, 2012

Report Type (Check only one.):

[ X] 13F HOLDINGS REPORT.

[ ] 13F NOTICE.

[ ] 13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Form 13F File Number          Name
28-01190                      Russell Investment Co.

LIST OF OTHER INCLUDED MANAGERS:

Provide a numbered list of the name(s) and Form 13F file number(s) of all
institutional managers with respect to which this report is filed, other
than the manager filing this report.

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**SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)**

IRS No.: **202830751** | State of Incorp.: **DE** | Fiscal Year End: **1231**

Type: **13F-HR** | Act: **34** | File No.: **028-05734** | Film No.: **13604207**

**Business Address**
SANDS CAPITAL MANAGEMENT, LLC 1101 WILSON BLVD, SUITE 2300 ARLINGTON VA 22209 703-562-4000

**Mailing Address**
SANDS CAPITAL MANAGEMENT, LLC 1101 WILSON BLVD, SUITE 2300 ARLINGTON VA 22209
ACCESSION NUMBER:               0001020066-13-000001
CONFORMED SUBMISSION TYPE:      13F-HR
PUBLIC DOCUMENT COUNT:          1
CONFORMED PERIOD OF REPORT:     20121231
FILED AS OF DATE:               20130213
DATE AS OF CHANGE:              20130213
EFFECTIVENESS DATE:             20130213

FILER:

COMPANY DATA:
COMPANY CONFORMED NAME:                 SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY:                      0001020066
IRS NUMBER:                             202830751
STATE OF INCORPORATION:                 DE
FISCAL YEAR END:                        1231

FILING VALUES:
FORM TYPE:              13F-HR
SEC ACT:                1934 Act
SEC FILE NUMBER:        028-05734
FILM NUMBER:            13604207

BUSINESS ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209
BUSINESS PHONE:         703-562-4000

MAIL ADDRESS:
STREET 1:               SANDS CAPITAL MANAGEMENT, LLC
STREET 2:               1101 WILSON BLVD, SUITE 2300
CITY:                   ARLINGTON
STATE:                  VA
ZIP:                    22209

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE:    20051024

FORMER COMPANY:
FORMER CONFORMED NAME:  SANDS CAPITAL MANAGEMENT
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FORMER COMPANY:
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DATE OF NAME CHANGE:    19990317

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<TYPE>13F-HR
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.  20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: December 31, 2012

Check here if Amendment [  ]; Amendment Number:
This Amendment (Check only one.): [  ] is a restatement.
[  ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name:    Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
         Suite 2300
         Arlington, VA  22209

13F File Number:  28-05734

The institutional investment manager filing this report and the person by
whom it is signed hereby represent that the person signing the report is
authorized to submit it, that all information contained herein is true,
correct and complete, and that it is understood that all required items,
statements,schedules, lists, and tables, are considered integral parts
of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name:      Robert C. Hancock
Title:     Chief Operating Officer & Chief Compliance Officer
Phone:     703-562-4000

Signature, Place, and Date of Signing:

Robert C. Hancock     Arlington, VA     February 13, 2013

Report Type (Check only one.):

[ X]       13F HOLDINGS REPORT.
[  ]       13F NOTICE.
[  ]       13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Form 13F File Number          Name
28-01190                      Russell Investment Co.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers:         0
Form13F Information Table Entry Total:     38
Form13F Information Table Value Total:     $ 24,971,645(thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

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**Filing Detail**

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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- **Business Address**: SANDS CAPITAL MANAGEMENT, LLC
- **Mailing Address**: SANDS CAPITAL MANAGEMENT, LLC
- **IRS No.**: 202830751
- **State of Incorp.**: DE
- **Fiscal Year End**: 1231
- **Type**: SC 13G

**SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)**

- **Business Address**: SANDS CAPITAL MANAGEMENT, LLC
- **Mailing Address**: SANDS CAPITAL MANAGEMENT, LLC
- **IRS No.**: 202830751
- **State of Incorp.**: DE
- **Fiscal Year End**: 1231
- **Type**: SC 13G | Act: 34 | File No.: 005-87290 | Film No.: 13606672

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IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-87290
FILM NUMBER: 13606672

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC

UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

athenahealth Inc.
(Name of Issuer)
Common Stock

(Title of Class of Securities)

04685W103

(CUSIP Number)

December 31, 2012

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 04685W103

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

   Number of Shares Beneficially Owned by Each Reporting Person With

5.Sole Voting Power 2,465,250

6.Shared Voting Power None

7.Sole Dispositive Power 3,379,435

8.Shared Dispositive Power None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  3,379,435

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [  ]

11. Percent of Class Represented by Amount in Row (9) 9.32%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

athenahealth Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

311 Arsenal Street
Watertown, MA 02472

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA  22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

04685W103

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b)
or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit
Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 3,379,435

b. Percent of Class: 9.32%

c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote 2,465,250
   (ii) Shared power to vote or to direct the vote None
   (iii) Sole power to dispose or to direct the disposition of 3,379,435
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209

SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G | Act: 34 | File No.: 005-87290 | Film No.: 13607026

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-87290
FILM NUMBER: 13607026

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

BioMarin Pharmaceutical Inc.
(Name of Issuer)
Common Stock
(Title of Class of Securities)

09061G101
(CUSIP Number)

December 31, 2012
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 09061G101

1. Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2. Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

3. SEC Use Only

4. Citizenship or Place of Organization

Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power 7,164,138

6. Shared Voting Power None

7. Sole Dispositive Power 9,902,228

8. Shared Dispositive Power None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  9,902,228

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [  ]

11. Percent of Class Represented by Amount in Row (9) 8.00%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

BioMarin Pharmaceutical Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

105 Digital Drive
Novato, CA 94949

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

09061G101

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b)
or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit...
Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 9,902,228

b. Percent of Class: 8.00%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote 7,164,138

   (ii) Shared power to vote or to direct the vote None

   (iii) Sole power to dispose or to direct the disposition of 9,902,228

   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:
Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:
[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date   February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G

SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)
IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G | Act: 34 | File No.: 005-87290 | Film No.: 13607032
ACCESSION NUMBER: 0001020066-13-000004
CONFORMED SUBMISSION TYPE: SC 13G
PUBLIC DOCUMENT COUNT: 1
FILED AS OF DATE: 20130213
DATE AS OF CHANGE: 20130214

SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-87290
FILM NUMBER: 13607032

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

Cerner Corporation

(Name of Issuer)
Common Stock
(Title of Class of Securities)

156782104
(CUSIP Number)

December 31, 2012
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No.  156782104

1.Names of Reporting Persons.
Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).
20-2830751

2.Check the Appropriate Box if a Member of a Group
(a) [ ]
(b) [ ]

3.SEC Use Only

4.Citizenship or Place of Organization
Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5.Sole Voting Power 6,830,241

6.Shared Voting Power None

7.Sole Dispositive Power 9,404,374
8. Shared Dispositive Power        None

9. Aggregate Amount Beneficially Owned by Each Reporting Person  9,404,374

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]

11. Percent of Class Represented by Amount in Row (9) 5.48%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

Cerner Corporation

Item 1(b). Address of Issuer's Principal Executive Offices:

2800 Rockcreek Parkway
North Kansas City, Missouri 64117

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA  22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

156782104

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 9,404,374
b. Percent of Class: 5.48%
c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote 6,830,241
   (ii) Shared power to vote or to direct the vote None
   (iii) Sole power to dispose or to direct the disposition of 9,404,374
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.
Not applicable.

Item 10.Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:   Chief Operating Officer & Chief Compliance Officer
**Filing Detail**

**SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page**

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<th>Form SC 13G - Statement of acquisition of beneficial ownership by individuals</th>
<th>SEC Accession No. 0001020066-13-000005</th>
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**SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)**

- IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
- Type: SC 13G

**SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)**

- IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
- Type: SC 13G | Act: 34 | File No.: 005-87290 | Film No.: 13607037

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

Chipotle Mexican Grill, Inc.
(Name of Issuer)
Common Stock

(Title of Class of Securities)

169656105

(CUSIP Number)

December 31, 2012

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]   Rule 13d-1(b)
[   ]   Rule 13d-1(c)
[   ]   Rule 13d-1(d)

CUSIP No.  169656105

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With

5.Sole Voting Power     1,690,959

6.Shared Voting Power   None

7.Sole Dispositive Power 2,314,724

8.Shared Dispositive Power None
9. Aggregate Amount Beneficially Owned by Each Reporting Person 2,314,724

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [    ]

11. Percent of Class Represented by Amount in Row (9) 7.35%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

    Chipotle Mexican Grill, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

    1401 Wynkoop Street
    Suite 500
    Denver, CO 80202

Item 2(a). Name of Person Filing

    Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

    1101 Wilson Blvd.
    Suite 2300
    Arlington, VA 22209

Item 2(c). Citizenship

    Delaware, United States

Item 2(d). Title of Class of Securities:

    Common Stock

Item 2(e). CUSIP Number:

    169656105

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 2,314,724

b. Percent of Class: 7.35%

c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote 1,690,959
   (ii) Shared power to vote or to direct the vote None
   (iii) Sole power to dispose or to direct the disposition of 2,314,724
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date   February 13, 2013

   By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
Form SC 13G - Statement of acquisition of beneficial ownership by individuals

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Accepted

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Documents

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SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G | Act: 34 | File No.: 005-87290 | Film No.: 13607039

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-87290
FILM NUMBER: 13607039

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

FMC Technologies, Inc.
(Name of Issuer)
Common Stock

(Title of Class of Securities)

30249U101

(CUSIP Number)

December 31, 2012

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 30249U101

1 NAMES OF REPORTING PERSONS.

Sands Capital Management, LLC

20-2830751

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [ ]
(b) [ ]

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware, United States

Number of Shares
Beneficially Owned by Each Reporting Person With

5 SOLE VOTING POWER 9,465,611

6 SHARED VOTING POWER None

7 SOLE DISPOSITIVE POWER 12,996,357

8 SHARED DISPOSITIVE POWER None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  12,996,357

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]

11. Percent of Class Represented by Amount in Row (9) 5.47%

12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:

FMC Technologies, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

5875 N. Sam Houston Parkway W.
Houston, TX 77086

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

30249U101

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act.
Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 12,996,357

b. Percent of Class: 5.47%

c. Number of shares as to which the person has:

   (i) Sole power to vote or to direct the vote 9,465,611

   (ii) Shared power to vote or to direct the vote None

   (iii) Sole power to dispose or to direct the disposition of 12,996,357

   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

      Not applicable

This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

      Not applicable.

Item 8. Identification and Classification of Members of the Group:

      Not applicable.
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date  February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Filing Detail

Form SC 13G - Statement of acquisition of beneficial ownership by individuals [amend]  

Filing Date  
2013-02-13

Filing Date Changed  
2013-02-14

Accepted  
2013-02-14 09:53:19

Documents  
1

Document Format Files

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SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A

Business Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD, SUITE 2300  
ARLINGTON VA 22209  
703-562-4000

Mailing Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD, SUITE 2300  
ARLINGTON VA 22209

SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A | Act: 34 | File No.: 005-87290 | Film No.: 13607041

Business Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD, SUITE 2300  
ARLINGTON VA 22209  
703-562-4000

Mailing Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD, SUITE 2300  
ARLINGTON VA 22209

UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 3)*

Illumina, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

452327109
(CUSIP Number)

December 31, 2012
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]   Rule 13d-1(b)
[   ]   Rule 13d-1(c)
[   ]   Rule 13d-1(d)

CUSIP No. 452327109

1.Names of Reporting Persons.

Sands Capital Management, LLC

20-2830751

I.R.S. Identification Nos. of above persons (entities only).

2. Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

   Number of
Shares
Beneficially
Owned by
Each
Reporting
Person With
5. Sole Voting Power       None
6. Shared Voting Power       None
7. Sole Dispositive Power     None
8. Shared Dispositive Power   None
9. Aggregate Amount Beneficially Owned by Each Reporting Person None
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares[   ]
11. Percent of Class Represented by Amount in Row (9) 0.00%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
            Illumina, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:
            5200 Illumina Way
            San Diego, CA 92122

Item 2(a). Name of Person Filing
            Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence
            1101 Wilson Blvd.
            Suite 2300
            Arlington, VA  22209

Item 2(c). Citizenship
            Delaware, United States

Item 2(d). Title of Class of Securities:
            Common Stock

Item 2(e). CUSIP Number:
            452327109

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b)
or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company
Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: None
b. Percent of Class: 0.00%
c. Number of shares as to which the person has:
   (i) Sole power to vote or to direct the vote None
   (ii) Shared power to vote or to direct the vote None
   (iii) Sole power to dispose or to direct the disposition of None
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:
[ X ]

This statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
Form SC 13G - Statement of acquisition of beneficial ownership by individuals [amend]

Filing Date  
2013-02-13

Filing Date Changed  
2013-02-14

SEC Accession No. 0001020066-13-000008

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SANDS CAPITAL MANAGEMENT, LLC  
(Called by) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231

Type: SC 13G/A

Business Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD,  
SUITE 2300  
ARLINGTON VA 22209  
703-562-4000

Mailing Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD,  
SUITE 2300  
ARLINGTON VA 22209

SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231

Type: SC 13G/A | Act: 34 | File No.: 005-87290 | Film No.: 13607044

Business Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD,  
SUITE 2300  
ARLINGTON VA 22209  
703-562-4000

Mailing Address  
SANDS CAPITAL MANAGEMENT, LLC  
1101 WILSON BLVD,  
SUITE 2300  
ARLINGTON VA 22209
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-87290
FILM NUMBER: 13607044

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)

(Amendment No. 2)*

Salesforce.com, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

79466L302

(CUSIP Number)

December 31, 2012

(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ] Rule 13d-1(b)
[   ] Rule 13d-1(c)
[   ] Rule 13d-1(d)

CUSIP No.  79466L302

1.Names of Reporting Persons.

Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).

20-2830751

2.Check the Appropriate Box if a Member of a Group

(a) [   ]
(b) [   ]

3.SEC Use Only

4.Citizenship or Place of Organization

   Delaware, United States

   Number of
   Shares
   Beneficially
   Owned by
   Each
   Reporting
   Person With
5. Sole Voting Power       7,844,228  
6. Shared Voting Power    None   
7. Sole Dispositive Power 10,749,826  
8. Shared Dispositive Power None   
9. Aggregate Amount Beneficially Owned by Each Reporting Person 10,749,826  
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]   
11. Percent of Class Represented by Amount in Row (9) 7.57%  
12. Type of Reporting Person:  IA  

Item 1(a). Name of Issuer:  
Salesforce.com, Inc  

Item 1(b). Address of Issuer's Principal Executive Offices:  
The Landmark at One Market  
Suite 300  
San Francisco, CA 94105  
United States  

Item 2(a). Name of Person Filing:  
Sands Capital Management, LLC  

Item 2(b). Address of Principal Business Office or, if None, Residence:  
1101 Wilson Blvd.  
Suite 2300  
Arlington, VA 22209  

Item 2(c). Citizenship:  
Delaware, United States  

Item 2(d). Title of Class of Securities:  
Common Stock  

Item 2(e). CUSIP Number:  
79466L302  

Item 3. If this Statement is filed pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:  

(a) - Broker or dealer registered under Section 15 of the Act.
Item 4. Ownership:

a. Amount beneficially owned: 10,749,826

b. Percent of Class: 7.57%

c. Number of shares as to which the person has:
   
   (i) Sole power to vote or to direct the vote 7,844,228
   
   (ii) Shared power to vote or to direct the vote None
   
   (iii) Sole power to dispose or to direct the disposition of 10,749,826
   
   (iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[X]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.
Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title: Chief Operating Officer & Chief Compliance Officer
Filing Detail

SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page

Form SC 13G - Statement of acquisition of beneficial ownership by individuals [amend]  SEC Accession No. 0001020066-13-000009

Filing Date
2013-02-14

Filing Date Changed
2013-02-14

Accepted
2013-02-14 09:53:40

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SANDS CAPITAL MANAGEMENT, LLC (Filed by) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A

SANDS CAPITAL MANAGEMENT, LLC (Subject) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G/A | Act: 34 | File No.: 005-87290 | Film No.: 13607046
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G/A
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-87290
FILM NUMBER: 13607046

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209
BUSINESS PHONE: 703-562-4000

MAIL ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
CITY: ARLINGTON
STATE: VA
ZIP: 22209

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LP
DATE OF NAME CHANGE: 20051024

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT
DATE OF NAME CHANGE: 20050804

FORMER COMPANY:
FORMER CONFORMED NAME: SANDS CAPITAL MANAGEMENT INC
DATE OF NAME CHANGE: 19990317

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
SCHEDULE 13G
Under the Securities Exchange Act of 1934

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b)(c), AND (d) AND AMENDMENTS THERETO FILED

UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C.  20549

PURSUANT TO RULE 13d-2(b)  
(AMENDMENT No. 1)*

F5 Networks, Inc.  
(Name of Issuer)

Common Stock  
(Title of Class of Securities)

315616102  
(CUSIP Number)

December 31, 2012  
(Date of Event which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[ X ]  Rule 13d-1(b)  
[   ]  Rule 13d-1(c)  
[   ]  Rule 13d-1(d)

CUSIP No.  315616102  

1. Names of Reporting Persons.  
Sands Capital Management, LLC

I.R.S. Identification Nos. of above persons (entities only).  
20-2830751

2. Check the Appropriate Box if a Member of a Group

(a) [ ]  
(b) [ ]

3. SEC Use Only

4. Citizenship or Place of Organization

   Delaware, United States

Number of  
Shares  
Beneficially  
Owned by  
Each  
Reporting  
Person With

5. Sole Voting Power  4,778,397
6. Shared Voting Power  None
7. Sole Dispositive Power  6,523,773
8. Shared Dispositive Power  None
9. Aggregate Amount Beneficially Owned by Each Reporting Person  6,523,773
10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]
11. Percent of Class Represented by Amount in Row (9) 8.25%
12. Type of Reporting Person: IA

Item 1(a). Name of Issuer:
F5 Networks, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:
401 Elliott Avenue West
Seattle, WA 98119

Item 2(a). Name of Person Filing
Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence
1101 Wilson Blvd.
Suite 2300
Arlington, VA 22209

Item 2(c). Citizenship
Delaware, United States

Item 2(d). Title of Class of Securities:
Common Stock

Item 2(e). CUSIP Number:
315616102

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 6,523,773
b. Percent of Class: 8.25%
c. Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote  4,778,397
(ii) Shared power to vote or to direct the vote None
(iii)Sole power to dispose or to direct the disposition of  6,523,773
(iv) Shared power to dispose or to direct the disposition None

Item 5. Ownership of Five Percent or Less of a Class:
Not applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:
[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:
Not applicable.

Item 8. Identification and Classification of Members of the Group:
Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date  February 13, 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
Filing Detail

Form 13F-HR - Quarterly report filed by institutional managers, Holdings

SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 13839516

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD,
SUITE 2300
ARLINGTON VA 22209

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Period of Report
2013-03-31

Filing Date Changed
2013-05-14

Effectiveness Date
2013-05-14

Documents
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Form 13F-HR
- Quarterly report filed by institutional managers, Holdings

SEC Accession No. 0001020066-13-000010

Filing Date
Accepted
Documents

Period of Report
Filing Date Changed
Effectiveness Date

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 13F

Form 13F COVER PAGE

Report for the Calendar Year or Quarter Ended: March 31, 2013

Check here if Amendment [ ]; Amendment Number:
This Amendment (Check only one.): [ ] is a restatement.
[ ] adds new holdings entries.

Institutional Investment Manager Filing this Report:

Name:  Sands Capital Management, LLC
Address: 1101 Wilson Blvd.
         Suite 2300
         Arlington, VA  22209

13F File Number:  28-05734

The institutional investment manager filing this report and the person by whom it is signed hereby represent that the person signing the report is authorized to submit it, that all information contained herein is true, correct and complete, and that it is understood that all required items, statements, schedules, lists, and tables, are considered integral parts of this form.

Person Signing this Report on Behalf of Reporting Manager:

Name:  Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
Phone:  703-562-4000

Signature, Place, and Date of Signing:
  Robert C. Hancock  Arlington, VA  May 14, 2013

Report Type (Check only one.):

[ X]  13F HOLDINGS REPORT.
[ ]  13F NOTICE.
[ ]  13F COMBINATION REPORT.

List of Other Managers Reporting for this Manager:
Form 13F File Number          Name
28-01190                      Russell Investment Co.

FORM 13F SUMMARY PAGE

Report Summary:

Number of Other Included Managers:         0
Form13F Information Table Entry Total:     39
Form13F Information Table Value Total:     $28,233,751 (thousands)

List of Other Included Managers:

Provide a numbered list of the name(s) and Form 13F file number(s) of all institutional managers with respect to which this report is filed, other than the manager filing this report.

NONE

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EDGAR Filing Documents for 0001020066-13-000011


Filing Detail

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Form SC 13G - Statement of acquisition of beneficial ownership by individuals

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IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: SC 13G

Ulta Salon, Cosmetics & Fragrance, Inc. (Subject) CIK: 0001403568 (see all company filings)

IRS No.: 363685240 | State of Incorp.: DE | Fiscal Year End: 0203
Type: SC 13G | Act: 34 | File No.: 005-83683 | Film No.: 13959832
SIC: 5990 Retail-Retail Stores, NEC
Assistant Director 2
SUBJECT COMPANY:

COMPANY DATA:
COMPANY CONFORMED NAME: Ulta Salon, Cosmetics & Fragrance, Inc.
CENTRAL INDEX KEY: 0001403568
STANDARD INDUSTRIAL CLASSIFICATION: RETAIL-RETAIL STORES, NEC [5990]
IRS NUMBER: 363685240
STATE OF INCORPORATION: DE
FISCAL YEAR END: 0203

FILING VALUES:
FORM TYPE: SC 13G
SEC ACT: 1934 Act
SEC FILE NUMBER: 005-83683
FILM NUMBER: 13959832

BUSINESS ADDRESS:
STREET 1: 1000 REMINGTON BLVD
STREET 2: SUITE 120
CITY: BOLINGBROOK
STATE: IL
ZIP: 60440
BUSINESS PHONE: (630) 410-4800

MAIL ADDRESS:
STREET 1: 1000 REMINGTON BLVD
STREET 2: SUITE 120
CITY: BOLINGBROOK
STATE: IL
ZIP: 60440

FILED BY:

COMPANY DATA:
COMPANY CONFORMED NAME: SANDS CAPITAL MANAGEMENT, LLC
CENTRAL INDEX KEY: 0001020066
IRS NUMBER: 202830751
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: SC 13G

BUSINESS ADDRESS:
STREET 1: SANDS CAPITAL MANAGEMENT, LLC
STREET 2: 1101 WILSON BLVD, SUITE 2300
UNITED STATES
SECURITIES EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934

Ulta Salon, Cosmetics & Fragrance, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

90384S303
(CUSIP Number)

June 30, 2013
(Date of Event which Requires Filing of this Statement)
Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)
[ ] Rule 13d-1(c)
[ ] Rule 13d-1(d)

CUSIP No. 90384S303

1. Names of Reporting Persons.

Sands Capital Management, LLC

2. Check the Appropriate Box if a Member of a Group

(a) [ ]
(b) [ ]

3. SEC Use Only

4. Citizenship or Place of Organization

    Delaware, United States

Number of Shares Beneficially Owned by Each Reporting Person With

5. Sole Voting Power       5,392,576

6. Shared Voting Power    None

7. Sole Dispositive Power          7,271,153

8. Shared Dispositive Power    None

9. Aggregate Amount Beneficially Owned by Each Reporting Person 7,271,153

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares [ ]

11. Percent of Class Represented by Amount in Row (9) 11.40%

12. Type of Reporting Person: IA
Item 1(a). Name of Issuer:

Ulta Salon, Cosmetics & Fragrance, Inc.

Item 1(b). Address of Issuer's Principal Executive Offices:

1000 Remington Blvd., Suite 120
Bolingbrook, Illinois 60440

Item 2(a). Name of Person Filing

Sands Capital Management, LLC

Item 2(b). Address of Principal Business Office or, if None, Residence

1101 Wilson Blvd.
Suite 2300
Arlington, VA  22209

Item 2(c). Citizenship

Delaware, United States

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

90384S303

Item 3. If This Statement is Filed Pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), Check Whether the Person Filing is a:

(a) - Broker or dealer registered under Section 15 of the Act.
(b) - Bank as defined in Section 3(a)(6) of the Act.
(c) - Insurance company as defined in Section 3(a)(19) of the Act.
(d) - Investment company registered under Section 8 of the Investment Company Act of 1940.
(e) X An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
(f) - An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
(g) - A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);
(h) - A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) - A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940;
(j) - Group, in accordance with 240.13d-1(b)(1)(ii)(J).

Item 4. Ownership:

a. Amount beneficially owned: 7,271,153
b. Percent of Class: 11.40%

c. Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote  5,392,576
(ii) Shared power to vote or to direct the vote  None
(iii) Sole power to dispose or to direct the disposition of  7,271,153
(iv) Shared power to dispose or to direct the disposition  None

Item 5. Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

[ X ]

Securities reported on this Schedule 13G are beneficially owned by clients of Sands Capital Management, LLC. Sands Capital Management, LLC clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company of Control Person:

Not applicable.

Item 8. Identification and Classification of Members of the Group:

Not applicable.

Item 9. Notice of Dissolution of Group:

Not applicable.

Item 10. Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary
course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date    July, 9 2013

By:/s/ Robert C. Hancock

Robert C. Hancock
Title:  Chief Operating Officer & Chief Compliance Officer
Filing Detail

SEC Home » Search the Next-Generation EDGAR System » Company Search » Current Page

Form 13F-HR - Quarterly report filed by institutional managers, Holdings

SEC Accession No. 0001020066-13-000022

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SANDS CAPITAL MANAGEMENT, LLC (Filer) CIK: 0001020066 (see all company filings)

IRS No.: 202830751 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 13F-HR | Act: 34 | File No.: 028-05734 | Film No.: 131037692

Business Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

Mailing Address
SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
The Securities and Exchange Commission has not necessarily reviewed the information in this filing and has not determined if it is accurate and complete.
The reader should not assume that the information is accurate and complete.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 13F

FORM 13F INFORMATION TABLE

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**Form 13F-HR** - Quarterly report filed by institutional managers, Holdings

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- **IRS No.: 202830751**
- **State of Incorp.: DE**
- **Fiscal Year End: 1231**
- **Type: 13F-HR**
- **Act: 34**
- **File No.: 028-05734**
- **Film No.: 131219515**

**Business Address**

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
703-562-4000

**Mailing Address**

SANDS CAPITAL MANAGEMENT, LLC
1101 WILSON BLVD, SUITE 2300
ARLINGTON VA 22209
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**Baidu, Inc. CIK#: 0001329099 (see all company filings)**

SIC: 7370 - SERVICES-COMPUTER PROGRAMMING, DATA PROCESSING, ETC.
State location: F4 | State of Inc.: EB | Fiscal Year End: 1231
formerly: Baidu.com, Inc. (filings through 2008-12-12)
(Assistant Director Office: 3)

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| SC 13G/A | Documents | [Amend]Statement of acquisition of beneficial ownership by individuals  
Acc-no: 0000895421-10-000570 (34 Act) Size: 13 KB | 2010-07-12   | 005-81049 10948362 |
| 424B3   | Documents | Prospectus [Rule 424(b)(3)]  
Acc-no: 0001201935-10-000030 (33 Act) Size: 57 KB | 2010-05-17   | 333-126546 10838389 |
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| 6-K     | Documents | Report of foreign issuer [Rules 13a-16 and 15d-16]  
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[http://www.sec.gov/cgi-bin/browse-edgar]
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

Date of event requiring this shell company report: January 15, 2014

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Signatures

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INTRODUCTION

In this annual report, except where the context otherwise requires and for purposes of this annual report only,

- “we,” “us,” “our company,” “our,” and “Baidu” refer to Baidu, Inc., its subsidiaries, and, in the context of describing our operations and consolidated financial information, also include Baidu Network Science Technology Co., Ltd., Beijing Baidu Technology Co., Ltd. and BaiduPay Science and Technology Co., Ltd., our consolidated affiliated entities in China;
- “user traffic” or “traffic” refers generally to page views and the reach of a website. When used in the context of Alexa.com website traffic rankings, “user traffic” refers to a combined measure of the “page views” and the “reach” of a website averaged over a specified period of time, according to Alexa.com. Page views measure the number of web pages viewed by Internet users over a specified period of time except that multiple page views of the same page viewed by the same user on the same day are counted only once; reach measures the number of Internet users and is typically expressed as the percentage of all Internet users who visit a given website;
- “China” or “PRC” refers to the People’s Republic of China, and solely for the purpose of this annual report, excluding Taiwan, Hong Kong and Macau;
- “shares” or “ordinary shares” refers to our ordinary shares, which include both Class A ordinary shares and Class B ordinary shares; “preferred shares” refers to our preferred shares, none of which is issued and outstanding;
- “ADMs” refers to our American depositary shares, each of which represents one Class A ordinary share;
- “U.S. GAAP” refers to generally accepted accounting principles in the United States;
- all references to “RMB” or “Renminbi” are to the legal currency of China and all references to “$,” “dollars,” “US$” and “U.S. dollars” are to the legal currency of the United States; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

FORWARD-LOOKING INFORMATION

This annual report on Form 20-F contains statements of a forward-looking nature. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to,” or analogous words, and any other statements to the extent they do not address historical facts.

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

PART 1

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

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A. Selected Financial Data

The following table presents the selected consolidated financial information for our company. The selected consolidated statements of income for the three years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated balance sheet data for the year ended December 31, 2007 have been derived from our audited consolidated balance sheet as of December 31, 2007, which is not included in this annual report. The selected consolidated statements of income for the years ended December 31, 2005 and 2006 and the selected consolidated balance sheet data as of December 31, 2005 and 2006 have been derived from our audited consolidated financial statements for the years ended December 31, 2005 and 2006, which are not included in this annual report. Our historical results do not necessarily predict results for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our audited consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

For the Year Ended December 31,


<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>(in thousands except per share and per ADS data)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated Statements of Income Data:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>390,362</td>
<td>328,484</td>
<td>1,731,431</td>
</tr>
<tr>
<td>Online marketing services</td>
<td>307,363</td>
<td>282,484</td>
<td>1,341,431</td>
</tr>
<tr>
<td>Other services</td>
<td>11,952</td>
<td>9,024</td>
<td>3,004</td>
</tr>
<tr>
<td>Total revenues</td>
<td>319,215</td>
<td>287,838</td>
<td>1,744,425</td>
</tr>
<tr>
<td>Operating costs and expenses</td>
<td>(154,401)</td>
<td>(125,408)</td>
<td>(615,877)</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>(104,441)</td>
<td>(125,408)</td>
<td>(615,877)</td>
</tr>
<tr>
<td>Online marketing services</td>
<td>(104,401)</td>
<td>(125,408)</td>
<td>(615,877)</td>
</tr>
<tr>
<td>Other services</td>
<td>(1,040)</td>
<td>(1,040)</td>
<td>(1,040)</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(134,771)</td>
<td>(134,771)</td>
<td>(134,771)</td>
</tr>
<tr>
<td>Research and development</td>
<td>(44,280)</td>
<td>(44,280)</td>
<td>(44,280)</td>
</tr>
<tr>
<td>Total operating costs and expenses</td>
<td>(283,372)</td>
<td>(235,469)</td>
<td>(710,939)</td>
</tr>
</tbody>
</table>

Operating profit 35,843 262,878 547,154 1,096,735 1,604,937 235,125
Interest income 13,580 42,443 49,009 47,677 32,661 4,765
Loss from equity method investment — — — — (229) (334)
Other income, net 93 4,098 20,033 19,767 45,752 6,703
Income before tax and cumulative effect of change in accounting principle 49,516 309,419 616,216 1,164,179 1,683,121 246,379
Taxation (1,911) (12,256) 12,752 (116,071) (198,017) (29,010)
Cumulative effect of change in accounting principle — — — — — —
Net income 47,605 297,163 629,964 1,048,108 1,485,104 217,369

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Moreover, third parties may develop and use certain technologies to block the display of our customers' advertisements and other marketing products on our Baidu.com website, which may in turn cause us to lose customers and adversely affect our operating results. Failure to retain our existing customers or attract new customers for our online marketing services could seriously harm our business, results of operations and growth prospects.

If online marketing does not further grow in China, our ability to increase revenue and profitability could be materially and adversely affected.

The use of the Internet as a marketing channel is at a developing stage in China. Internet penetration rate in China is relatively low as compared to that in most developed countries. Many Chinese Internet users and potential customers have limited experience with the Internet as a marketing channel, and historically have not devoted a significant portion of their marketing budgets to online marketing and promotion. As a result, they may not consider the Internet an effective channel to promote their products and services as compared to traditional print and broadcast media. Our ability to increase revenue and profitability from online marketing may be adversely impacted by a number of factors, many of which are beyond our control, including:

- difficulties associated with developing a larger user base with demographic characteristics attractive to customers;
- increased competition and potential downward pressure on online marketing prices;
- higher customer acquisition costs due in part to the limited experience of small to medium-sized enterprises, or SMEs, with the Internet as a marketing channel;
- failure to develop an independent and reliable means of verifying online traffic;
- ineffectiveness of our online marketing delivery, tracking and reporting systems; and
- decrease in Internet usage in China.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our business and operating results may be harmed.

We believe that our brand "Baidu" has contributed significantly to the success of our business. We also believe that maintaining and enhancing the "Baidu" brand is critical to increasing the numbers of our users and Baidu Unicom's market share. As our market becomes increasingly competitive, maintaining and enhancing our brand will depend largely on our ability to remain as the Internet search leader in China, which may become more expensive and challenging.

Historically, we developed our user base primarily by word-of-mouth and incurred limited brand promotion expenses. Our initial public offering in 2005 and positive market brand recognition are primary factors in our user base growth in recent years, but we cannot assure you that these activities will achieve the brand promotion effect expected by us. If we fail to maintain and further promote the "Baidu" brand, or if we incur excessive expenses in this effort, our business and results of operations may be materially and adversely affected. In addition, any negative publicity about our company or our products and services, regardless of its veracity, could harm our brand image and in turn adversely affect our business and operating results.

We face significant competition and may suffer from a loss of users and customers as a result.

We face significant competition in almost every aspect of our business, particularly from other companies that seek to provide Internet search services to users and provide online marketing services to customers. In the Chinese Internet search market, our main competitors include U.S.-based Internet search providers providing Chinese language Internet search services, such as Google and Microsoft, and China-based Internet companies, such as

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Nutrace, Sofi, Tencent and Alibaba. We compete with these entities for both users and customers on the basis of user traffic, quality (relevancy) and quantity (index size) of the search results, availability and ease of access to products and services, the number of distributors and channels and the number of associated third-party websites. In addition, our instant messaging and e-commerce services face competition from the existing leading providers of these services in China.

Some of our competitors have significantly greater financial resources, longer operating histories and more experience in attracting and retaining users and managing customers than we do. These companies have substantially more experience than we do in competing with us to attract users and customers, distributors, strategic partners and networks of third-party websites, investing more heavily in research and development and making acquisitions. If any of our competitors provides comparable or better Chinese language search experience, our user traffic could decline significantly. Any such decline in traffic could weaken our brand and result in loss of customers, which would have a material adverse effect on our results of operations.

We also face competition from other types of advertising media, such as newspapers, magazines, yellow pages, billboards and other forms of outdoor media, television and radio. Large companies in China generally allocate, and will likely continue to allocate, most of their marketing budgets to traditional advertising media and only a small portion of their budgets to online marketing. If these companies do not devote a larger portion of their marketing budgets to online marketing services provided by us, or if our existing customers reduce the amount they spend on online marketing, our results of operations and growth prospects could be adversely affected.

If our expansions into new Internet businesses are not successful, our future results of operations and growth prospects may be materially and adversely affected.

As part of our growth strategy, we enter into new Internet businesses from time to time by leveraging our large Internet search user base to generate additional revenue streams. Expansions into new businesses may present operating and marketing challenges that are different from those that we currently encounter. For each new business we enter into, we face competition from existing leading providers in that business. If we cannot successfully address the new challenges and compete effectively against the existing leading players in the new business, we may not be able to develop a sufficiently large customer and user base, recover costs incurred for developing and marketing new businesses, and eventually achieve profitability from these businesses, and our future results of operations and growth prospects may be materially and adversely affected.

If we fail to continue to innovate and provide products and services to attract and retain users, we may not be able to generate sufficient user traffic levels to remain competitive.

Our success depends on providing products and services that enable users to have a high-quality Internet experience. In order to attract and retain users and compete against our competitors, we must continue to invest significant resources in research and development to enhance our Internet search technology and existing products and services and introduce additional high-quality products and services. If we are unable to anticipate user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, we may lose users. Our operating results may result or suffer if our innovations do not respond to the needs of our users, which are not appropriately timed with market opportunities or are not effectively brought to market. As search technology continues to develop, our competitors may be able to offer search results that are, or that are perceived to be, substantially similar to or better than those generated by our search services. This may force us to expend significant resources in order to remain competitive.

If we fail to keep up with rapid changes in technologies and user behavior, our future success may be adversely affected.

The online marketing industry is subject to rapid technological changes. Our future success will depend on our ability to respond to rapidly changing technologies, adapt our services to evolving industry standards and improve the performance and reliability of our services. Our failure to adapt to such changes could harm our business. In addition, changes in user behavior resulting from technological changes may also adversely affect us. For example,

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the number of people accessing the Internet through devices other than personal computers, including mobile phones and other hand-held devices, has increased in recent years. With the introduction of 3G mobile services by all three mobile carriers in China in 2009, we expect this trend to continue. If we are slow to develop products and services that are compatible with non-PC communications devices, or if the products and services we develop are not widely accepted and used by users of non-PC communications systems or those of third-party service providers we rely upon, our reputation and brand could be permanently harmed. The steps we take to increase the reliability and redundancy of our systems are expensive, reduce our operating margins and may not be successful in reducing the frequency or duration of service interruptions.

http://www.sec.gov/Archives/edgar/data/1329099/000095012310028511/h03358e20vf.htm [25/10/2014 5 58 26 PM]
of other parties' rights. The validity, enforceability and scope of protection of intellectual property in Internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being subject to actions alleging our intellectual property infringement claims. Moreover, we may be subject to administrative actions brought by the PRC State Copyright Bureau for alleged copyright infringement, and as a result may be subject to fines and other penalties, and may be required to discontinue infringing activities.

Our products and services are subject to liabilities in which third parties may claim ownership of trademarks, copyrights or other rights. For example, we provide search engine facilities capable of finding and accessing links to downloadable audios, videos, images and other multimedia files and other items hosted on third-party websites, including search functions that enable our users to search for files in various ways, such as by artist, title or artist. In the course of business, we may in certain circumstances have access to information that infringes these rights. For example, we may display a customer's digital audio files in search results, which may raise copyright concerns. We do not consider these risks to be material.

We may be subject to claims based on the content found on our websites or the results in our paid search listings. We have been and may continue to be subject to claims for defamation, negligence or other legal theories based on the content found on our websites. Claims and negative publicity based on the results in our paid search listings, regardless of their merit, could materially affect our reputation and our financial results. Furthermore, if the content posted on our websites contains information that government authorities find objectionable, our websites may be shut down and we may be subject to other penalties. See “— Business Overview — Business Risk Factors — Risks Relating to Our Business in China — Risks Related to Online Advertising.”

We may face intellectual property infringement claims and other related claims that could be time-consuming and costly to defend and may result in our inability to continue providing certain of our existing services.

Internet, technology and media companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of intellectual property laws.
which would have a material adverse effect on our results of operations and prospects.

Our business may be adversely affected by third-party software applications or practices that interfere with our receipt of information from, or provision of information to, our users, which may impair our users’ experiences.

Our business may be adversely affected by third-party malicious or unintentional software applications that make changes to our users' computers and interfere with our products and services. These software applications may change our users' Internet experience by hijacking queries to our websites, altering or replacing our search results, or otherwise interfering with our ability to connect with our users. The interference often occurs without disclosure to or consent from users, resulting in a negative experience that users may associate with our websites. These software applications may be difficult or impossible to remove or disable, may reinstall themselves and may circumvent other applications’ efforts to block or remove them. In addition, our business may be adversely affected by the practices of third-party website owners which interfere with our ability to crawl and index websites. If we are unable to successfully combat third-party software applications that interfere with our products and services, our reputation may be harmed. If a significant number of website owners prevent us from indexing and including their web pages in our search results, the quality of our search results may be impaired.

Our success depends on the continuing and collaborative efforts of our management team and other key personnel, and our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services of our management team, in particular our chairman and chief executive officer, Robin Yanhong Li. If one or more of our executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. We approved the resignations for personal reasons of our former chief operating officer and chief technology officer in January 2010, and are in the process of searching for their replacements. Competition for management and key personnel is intense, and the loss of key personnel could have a material adverse effect on our business.

As competition in the Internet industry intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel. If we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively.

We are subject to risks and uncertainties faced by companies with limited operating history in a rapidly evolving industry.

We commenced operations in 2000 and first achieved profitability in the quarter ended March 31, 2004. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by companies with limited operating history in evolving industries such as the Internet industry in China. Some of these risks and uncertainties relate to our ability to:

• maintain our leading position in the Chinese language Internet search market;
• offer new, innovative products and services to attract and retain a large user base;
• attract additional customers and increase spending per customer;
• further enhance our brand;
• maintain the quality of our products and services and continue to develop user and customer loyalty;
• respond to competitive market conditions;
• respond to changes in the regulatory environment;
• manage legal risks, including those associated with intellectual property rights;
• maintain effective control of our costs and expenses;
• attract, retain and motivate qualified personnel and maintain good relations with a young and growing workforce;
• build profitable operations in new markets such as the Japanese Internet search market; and
• upgrade our technology to support increased traffic and expanded services.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Our historical growth rate may not be indicative of our future growth rate.

We have experienced substantial growth in recent years. Our total revenues and net income grew at a compound annual growth rate, or CAGR, of 92.1% and 136.3%, respectively, from 2005 to 2009. Our growth was driven in part by the growth in China’s Internet and online marketing industries, which may not be indicative of future growth or sustainability. We cannot assure you that our past growth rate is indicative of our future growth rate.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you

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We rely on highly skilled personnel. If we are unable to retain or motivate them or hire additional qualified personnel, we may not be able to grow effectively.

Our performance and future success depend on the talents and efforts of highly skilled individuals. We will need to continue to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in the Internet industry for qualified employees is intense. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

As competition in the Internet industry intensifies, it may be more difficult for us to hire, motivate and retain highly skilled personnel. If we do not succeed in attracting additional highly skilled personnel or retaining or motivating our existing personnel, we may be unable to grow effectively.

Our success depends on the continuing and collaborative efforts of our management team and other key personnel, and our business may be harmed if we lose their services.

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• attract additional customers and increase spending per customer;
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• respond to competitive market conditions;
• respond to changes in the regulatory environment;
• manage legal risks, including those associated with intellectual property rights;
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Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you

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should not rely on our past results as an indication of our future performance. Our quarterly and annual revenues and costs and expenses as a percentage of our revenues may be significantly different from our historical or projected figures. Our operating results in future quarters may fall below expectations. Any of these events could cause the price of our ADSs to fall. Any of the risk factors listed in this “Risk Factors” section, and in particular the following risk factors, could cause our operating results to fluctuate from quarter to quarter:

• general economic conditions in China and economic conditions specific to the Internet, Internet search and online marketing;
• our ability to continue to attract users to our websites;
• our ability to attract additional customers and increase spending per customer;
• the announcement or introduction of new or enhanced products and services by us or our competitors;
• the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our businesses, operations and infrastructure;
• the results of our acquisitions of, or investments in, other businesses or assets;
• PRC regulations or government actions pertaining to activities on the Internet, including MP3 music, news, gambling, online games and other forms of entertainment, or otherwise affecting our online marketing customers;
• unforeseen events, such as negative publicity arising from reports by influential media outlets and other sources and labor disputes; and
• geopolitical events, natural disasters or epidemics.

Because of our limited operating history and our rapidly growing business, our historical operating results may not be useful to you in predicting our future operating results or our future traffic usage. For example, we rely on traffic usage and related advertising revenue to determine the success of our business. If traffic usage or advertising revenue is less than expected, our operating expenses may exceed our operating revenues, which could result in lower operating results. Our operating expenses may fluctuate from quarter to quarter for a variety of reasons, many of which are not within our control.

A severe and prolonged global economic recession and the corresponding slowdown in the Chinese economy may adversely affect our business, results of operations and financial condition.

The effect of the recent global financial crisis has persisted, with most of the world’s major economies remaining in recession in 2009. The Chinese economy also faces challenges. The stimulus plans and other measures implemented by the Chinese government may not avert an economic downturn amid a severe and prolonged global economic recession. Since we derive most of our revenues from online marketing customers in China, any prolonged slowdown in the Chinese economy may have a negative impact on our business, operating results and financial condition in a number of ways. For example, our customers may reduce or delay spending with us, while we may have difficulty expanding our customer base fast enough, or at all, to offset the impact of decreased spending by our existing customers. In addition, to the extent we offer credit to any customer and such customer experiences financial difficulties due to the economic slowdown, we could have difficulty collecting payment from such customer.
We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position. We rely on a combination of copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods to protect our intellectual property rights. The protection of intellectual property rights in China may not be as effective as those in the United States or other countries. The steps we have taken may be inadequate to prevent the misappropriation of our technology. Reverse engineering, unauthorized copying or other misappropriation of our technologies could enable third parties to benefit from our technologies without paying us.

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- Unfavorable economic conditions and high operating costs could adversely affect our business and financial condition
- Our strategy of acquiring complementary businesses, assets and technologies may fail
- Our business depends upon appropriate conditions in the Internet infrastructure and fixed telecommunications networks in China
- There is no assurance that our direct sales model in some key geographic markets will continue to be successful
- Online marketing is an early stage of development in China and is not as widely accepted by or available to businesses in China as in the United States
- Our online marketing services, and our online marketing revenues could decline
- Affected customers may also file legal claims against us if they are unable to prevent this fraudulent activity
- One or more of these factors could harm our business
- If we fail to maintain an adequate direct sales force, retain existing customers and continue to attract new customers in those markets, our business, results of operations and prospects could be materially and adversely affected
- We have transitioned to using our direct sales force to service our P4P customers in some key geographic markets. There is no assurance that our direct sales model in those markets will continue to be successful
- If we fail to maintain an adequate direct sales force, retain existing customers and continue to attract new customers in those markets, our business, results of operations and prospects could be materially and adversely affected
- We rely on our Baidu Union members for a significant portion of our revenues. If we fail to retain existing Baidu Union members or attract additional members, our revenue growth and profitability may be adversely affected to the future growth of our revenues. Some of our Baidu Union members, however, may compete with us in one or more areas of our business. Therefore, they may decide in the future to terminate their relationships with us. If our Baidu Union members decide to use a competitor or their own Internet search services, our user traffic may decline, which may adversely affect our revenues.
- Our failure to address these risks successfully may have a material adverse effect on our financial condition and results of operations. Any such acquisition may require a significant amount of capital investment, which would decrease the amount of cash available for working capital or capital expenditures. In addition, if we use our equity securities to pay for acquisitions, we may dilute the value of our ADSs and the underlying ordinary shares. If we
- Borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions may also generate significant amortization expenses related to intangible assets.
- Our Japan operations may not be successful.
- We formally launched our Japanese search service in January 2008, after completing a 10-month Beta test for the service. Therefore, we only have limited experience operating in the Japanese market. Moreover, our Japan operations have incurred operating losses since the inception in December 2006, and it is uncertain when the business will become profitable, if at all. Additional future losses in our Japan operations could have a material adverse effect on our overall results of operations.
- The Japanese search market is highly competitive and is currently dominated by two companies, Yahoo! Japan and Google. These companies have significantly greater financial resources, longer operating history and more experience in the Japanese search market than we do. Moreover, other local providers of competing search services may also have a substantial advantage over us in attracting users due to their more established brands in Japan, greater knowledge with respect to the tastes and preferences of Japanese users and their focus on the Japanese market. If we cannot compete successfully with these competitors in the Japanese language search market, our business in Japan could be adversely affected.
- In addition, there are certain risks inherent in doing business internationally, including
- The successful operation of our business depends upon the performance and reliability of the Internet infrastructure and fixed telecommunications networks in China.
Our business depends on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology (or its predecessor, the Ministry of Information Industry, before its formal establishment in 2008), or the MIIT. In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic user can connect to the Internet. We cannot assure you that a more sophisticated Internet infrastructure will be developed in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China’s Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

We also rely primarily on China Telecommunications Corporation, or China Telecom, and China United Network Communications Group Company Limited, or China Unicom, to provide Internet access to users of our websites through a network of local Internet service providers and Internet data centers to host our servers. We have limited access to alternative services in the event of disruptions, failures or other problems with the fixed telecommunications networks of China Telecom and China Unicom, or if these companies otherwise fail to provide such services. In 2009, due to connection failures at a China Telecom Internet data center that hosted our servers, we were unable to provide service for a total of approximately one hour. Any increased network service failures could damage our reputation and result in a decrease in our revenues. Furthermore, we have no control over the costs of the services provided by China Telecom and China Unicom. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may harm our revenues.

Concern about the security of electronic commerce transactions and confidentiality of information on the Internet may reduce use of our network and impede our growth.

A significant barrier to electronic commerce and communications over the Internet in general has been a public concern over security and privacy, including the transmission of confidential information. If these concerns are not adequately addressed, they may inhibit the growth of the Internet and other online services generally, especially as a means of conducting commercial transactions. If a well-publicized Internet breach of security were to occur, general Internet usage could decline, which could reduce traffic to our websites and impede our growth.

If we fail to maintain an effective system of internal control over financial reporting, we may lose investor confidence in the reliability of our financial statements.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company’s internal control over financial reporting in its annual report, which contains our management’s assessment of the effectiveness of the company’s internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company’s internal control over financial reporting. We have been subject to these requirements since the fiscal year ended December 31, 2006.

Our management has concluded that our internal control over financial reporting was effective as of December 31, 2009. See “Item 15. Control and Procedures.” Our independent registered public accounting firm has issued an attestation report, which has concluded that our internal control over financial reporting is effective in all material aspects. However, if we fail to maintain effective internal control over financial reporting in the future, we may lose investor confidence in the reliability of our financial statements, which could reduce our stock price and impair our ability to raise capital.

We have limited business insurance coverage.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. We do not have any business liability or disruption insurance coverage for our operations in China. Any business disruption may result in our incurring substantial costs and the diversion of our resources.

We face risks related to health epidemics and other outbreaks.

Our business could be adversely affected by the effects of avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic or outbreak. In April 2009, a new strain of influenza A (H1N1), was first discovered in North America and quickly spread to other parts of the world, including China. In early June 2009, the World Health Organization declared the outbreak to be a pandemic, while noting that most of the illnesses were of moderate severity. The reported several hundred deaths caused by the influenza A (H1N1). Any outbreaks of avian influenza, SARS, the influenza A (H1N1) or other adverse public health developments in China may have a material adverse effect on our business operations. For instance, health or other government regulations adopted in response to an epidemic or outbreak may require temporary closure of Internet cafes, where many users access our websites, or of our offices. Such closures would severely disrupt our business operations and adverse affect our results of operations.

Risks Related to Our Corporate Structure

PRC laws and regulations governing our businesses and the validity of certain of our contractual arrangements are uncertain. If we are found to be in violation, we could be subject to sanctions. In addition, changes in such PRC laws and regulations or changes in interpretations thereof may materially and adversely affect our business.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with our affiliated Chinese entities, Baidu Netcom Science Technology Co., Ltd., or Baidu Netcom, Baidu Perusal Technology Co., Ltd., or Beijing Perusal, Baidu BaiduPay Science and Technology Co., Ltd., or BaiduPay, and their respective shareholders. We and our PRC subsidiaries, Baidu Online Network Technology (Beijing) Co., Ltd., or Baidu Online, Baidu (China) Co., Ltd., or Baidu China, and Baidu.com Times Technology (Beijing) Co., Ltd., or Baidu Times, are considered foreign persons or foreign-invested enterprises under PRC foreign investment related regulations. As a result, we are subject to certain restrictions and requirements under foreign ownership of Internet and online advertising companies. These laws and regulations are relatively new and may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

The PRC has broad discretion in dealing with violations of laws and regulations, including lying fines, revoking business and other licenses and requiring actions necessary for compliance. We cannot predict the effect of the interpretation of existing or new PRC laws or regulations on our business. We cannot assure you that our current ownership and operating structure would not be found in violation of any current or future PRC laws or regulations. As a result, we may be required to take corrective actions, including reverting to a structure that complies with current PRC laws, or conforming to certain PRC laws or regulations.

Our business, results of operations and financial condition.

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The PRC government determines that we do not comply with applicable law, it could revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our websites, require us to restructure our operations, impose additional conditions or requirements with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business.

Our contractual arrangements with our consolidated affiliated entities in China and their individual shareholders may not be as effective in providing control over these consolidated affiliated entities as direct ownership. Since PRC law restricts foreign equity ownership in Internet and online advertising companies in China, we operate our ICP and online advertising businesses through our consolidated affiliated entities in China. We have no

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equity ownership interest in any of these entities and must rely on contractual arrangements to control and operate such businesses. These contractual arrangements may not be as effective in providing control over these consolidated affiliated entities as direct ownership. For example, these entities could fail to take actions required for our business or fail to maintain our websites despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, which may not be effective. In addition, we cannot assure you that any of their respective individual shareholders would always act in our best interests.

The new PRC Property Rights Law may affect the perfection of the pledge in our equity pledge agreements with our consolidated affiliated entities and their individual shareholders.

Under the equity pledge agreements among Baidu Online and our consolidated affiliated entities and their respective individual shareholders, the individual shareholders of our consolidated affiliated entities have pledged all of their equity interests in those entities to Baidu Online by recording the pledges on the shareholder registers of the respective entities. However, according to the PRC Property Rights Law, which became effective on October 1, 2007, a pledge is not effective without being registered with the relevant local administration for industry and commerce. The State Administration for Industry and Commerce has adopted registration procedures with respect to the registration of equity interests pledge according to the Property Rights Law. BaiduPay has completed the registration of the pledges of its equity interests, and Baidu Netcom and Baidu Pritel are in the process of registering the pledges of their respective equity interests, with the Beijing Administration for Industry and Commerce. We cannot assure you that they will be able to register the pledges, if they are unable to do so, the pledges may be deemed ineffective under the PRC Property Rights Law. If any individual shareholder of Baidu Netcom or Baidu Pritel breaches his or her obligations under the agreement with Baidu Online, there is a risk that Baidu Online may not be able to successfully enforce the pledge and would need to resort to legal proceedings to enforce its contractual rights.

Our contractual arrangements with our consolidated affiliated entities in China may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements between Baidu Online and each of our consolidated affiliated entities in China, we are effectively subject to the 5% PRC business tax on both revenues generated by our consolidated affiliated entities in operations in China and revenues derived from Baidu Online s contractual arrangements with these consolidated affiliated entities. Moreover, we would be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between Baidu Online and these consolidated affiliated entities were not on an arm s-length basis and therefore constituted a favorable transfer pricing. Under the new PRC Enterprise Income Tax Law, which became effective on January 1, 2008, an enterprise must submit its annual tax return together with information on related party transactions to the tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm s-length principles. For example, the PRC tax authorities could request that our consolidated affiliated entities adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by increasing our consolidated affiliated entities tax expenses without reducing Baidu Online s tax expenses, which could subject our consolidated affiliated entities to interest due on late payments and other penalties for under-payment of taxes.

We may have exposure to greater than anticipated tax liabilities.

We are subject to income tax, business tax and other taxes in many provinces and cities in China and our tax structure is subject to review by various local tax authorities. If any changes are made to our provision for income tax and other tax liabilities requires significant judgment. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate decisions by the relevant tax authorities may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

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The principal shareholder of Baidu Netcom has potential conflicts of interest with us, which may adversely affect our business.

Robin Yanhong Li, our chairman and chief executive officer, is also the principal shareholder of Baidu Netcom. Conflicts of interests between his duties to our company and Baidu Netcom may arise. As Mr. Li is a director and executive officer of our company, he has a duty of loyalty and care to us under Cayman Islands law when there are any potential conflicts of interests between our company and Baidu Netcom. Additionally, Mr. Li has executed an irrevocable power of attorney to appoint the individual designated by us to be our attorney-in-fact to vote on his behalf on all Baidu Netcom matters requiring shareholder approval. We cannot assure you, however, that when conflicts of interest arise, Mr. Li will act completely in our interests or that conflicts of interests will be resolved in our favor. In addition, Mr. Li could violate his employment agreement with us or his legal duties by diverting business opportunities from us to others. If we cannot resolve any conflicts of interest between us and Mr. Li, we would have to rely on legal proceedings, which could be expensive, time-consuming and result in the disruption of our business.

We may be unable to collect long-term loans to the shareholders of our consolidated affiliated entities in China.

As of the date of this annual report, we have made long-term loans in an aggregate principal amount of RMB10.0 million (US$1.6 million) to the individual shareholders of our consolidated affiliated entities. We extended those loans to enable the shareholders to fund the initial capitalization of these entities and, in the case of Baidu Netcom, subsequent capital increases in its registered capital. As of the date of this annual report, all of the registered capital of our consolidated affiliated entities in China has been fully funded. We may in the future provide additional loans to the individual shareholders of our consolidated affiliated entities in China in connection with any increase in their capitalization to the extent necessary and permissible under applicable law. Our ability to ultimately collect these loans will depend on the profitability of these consolidated affiliated entities and their operational needs, which are uncertain.

Risks Related to Doing Business in China

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Most of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are affected by economic, political and legal developments in China. China s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past three decades, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, future measures to control the pace of economic growth may cause a decrease in the level of economic activity in China, which in turn could adversely affect our results of operations and financial condition.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and consolidated affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China for the past three decades. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because the volume of publications on these and the nonuniformity of the interpretation and enforcement of these laws and regulations involve uncertainties. For example, China enacted a new Anti-Monopoly Law, which became effective on August 1, 2008. Because the Anti-Monopoly Law and the related regulations are still new, and there have been very few court rulings and no judicial or administrative interpretations on certain key concepts used in the law, it is uncertain how the implementation and enforcement of the Anti-Monopoly Law and the related regulations would affect our business. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all. As a result, we may not be aware of our violation of these policies and rules until some time after the violation.

In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

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The People's Bank of China before July
by the Ministry of Culture, which allows us to engage in "Internet culture activities" as defined in the relevant regulations promulgated by the Ministry of Culture. See
release, dissemination (including providing direct links to music products) and importation of online music products. We hold an Internet culture business permit granted
fines, or confiscation of income derived from activities deemed in violation of the new notice. Any of these occurrences could materially and adversely affect our business.
uses of the new regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.
New laws and regulations may be promulgated that will regulate Internet activities, including online advertising and online payment. Other aspects of our online
in turn negatively affect our traffic. According to an interpretation of the new notice subsequently posted on the Ministry of Culture's website, entities that provide direct
parties music websites that our MP3 search services link to are operated by Internet culture operating entities approved by the Ministry of Culture. If the enforcement of this
violations of those regulations arising from information displayed on or linked to our websites, including a suspension or shutdown of our online operations.
content of other Internet content providers linked to or accessible through our websites, or content generated or placed on our Baidu Post Bar message boards or our other
content by our users. To the extent that PRC regulatory authorities find any content displayed on our websites objectionable, they may require us to limit or
to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of State secrets in the dissemination of online
of Public Security has stopped the dissemination over the Internet of information which it believes to be socially destabilizing. The State Secrecy Bureau is also authorized
without limit an Internet news license, which is issued by the State Council News Office, an Internet culture business permit, which is issued by the Ministry of
License and Administration of Radio, Film and Television, an Internet publication business license, which is issued by the General Administration of Press and Publication, an online game virtual currency or trading license, which is issued by the Ministry of Culture, and a surveying and mapping qualification certificate for Internet map services, which is issued by the State Bureau of Surveying and Mapping.
This notice prohibits domestic telecommunications services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China, unless the relevant authorities have approved the foreign investor to operate in China. In order to comply with this notice, we have
the People's Bank of China, China's central bank. However, in 2005, the People's Bank of China published Draft Measures Concerning the Administration of Payment
activities related to payment and settlement services, including services such as providing electronic instructions and calculations to financial institutions, individuals and other entities, shall be required to obtain a license from the People's Bank of China or its relevant branches in order to provide payment and settlement services. Since the Draft Payment and Settlement Measures have not yet taken effect, if the Draft Payment and Settlement Measures are officially adopted by the People's Bank of China and become applicable to Baidu, it may be necessary for us to obtain one of our local banks an online payment service license in order for us to engage in our online payment business.
we cannot assure you that we will be able to obtain these licenses or approvals.
April 16, 2009, the People's Bank of China issued a notice regarding the payment and settlement business carried out by non-financial institutions, or the 2009
Business Overview — Regulation
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release, dissemination (including providing direct links to music products) and importation of online music products. We hold an Internet culture business permit
the Ministry of Commerce, which has regulatory authority for Internet-related activities. We are required to obtain or maintain all necessary licenses and permits in order to
in the Internet industry. These Internet-related laws and regulations are relatively new and are evolving, and their interpretation and enforcement involves significant
violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC government regulation of the Internet industry include, but are not limited to, the following:
• We only have contractual control over our websites. We do not own the websites due to the restriction of foreign investment in businesses providing value-added telecommunications services in China, including online information services.
• There are uncertainties relating to the regulation of the Internet business in China, including evolving licensing practices. This means that permits, licenses or
and regulations pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and are evolving, and their interpretation and enforcement involves significant uncertainty.
As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be violations of applicable laws and regulations. Issues,
and regulations relating to the Internet industry include, but are not limited to, the following:
• The PRC government extensively regulates the Internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies
Our subsidiaries and consolidated affiliated entities in China are subject to restrictions on paying dividends and making other payments to us. We are a holding company incorporated in the Cayman Islands and do not conduct any business operations other than investing in our subsidiaries and affiliated entities. As a result of our holding company structure, we currently rely primarily on dividend payments from our subsidiaries in China. However, PRCE regulations currently permit a dividend distribution out of profit after tax. The determination of the tax rate is under the jurisdiction of the PRC government. The income tax rate in China is currently 25%. The income tax is levied on the income of enterprises, residents and non-residents. The income tax is levied on the income derived in China by enterprises and individuals, and the income derived from China by enterprises and individuals who are not subject to income tax in China is subject to an income tax rate of 20%.

Our subsidiaries and consolidated affiliated entities in China are also required to set aside a portion of their profits after tax in a statutory capital reserve fund to fund the development of the company's business. Our subsidiaries and consolidated affiliated entities in China are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund statutory reserves. The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of China. We may use our retained earnings to make investments in new businesses or to acquire existing businesses, and may not be able to make payments to repurchase our ordinary shares or ADSs if such payments are subject to restrictions or prohibitions under PRC laws and regulations. Our subsidiaries and consolidated affiliated entities in China are also subject to restrictions on paying dividends and making other payments to us. We are a holding company incorporated in the Cayman Islands and do not conduct any business operations other than investing in our subsidiaries and affiliated entities. As a result of our holding company structure, we currently rely primarily on dividend payments from our subsidiaries in China. However, PRCE regulations currently permit a dividend distribution out of profit after tax. The determination of the tax rate is under the jurisdiction of the PRC government. The income tax rate in China is currently 25%. The income tax is levied on the income of enterprises, residents and non-residents. The income tax is levied on the income derived in China by enterprises and individuals, and the income derived from China by enterprises and individuals who are not subject to income tax in China is subject to an income tax rate of 20%.

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investment or creation of any security interest. Moreover, the PRC subsidiaries of that SPV are required to register with the local SAFE branch when they make, or have previously made, direct or indirect investments in the SPV. The inability to register with the local SAFE branch may result in the PRC subsidiaries being subject to fines and legal sanctions.

Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have notified holders of ordinary shares of our company whom we know are PRC residents to register with the local SAFE branch and update their registrations as required under the SAFE regulations described above. We are aware that Mr. Robin Yanhong Li, our chairman and chief executive officer and principal shareholder, who is a PRC resident, has registered with the relevant local SAFE branch. We, however, cannot provide any assurances that all of our shareholders who are PRC residents will file the required SAFE registrations or update previously filed registration. The failure or inability of our PRC resident shareholders to file the required SAFE registrations or update previously filed registration with the local SAFE branch may result in the PRC subsidiaries being subject to fines and legal sanctions.

On August 28, 2007, SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas-Publicly Listed Company. On March 28, 2007, SAFE promulgated the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company, or the Stock Option Rule. Under the Stock Option Rule, PRC citizens who are granted stock options by an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with SAFE and complete certain other procedures. The failure or inability of our PRC resident shareholders to comply with the regulations for the administration of foreign exchange transactions, including the requirement of SAFE registration, may result in the PRC subsidiaries being subject to fines and legal sanctions.

A regulation adopted in August 2006 establishes more complex procedures for acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions.

On August 8, 2006, six PRC regulatory agencies, namely, the PRC Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission and SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which became effective on September 8, 2006. Among other things, this regulation established additional administrative and regulatory requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of this regulation to complete such transactions could be time-consuming, and any required approval processes, including

Fluctuation in the value of the RMB may have a material adverse effect on our investment.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China’s political and economic conditions and foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. Since July 2008, however, the RMB has traded within a narrow range against the U.S. dollar. If the RMB continues to weaken against the U.S. dollar, it may be more difficult for us to reduce our costs in China, which may result in a decrease in our profit margins. Changes in the value of the RMB can also affect the cost of our products and services and the amount of dividends we receive from our PRC subsidiaries.

We may incur substantial administrative and staffing cost due to the promulgation of the new labor contract law.

On June 29, 2008, the Standing Committee of the National People’s Congress of China enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law contains substantial provisions with a view to improve job security and to protect the rights and interests of employees. In order to fully comply with the legal requirements under the Labor Contract Law, we may incur substantial administrative and staffing cost.

Risks Related to Our ADSs

The trading price of our ADSs has been volatile and may continue to be volatile regardless of our operating performance.

The trading price of our ADSs has been and may continue to be subject to wide fluctuations. During the period from August 5, 2008, the first day on which our ADSs were listed on the Nasdaq, until March 23, 2010, the trading prices of our ADSs ranged from $44.44 to $628.50 per ADS. The market price for our ADSs may continue to be volatile and subject to wide fluctuations in response to factors including the following:

• actual or anticipated fluctuations in our quarterly operating results;
• changes in financial estimates by securities research analysts;
• changes in our actual operating results compared to our and analysts’ expectations;
• changes in general and industry-specific market conditions and any resulting negative publicity;
• changes in laws or regulations applicable to our business;
• changes in our filing of additional registration statements or the effectiveness of those registration statements;
• changes resulting from major acquisitions or restructurings;
• changes in our operating performance;
• changes in our market capitalization;
• changes in our financial condition and results of operations;
• changes in the market price and volume of trading of our ADSs;
• changes in the market price and volume of trading of other American Depositary Receipts and our ADSs; and
• changes in our announcement of new products or services;

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• changes in financial estimates by securities research analysts;
• changes in our actual operating results compared to our and analysts’ expectations;
• changes in general and industry-specific market conditions and any resulting negative publicity;
• changes resulting from major acquisitions or restructurings;
• changes in our operating performance;
• changes in our market capitalization;
• changes in our financial condition and results of operations;
• changes in the market price and volume of trading of our ADSs;
• changes in the market price and volume of trading of other American Depositary Receipts and our ADSs; and
• changes in our announcement of new products or services;
Substantial future sales or the perception of sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Sales of substantial amounts of our ADSs in the public market, or the perception that such sales may occur, could also reduce the market price of our ADSs and impair our ability to raise additional capital through the sale of additional ADSs.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 10 votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering.

Our articles of association include certain provisions that could limit the ability of others to acquire control of our company, and therefore may deprive the holders of our ADSs of an opportunity to receive a premium for their shares or ADSs as part of a sale of our company and might reduce the price of our ADSs.

Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

We may not have the same voting rights as the holders of our ordinary shares and may not receive voting materials in time to be able to exercise your right to vote.

Except as described in this annual report and in the deposit agreement, holders of our ADSs will not be able to exercise voting rights attached to the shares evidenced by our ADSs on an individual basis. Holders of our ADSs will appear as a single entity on the books of the depositary and will not receive voting materials in time to be able to exercise your right to vote. Upon written request, the depositary will mail to you a shareholder meeting notice which contains, among other things, a statement as to the manner in which your voting instructions may be given, including an express indication that such instructions may be given or deemed given to the depositary to give a discretionary proxy to a person designated by us if no instructions are received by the depositary from you or before the response date established by the depositary. However, no voting instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary that (i) we do not wish such proxy given, (ii) substantial opposition exists, or (iii) such matter materially and adversely affects the rights of shareholders.

You may not be able to participate in rights offerings and may experience dilution in your holdings as a result.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. Under the deposit agreement for the ADSs, the depositary will not offer those rights to ADS holders unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act of 1933, or exempt from registration under the Securities Act with respect to all holders of ADSs. We are under no obligation to file a registration statement with respect to any such rights or endeavor to cause such a registration statement to be declared effective. In addition, we may not be able to take advantage of any exemptions from registration under the Securities Act. Accordingly, holders of our ADSs may be unable to participate in our rights offerings and may experience dilution in their holdings as a result.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. Holders.

Based on the market price of the ADSs and our ordinary shares, the composition of our income and assets and our operations, we believe that we were not a "passive foreign investment company," or PFIC, for United States federal income tax purposes for our taxable year ended December 31, 2009. However, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year) and we cannot assure you that we will not be a PFIC for our current taxable year ending December 31, 2010 or any future taxable year. A non-U.S. corporation will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. The future value of our assets is generally determined by reference to the market price of our ADSs and ordinary shares, which may fluctuate considerably. If we were treated as a PFIC for any taxable year during which a U.S. Holder held an ADS or an ordinary share, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder. See "Item 11.E. Additional Information — Taxation — United States Federal Income Taxation — Passive Foreign Investment Company."

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Item 4. Information on the Company

A. History and Development of the Company

We were incorporated in the Cayman Islands in January 2000. Since our inception, we have conducted our operations in China principally through Baidu Online, our wholly owned subsidiary in Beijing, China. Since June 2001, we have also conducted part of our operations in China through Baidu Netcom, a consolidated affiliated entity in Beijing, China, which holds the licenses and approvals necessary to operate our websites and provide online advertising services. In more recent years, we have established additional Baidu subsidiaries and assisted in establishing additional Baidu consolidated affiliated entities to conduct part of our operations. We formally launched a Japanese search service in January 2008 and now have three subsidiaries in Japan.

On August 5, 2005, we listed our ADSs on The Nasdaq National Market (later renamed The Nasdaq Global Market) under the symbol "BIDU." We and certain selling shareholders of our company completed the initial public offering of 4,604,224 ADSs, each representing one Class A ordinary share, on August 10, 2005. Our ADSs currently trade on The Nasdaq Global Select Market, a segment of The Nasdaq Global Market.

In December 2008, our shareholders approved our name change from Baidu.com, Inc. to Baidu, Inc. In November 2009, we moved into our new corporate headquarters, which we name as Baidu Campus. Our principal executive offices are located at Baidu Campus, No. 19 Xingguang 10th Street, Haidian District, Beijing 100085, the People's Republic of China. Our telephone number at this address is +86 (10) 5992-8888.

B. Business Overview

We are the leading Chinese language Internet search provider. As a technology-based media company, we aim to provide the best way for people to find information. In addition to serving Internet search users, we provide an effective platform for businesses to reach potential customers. According to a market survey announced by Research Consulting Group, a third-party market research firm, our search engine Baidu.com accounted for 76.0% of the total Chinese language web search market in China in 2009, as measured by the number of Chinese language web search requests handled. According to Alexa.com, our Baidu.com website was the largest website in China, as measured by user traffic during the three-month period ended December 31, 2009.

We established our subsidiary Baidu Japan in December 2006 and offered a trial version of our Japanese search services beginning in March 2007. In January 2008, we formally launched our Japanese search services at www.baidu.jp, ran by Baidu Japan. Our Japanese search services enable users to find relevant information online, including web pages, images, multimedia files and blogs, through links provided on our websites.

We serve these types of online participants

Users. We primarily offer a Chinese language search platform on our website Baidu.com. We provide Chinese language Internet search services to enable users to find relevant information online, including web pages, news, images and multimedia files, through links provided on our websites. We also offer online community-based products and entertainment platforms such as Baidu Post Bar, Baidu Knows and Baidu Space. In addition, we offer Baidu Hi, an instant messaging service, and Baidu Youa, a consumer-oriented e-commerce platform.

Customers. We design and deliver our online marketing services on our website Baidu.com to our P4P customers and other customers who require our tailored online marketing solutions. Our auction-based P4P services enable our customers to bid for priority placement of their links in keyword search results. We believe we were the first auction-based P4P service provider in China. Our online advertising services allow customers to use both query sensitive and non-query sensitive advertising services, including text links, graphical advertisements and other forms of online advertising. Our P4P customers are those who primarily use our auction-based P4P services. In addition, we provide marketing solutions, which may consist of one or more forms of our online advertising services as well as P4P services. In the fourth quarter of 2009, we had approximately 223,000 active online marketing customers.

Baidu Union Members. Baidu Union includes a large number of third-party web content and software providers. Baidu Union members can display on their properties our customers' promotional links that match

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Items 1. Business Overview

The content of each members properties. Some Baidu Union members also incorporate a Baidu search box into their websites. We provide high-quality and relevant search results to their users, and in return gain the benefit of increased traffic. When our customers' promotional links are displayed on Baidu Union members websites, we share the fees generated by clicks on these links with the owners of these Baidu Union websites.

Products and Services for Users

We focus on offering products and services that enable our users to find relevant information quickly and easily. We offer the following products and services at Baidu.com to users free of charge. Some of these products and services are also available at midabaidu.com and www.baidu.com, our websites for users who access our services through mobile Internet devices, including wireless application protocol (WAP) enabled mobile phones.

Baidu Web Search. Baidu's web search allows users to locate information, products and services using Chinese language search terms. Through our search software, we build and continuously refine a large database of Chinese synonyms and closely associated phrases, which is essential for accurate and efficient execution of Chinese language searches. The Baidu.com home page prominently features a search box that is designed to load quickly. After entering a search query, users are generally provided with a list of search results, which may include our customers' links marked as sponsored links. Users can then access the desired websites by clicking on the hyperlinks displayed in the search results.

In addition to providing access to billions of indexed Chinese language web pages, we have integrated additional features into our web search that help users find information more easily. The Baidu web search includes features such as

- Related Search — provides alternative search terms based on the original queries to help users find relevant web pages quickly.
- Search in Results — enables users to conduct additional searches within the initial search results.
- Search Term Suggestion — displays a list of suggested search terms as the user inputs words into the search box.
- Search by Chinese Phonic (Pinyi) — enables users to conduct quick searches by entering Chinese phonetic characters with letters of the English alphabet instead of Chinese characters.
- Spell Checker — suggests alternate search terms when a search appears to contain misspellings or typing errors.
- Advanced Search — enables users to create more focused queries by employing techniques such as narrowing results to specified words or phrases, document formats, geographic regions, time frames or websites.
- Snapshots — provides snapshots of web pages taken when the pages were indexed, allowing users to view web pages that cannot be quickly or easily opened.
- Stock Quotes — provides links to stock information of companies listed on the stock exchanges in China.
- Weather, Train and Flight Schedules — enables users to check weather, domestic train and flight schedules as well as schedules of international flights departing from or arriving in China.
- News, Knows, Post Bar, MP3, Images, Video, and Space Information — displays search results from other Baidu products including Baidu News, Baidu Knows, Baidu Post Bar, Baidu MP3 Search, Baidu Image Search and Baidu Video Search.

Baidu Post Bar. Baidu Post Bar provides users with a query-based searchable community to exchange views and share knowledge and experiences. The community can be further expanded by users posting new topics that have not been covered in the community before. In Baidu Post Bar, users can search, read and browse Internet message boards. Baidu Post Bar covers a broad range of topics and interest areas, such as society, technology, sports, entertainment and fashion. It also provides video-sharing capabilities, which allow users to post and share video clips in approximately 8,000 online communities.

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Baidu News. Baidu News provides links to an extensive selection of local, national and international news and presents news stories in a searchable format, typically within minutes of their publication on the web. Baidu News uses an automated process to display links to related headlines, which enables users to easily

different viewpoints on the same story. Baidu News is typically updated every three to five minutes throughout the day. Users also can choose to have links of specific types of news articles (e.g., financial, news articles containing specific keywords) delivered to their email accounts. We hold a license to provide Internet news services issued by the State Council News Office.

Baidu Knows. Baidu Knows enables users to pose questions and others to answer questions. Any users of our websites can also search, read and browse questions and answers by registered members of Baidu Knows. Baidu Knows contains a broad range of subjects.

Baidu MP3 Search. Baidu MP3 Search provides algorithms-generated links to songs and other multimedia files provided by Internet content providers. Users can use Baidu MP3 Search by entering one or more key words, categories, or names. Baidu MP3 Search sets up algorithms based on the user's query histories. Baidu MP3 Search can also provide automatic music image matching and videos image matching services. Baidu MP3 Search is also used to create Baidu MP3 Ranking, which shows the top 35 songs that have been downloaded the most in China.

Baidu Image Search. Baidu Image Search enables users to search millions of images on the Internet. Baidu Image Search offers advanced features, such as search by image size, color or image type. Image listings are organized by various categories which are updated automatically through algorithms.

Baidu Video Search. Baidu Video Search enables users to search for and access online video clips that are hosted on third-party websites.

Baidu Space. Baidu Space allows registered users to create personalized homepages in a query-based searchable community. Registered users can post their Web logs, or blogs, photo album and certain personal information on their homepages and establish their own communities of friends who are also registered users. Registered users also can set limit on the access to certain content on their homepages.

Other Search and Community Products. We are continuously developing and introducing new products and services to make Baidu.com more attractive to our users. In addition to the products described above, we currently offer a variety of online search and community products, including but not limited to the following (arranged by alphabetical orders):

- Baidu Ancient Chinese Literature Search. Jointly developed by us and Beijing Guoxue Times Culture Transmission Co., Ltd., Baidu Ancient Chinese Literature Search allows users to search and browse ancient Chinese masterpieces. These masterpieces are organized by categories, and allow users to easily locate popular search terms on topics of interest. We also offer Baidu Ancient Chinese Literature Search for specific Chinese patents and provides basic patent information in the search results, including the patent's name, application number, filing date, issue date, inventor information and brief description of the patent.
- Baidu Book Search. Through collaboration with a number of partners in book publishing and distribution, we offer a trial version of Baidu Book Search, which allows users to search for and view information relating to books, such as title, author, publisher, price, brief introduction and table of contents. Due to copyright reasons, Baidu Book Search does not provide the full text of books.
- Baidu Encyclopedia. Baidu Encyclopedia is an evolving encyclopedia compiled by registered Internet users. Registered users can share their knowledge by adding new terms and new content in Baidu Encyclopedia. Any users of our Baidu.com website can also search, read and browse all terms and content contributed by registered users of Baidu Encyclopedia.
- Baidu Entertainment. Baidu Entertainment is an online channel devoted exclusively to entertainment-related news and content. Users can search or browse through news and other information relating to specific sites, movies, television series and music.
- Baidu Frequently Used Information Search. Baidu Frequently Used Information Search enables users to quickly search certain frequently used information, such as weather, maps, train and flight schedules, television schedules, stock prices, etc.
- Baidu Games Related Channels. Baidu Games is a channel where registered users can play games provided by our online game operator partners. In November 2009, we launched Baidu Games Hall, which allows registered users play certain "casual" online games after downloading a client-end application.
- Baidu Government Information Search. Baidu Government Information Search allows users to search various regulations, rules, notices and other information announced by PRC government entities.
- Baidu-Hexun Finance. We operate a financial information website, baidu-Hexun Finance, in collaboration with Hexun.com, a financial information service provider in China with news reporting and securities consulting licenses. Users can search or browse through economic and financial news, information relating to personal wealth management and related market statistics.
- Baidu Local Search. Baidu Local Search allows users to limit their searches to specific provinces in China.
- Baidu Map Search. We offer a trial version of Baidu Map Search using our self-developed geographic information system (GIS) platform, aiming at enriching our users' navigation experience. Baidu Map Search enables users to search online maps of over 380 large and medium sized cities in China. Users have the option to type search terms into a simple search box to find a particular place, points of interest, such as restaurants, hotels, schools, banks, etc., near a particular place, or get driving directions and public transportation routes.
- Baidu Mobile Search and Related Products. Baidu Mobile Search enables users to access our search and community-based products and services such as Baidu News, Baidu Post Bar and Baidu Map Search using mobile Internet devices, including WAP-enabled mobile phones. In May and October 2009, we entered into partnership arrangements with China Telecom and China Unicom, two mobile carriers in China, respectively, to provide mobile search for their 3G mobile service subscribers. Under these arrangements, our mobile search service will be embedded in the mobile carriers' selected 3G mobile phones. Their mobile subscribers will be able to use the pre-installed applications to access various Baidu products and services available to mobile phone users.

In November 2009, we launched trial versions of Baidu Palm and Baidu Mobile Phone Input Method, two user-end software products designed specifically for mobile phone users. By downloading and installing Baidu Palm, mobile phone users can access various Baidu products including Baidu Web Search, Baidu News, Post Bar and Baidu. Baidu Palm also provides Baidu Push, Baidu Push allows users to receive notifications on new content without the need to make multiple registrations. Baidu Mobile Phone Input Method supports multiple methods of inputting Chinese characters on mobile phones and is designed to allow mobile phone users to conduct searches more efficiently.

Baidu Patents Search. Baidu Patents Search enables users to search for specific Chinese patents and provides basic patent information in the search results, including the patent's name, application number, filing date, issue date, inventor information and brief description of the patent.

Baidu Personalized Web Page. We offer Baidu Personalized Web Page, which allows users to choose from certain pre-set options of Baidu products and arrange the options based on their own preference to create their personalized Baidu search page.


Baidu Search Ranking and Search Index. Baidu Search Ranking provides listings of top search terms based on daily search queries entered on Baidu.com. The listings are organized by categories and allow users to easily locate popular search terms on topics of interest. We also offer Baidu Search Index, which shows how frequently a given search term is entered into Baidu sites, together with other relevant information such as its historical trend, geographic distribution and demographic distribution.

Baidu Senior-Citizen Search. In October 2009, we launched a new version of web search specifically designed for senior users. Supported by Harven, Senior Citizen Search allows users to search for terms in Chinese by moving around the mouse and produce search results more tailored to senior users interests and experiences.

Baidu Statistics Search. Baidu Statistics Search enables users to search statistics that have been published by the PRC government since 1949. The statistics are provided to us by a third-party in Beijing.
Baidu Web Directory. Baidu Web Directory enables users to browse and search through websites that have been organized into categories. We also operate Hao123.com, a popular Chinese web directory navigation site in China.

Baidu Yellow Page Search. We offer a trial version of Baidu Yellow Page Search. Jointly developed with China Telecom, Baidu Yellow Page Search allows users to conduct online searches for local business information in specific localities in China. The information is derived from yellow page phone books published by China Telecom.

Other Products and Services

Baidu Hi. In June 2008, we launched a trial version of our instant messaging service Baidu Hi. In addition to the major instant messaging functions of chat, grouping, and personalization, Baidu Hi also integrates the search services, online communities and various other features that we provide.

Baidu E-Commerce. In October 2008, we launched a trial version of Baidu Youa, a consumer-oriented e-commerce platform. Through Baidu Youa, merchants can sell their products and oriented at all online payment systems, BaiduPay, to make purchases. In addition to possessing the features and functions of traditional consumer-to-consumer (C2C) online trading platforms, Baidu Youa also focuses on providing consumers with large amount of rich, useful information about the products or services that are interesting to purchasing, such as detailed product or service features, similar products or services, user-generated comments and news or reviews about the products or services available on the Internet. Baidu Youa’s services are available on a constantly updated database of merchandise information, which also includes user-generated comments.

In January 2010, we entered into an agreement with Rakuten, Inc., the largest e-commerce website in Japan, to form a joint venture to build a business-to-business-to-consumer (B2B2C) online shopping mall for Chinese Internet users. We expect to work with Rakuten, Inc. to build the online shopping mall to provide customers with high-quality merchandise from well-known Chinese and foreign brands as well as SHFE at competitive prices. Rakuten owns 51% and we own 49% of the new joint venture.

Baidu Desktop Search. Baidu Desktop Search is a free, downloadable software which enables users to search all files saved on their computer without launching a web browser.

Baidu Toolbar. Baidu Toolbar is a free, downloadable software which, once installed, shows up on a browser’s tool bar and makes our search function readily available on every web page that a user browses.

Baidu Safety Center. Baidu Safety Center provides users with free virus scanning, system repair and online security updates.

Baidu Anti-Virus. Baidu Anti-Virus is an online marketplace where we collaborate with major Chinese and international anti-virus software companies to offer our users the latest anti-virus software products and computer virus-related news.

Baidu Internet TV. Baidu Internet TV (also known as Baidu Movies and Television) allows users to search, watch and download free movies, television series, cartoons, variety shows and certain other programs hosted on our servers. The programs have been provided to us by content providers, which have represented to us that they have valid copyrights to those programs.

In February 2010, we and Providence Equity Partners, a private equity firm, signed an agreement, pursuant to which Providence Equity Partners invested $50.0 million in March 2010 into Ding Xin, Inc., a Cayman Islands company newly established by us. Ding Xin, Inc. and entities under its control will operate the Baidu Internet TV channel and develop an advertising-supported online video business.

Baidu Japanese Language Search. In January 2008, after completing a Beta test that last nearly a year, we formally launched our Japanese search services at www.baidu.jp, ran by our Japanese subsidiary, Baidu Japan. Our Japanese search services currently offer web search, image search, video search and blog search capabilities. In September 2008, we launched a trial version of mobile search service in Japan. In December 2009, we launched Baidu Type, a Japanese input method for PC users.

Products and Services for Customers

We focus on providing customers with cost-effective and targeted marketing solutions. We generate almost all of our revenues from online marketing services.

Online Marketing Services

P4P. Our P4P platform enables our customers to reach users who search for information related to their products or services. Customers may use our automated online tools to create text-based descriptions of their web pages and bid on keywords that trigger the display of their web page information and links. Our P4P platform features an automated online sign-up process that allows customers to activate their accounts at any time.

Our P4P platform is an online marketplace that introduces Internet search users to customers who bid for priority placement in the search results. Our intelligent ranking system takes into consideration the “quality factor” of a keyword in addition to the price bid on the keyword. The quality factor of a keyword is determined based on the relevance of a keyword and certain other factors. The relevance of a keyword is determined based on our analysis of past search and click-through results. Links to customers’ websites are ranked according to a comprehensive ranking index, calculated based on both the quality factor of a keyword and the price bid on that keyword. Our P4P platform generates fees for customers based on the visibility of their brand-specific search ads.

Network Marketing. Using our ProTheme contextual promotion technology, we offer Network Marketing, a service that enables our customers to display their advertisements only to users who search for information related to their products or services. Customers pay us a fee based on the number of clicks on their advertisements.

Baidu TV. We operate our advertising service, Baidu TV, in partnership with Ads it! Media Corporation, an online advertising agency and technology company. Baidu TV provides advertisers access to the websites of our Baidu Union members, allowing advertisers to choose websites on which to post their video advertisements with the aid of our advertisement targeting and matching system. The customers pay us a fee based on the number of effective views on their advertisements. An effective view is counted when a video advertisement runs for at least five seconds before a viewer closes it.

Brand-Link. We offer a brand advertising service, Brand-Link. When Internet users conduct a keyword search using brand names of our customers who subscribe to our Brand-Link service, the search will generate a wide range of brand-specific content, including news reports, promotional announcements, product information and marketing campaigns. The customers pay us a fee based on the duration of the placements.

Other Forms of Online Advertising. Other forms of our online advertising services allow customers to display query sensitive and non-query sensitive advertisements on our websites, including graphical advertisements. Our advertising contracts are generally of short-term. Standard rates for online advertisements vary based on a variety of factors, including the duration of the advertisement, the location of the advertisement on our websites, and the number of potential users whom the advertisement reaches.
depending on several factors, including the term of the contract, channel and traffic reach and the size and position of the advertisement on our web pages.

In addition to the marketing services described above, from which we generate our online marketing revenues, we also offer a variety of value-added services and platforms designed to aid our online marketing customers in determining their best marketing solutions and better managing their marketing spending. Baidu Compass is a platform that helps our online marketing customers, primarily medium and large enterprises, to determine their best marketing solutions based on our analysis of search user behaviors. Baidu Holmes is a platform that helps our online marketing customers to evaluate the effect of our online marketing solutions by providing various data and analyses that could be used to monitor ROIs. Baidu Union members can also benefit from Baidu Holmes in better managing their websites through the data and analyses provided by this platform. My Marketing Center is a customized platform integrating industry information, market trends and business and industry news and reports to assist existing customers in their sales and marketing efforts. The platform combines our vast resources in online information search and aggregation to help customers make better use of search marketing tools to improve customer targeting, increase sales and enhance brand impact.

Baidu Union

Baidu Union consists of a large number of third-party web content and software providers. Baidu Union members can display on their properties our customers promotional links that match the content on each members' properties. Some Baidu Union members also incorporate a Baidu search box or toolbar into their websites. Their users can conduct search via the Baidu search box or toolbar and can click on our customers' promotional links located on their properties. Our relationships with Baidu Union members allow them to provide high-quality and relevant search results to their users without the costs associated with building and maintaining advanced search capabilities in-house. Moreover, our Baidu Union members can monetize their traffic and content through revenue sharing arrangements with us, which are based on the number of clicks on our customers' promotional links. The click-throughs can be either on our customers' promotional links reached through the Baidu search box or toolbar located on the Baidu Union members' websites or directly on our customers' promotional links located on the Baidu Union Members' properties. We intend to recruit additional Baidu Union members to further increase traffic to our Baidu.com website.

Our Customers

Online Marketing. We serve a broad range of online marketing customers consisting of SMEs throughout China, large domestic corporations and Chinese divisions or subsidiaries of large, multinational corporations. We have a diverse customer base in terms of industries and geographical locations. The industries in which our customers operate include medical, machinery, education, franchising, electronic products, e-commerce, ticketing, tourism, information technology services, consumer products, real estate, entertainment, financial services, and other industries. Customers in the top five industries contributed approximately 59% of our total online marketing revenues in 2009. Although we have customers located throughout China, we have a more active and larger customer base in coastal regions, reflecting the current economic demographics in China.

Our online marketing customers are increasingly seeking marketing solutions with measurable results in order to maximize their ROI. In response to this trend, we manage our sales activities for our online marketing services around two key customer categories: P4P customers and tailored solutions customers.

- **P4P Customers** — Our P4P customers are those who primarily use our auction-based P4P services. They are generally SMEs with modest marketing budgets and, as a result, require cost-effective online marketing solutions to reach their potential customers. Our P4P platform allows them, directly or through our distributors, to easily manage their online marketing spending on a pre-paid basis.

- **Tailored Solutions Customers** — Our tailored solutions customers generally seek solutions to meet certain pre-determined performance metrics, such as number of click-throughs, duration of placement, number of converted users and number of telephone calls. They are generally medium and large enterprises with dedicated online marketing budgets. Depending on their objectives and desired end results, we design

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customized performance-based solutions comprising of P4P, fixed ranking and other query and non-query sensitive marketing services.

Sales and Distribution

We sell our online marketing services directly and through our distribution network. Historically, we have acquired our P4P customers primarily through our nationwide network of third-party distributors and, to a lesser extent, through our direct sales offices in a number of major cities in China. Currently, we have direct sales presence in Shanghai, Beijing and major cities in Guangdong Province.

Our distributors provide 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 offer discounts to distributors as consideration for their services. We base in China is geographically diverse and free-Potential, as most of our P4P customers are SME located in different regions in China. Moreover, SMEs are generally less experienced with online marketing as compared to large companies and therefore benefit from the extensive services provided by distributors. Finally, secure online payment and credit card systems are in early stages of development in China. Distributors serve as an important channel to reach SME customers throughout China and collect payments from them.

We offer our tailored marketing solutions to medium and large corporate customers through third-party agencies and our direct sales force. We have local sales staff in Beijing, Shanghai and major cities in Guangdong Province, including Shenzen, Guangzhou, and Dongguan, covering the largest regional markets for our online advertising services.

Marketing

Historically, our user base grew primarily through word-of-mouth. We focus on continuously 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 the Internet in China, we have built our brand with modest marketing expenditures.

Our initial public offering in 2005 and subsequent positive media coverage have significantly enhanced our brand recognition. In addition, we have implemented a number of marketing initiatives designed to promote our brand awareness among potential users and customers. For example, we purchased advertisements shown during CCTV’s 2009 Spring Festival Gala, the most watched show on China’s largest nationwide television network. We have also conducted cross-marketing activities with a number of marketing partners, including tie-in sponsorship agreements and co-branded promotions.

In addition, with the assistance from our distributors, we conduct localized marketing activities tailored to potential customers in various regions. We also organize and sponsor seminars and discussion forums targeted at existing and potential customers.

Competition

The Internet search industry in China is rapidly evolving and highly competitive. Our primary competitors include U.S.-based Internet search providers providing Chinese language Internet search services and Chinese Internet companies. We compete with these entities for both users and customers on the basis of user traffic, quality (relevance and quantity (index size) of search results, availability and ease of use of our products and services, the number of customers, distribution channels and the number of associated third-party websites. We also face competition from traditional advertising media. Furthermore, our instant messaging and e-commerce services face competition from leading providers of these services in China.

U.S.-Based Internet Search Providers. U.S.-based Internet search providers such as Google and Microsoft have a strong global presence, well-established brand names, more users and customers and significantly greater financial resources than we do. Google’s Chinese website google.cn is our major competitor in the Chinese language

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search. We may also continue to face competition from other existing competitors and new entrants in the Chinese language search market.

Chinese Internet Companies. Chinese Internet portals such as Sohu, NetEase and Tencent offer a broad range of online services, including search service. Sohu has its own search engine, "SOSO." Each of our Chinese competitors has generated significant traffic, a loyal user base and a large and broad customer base. These portals have widely recognized brand names in China and some have greater financial resources than we do. We compete with these portals primarily for user traffic and online advertising. In addition, we compete with B2B service providers such as Alibaba, which also offers services on its websites.

Other Advertising Media. Other advertising media, such as newspapers, yellow pages, magazines, billboards and other forms of outdoor media, television and radio, compete for a share of our customers’ marketing budgets. Large enterprises currently spend a relatively small percentage of their marketing budgets on online marketing as compared to the percentage they spend on other advertising media.

Instant Messaging and E-commerce Service Providers. Baidu Hi, our instant messaging service, competes primarily with Tencent’s QQ and MSN Messenger. Baidu Youa, our e-commerce platform, faces competition primarily from e-commerce service providers such as Alibaba’s Taobao, Tencent’s Paipai and Eachnet, a joint venture of eBay and Time Online.

Technology

We provide our web search and P4P technology using our network of computers running customized software developed in-house. Our key technologies include

Web Search Technology

Our web search technology applies a combination of techniques to determine the importance of a web page independent of a particular search query and the relevance of that page to a particular search query.

Link Analysis Techniques. Link analysis is a technique that determines the relevance between a query page and a web page by evaluating the combination of the
anchor texts and the number of web pages linked to that web page. We treat a link from web page A to web page B as a "vote" by page A in favor of page B. The subject of the "vote" is described in the anchor texts of that link. The more "votes" a web page gets, the higher the relevance. We compare search queries with the content of web pages to help determine relevance. Our text-based scoring techniques do more than count the number of times a search term appears on a web page. For example, our technology determines the proximity of individual search terms to each other on a given web page, and prioritizes results where the search terms are near each other. Other aspects of a page content are also considered. By combining link analysis with our information extraction techniques, we are able to deliver relevant search results.

Information Extraction Techniques. We extract information from a web page using high performance algorithms and information extraction techniques. Our techniques enable us to understand the content web page text, delete extraneous data, build link structures, identify duplicate and junk pages and decide whether to include or exclude a web page based on its quality. Our techniques can process millions of web pages quickly. In addition, our anti-spamming algorithms and tools can identify and respond to spamming web pages quickly and effectively.

Web Crawling Techniques. Our powerful computer clusters and intelligent scheduling algorithms allow us to crawl Chinese web pages efficiently. We can easily scale up our system to collect billions of Chinese web pages. Our spider technology enables us to refresh web indices at intervals ranging from every few minutes to every few weeks. We set the index refreshes frequency rate based on our knowledge of Internet search users needs and the nature of the information. For example, our news index is typically updated every three to five minutes throughout the day given the importance of timely information for news. We also mine multimedia and other forms of files from web page repositories.

In December 2008, we announced Project Ailuiren, an ongoing research and development effort aimed at uncovering useful parts of the "Hidden Web," the part of the Internet that existing search engine technology may not be able to index, in order to enrich search results for our users.

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### Chinese Language Processing Techniques
- We analyze and understand Chinese web pages by processing word-segmentation and utilizing an encoding method based on Chinese language characteristics. For example, we can identify Chinese names on a web page. When a user searches for a person based on the person's Chinese name, we can display the web pages that are specifically related to that person. We also mine user behavior and search interests from our large search query logs.

### P4P Technology
- Our P4P platform serves millions of relevant, targeted sponsored links each day based on search terms users enter or content they view on the web page. Our key P4P technology includes:
  - **P4P Auction System.** We use a web-based auction system to enable customers to bid for positions and automatically deliver relevant, targeted promotional links on Baidu properties and Baidu Union member properties. The system starts by screening the relevance between the sponsored links and a particular query. Our intelligent ranking system then takes into consideration the quality factor of a keyword in addition to the price bid on the keyword. The quality factor of a keyword is determined based on the relevance of the keyword and certain other factors. The relevance of a keyword is determined in the analysis of past search and click-through results. Links to customers websites are ranked according to a comprehensive ranking index, calculated based on both the quality factor of a keyword and the price bid on that keyword. We employ a dynamic mechanism for the determination of the minimum bidding price for each keyword. For determination of cost per click, or CPC, the system uses an automatic price reducing mechanism which automatically lowers the CPC to the minimum needed to maintain the desired position.

- **P4P Billing System.** We record every click and charge customers a fee by multiplying the number of clicks by the CPC. Our system is designed to detect fraudulent clicks based on factors such as click patterns and timestamps. This system also computes the amount a Baidu Union member or a distributor should be paid. The billing information is integrated with our internal Oracle ERP financial system.

#### Large-Scale Systems Technology
- We currently use a combination of off-the-shelf and custom software running on clusters of low-cost computers. Our investment in our large-scale system infrastructure has several key benefits: simplification of the storage and processing of large amounts of data, facilitation of the deployment and operation of large-scale

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### Intellectual Property
- We rely on a combination of 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 eight issued patents in China and intend to apply for more patents to protect our core technologies. We also enter into confidentiality agreements with selected third parties, "Baidu", which is our company's name "Baidu" in Chinese, has been recognized as a well-known trademark in China by the Trademark Office under the State Administration for Industry and Commerce. In addition to owning the trademark "Baidu" and the related logos, we have applied for registration of additional trademarks and logos, including "Baidu", "Baidu.com", "Baidu.cn", "Baidu.com.cn", "BaiduPay", "Baidu.cn", "Baidu.com", and "Baidu.com.cn". We also have registered certain trademarks in Hong Kong, including "Baidu" and our company logo, and the United States, including "Baidu". In addition, we have registered our domain name Baidu.com with register.com, Baidu.jp with humei.co.jp and Baidu.cn, Baidu.com.cn, Baidu.com.cn, yamiaotech.cn, yamiaotech.cn, yamiaotech.cn, and yamiaotech.cn with China National Network Information Center, or CNNIC. 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 "Item 3.D. Key Information — Risk Factors — Risks Related to Our Business — We may face intellectual property infringement claims and other related claims that could be time-consuming and costly to defend and may result in our inability to continue providing certain of our existing services" and “— We may be subject to patent infringement claims with respect to our P4P platform.”

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**Regulation**

The PRC government extensively regulates the telecommunications industry, including the Internet sector. The State Council, the MII and other relevant government authorities have promulgated an extensive regulatory scheme governing Internet-related services. This section summarizes the principal PRC laws and regulations relating to our business.

In the opinion of Haiwen & Partners, our PRC legal counsel (1) the ownership structure of our company, Baidu Online, Baidu China, Baidu Times, Baidu Netcom, Beijing Personal and BaiduPay comply with current PRC laws and regulations; (2) subject to the disclosure and risks disclosed under “Item 3.D. Key Information — Risk Factors — Risks Related to Our Business”, our contractual arrangements with Baidu Netcom, Beijing Personal and BaiduPay and their shareholders are valid and binding on all parties to these arrangements and do not violate existing PRC laws or regulations; and (3) subject to the disclosure and risks disclosed under “Item 3.D. Key Information — Risk Factors — Risks Related to Our Corporate Structure” and “— Risks Related to Doing Business in China”, the business operations of our company, Baidu Online, Baidu China, Baidu Times, Baidu Netcom, Beijing Personal and BaiduPay comply with current PRC laws and regulations in all material respects.
China’s Internet industry and online advertising market are at an early stage of development. There are substantial uncertainties regarding the interpretation and application of existing or proposed PRC laws and regulations. We cannot assure you that the PRC regulatory authorities would find that our corporate structure and our business operations comply with PRC laws and regulations. If the PRC government finds us to be in violation of PRC laws and regulations, we may be required to pay fines and penalties, obtain certain licenses or permits and change, suspend or discontinue our business operations until we comply with applicable PRC laws and regulations.

**Regulations on Value-Added Telecommunications Services and Internet Content Services**

In September 2000, the State Council promulgated the Telecommunications Regulations, or the Telecom Regulations. The Telecom Regulations categorize all telecommunications businesses in the PRC as either basic or value-added. Internet content services, or ICP services, are classified as value-added telecommunications businesses. Under the Telecom Regulations, commercial operators of value-added telecommunications services must first obtain an operating license from the MIIT or its provincial level counterparts.

In September 2000, the State Council issued the Administrative Measures on Internet Information Services, or the Internet Measures. According to the Internet Measures, commercial ICP service operators must obtain an ICP license from the relevant government authorities before engaging in any commercial ICP operations within the PRC. In November 2008, the MIIT promulgated the Information Security Management Measures, which provide for comprehensive security evaluation by the State Council News Office. The Internet Measures require ICP operators providing value-added telecommunications services in multiple provinces is required to obtain an inter-regional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

The Internet news license is subject to annual inspection by relevant government authorities. Furthermore, the disseminated news must come from government-approved sources pursuant to contracts between the ICP operator and these sources, copies of which are required to be submitted to relevant government authorities. In addition, the MIIT promulgated the Provisional Measures for Administrating Internet Websites Carrying on the News Displaying Business. These measures require an ICP operator to submit all news obtained from a certain list of news providers, including state-run newspapers and television stations, to the MIIT for inspection. In July 2004, the Ministry of Culture issued the Internet Culture Measures, which require each ICP operator to have the necessary facilities, including electronic bulletin boards, electronic forums, message boards and chat rooms. The BBS Measures require ICP operators to obtain specific approvals before providing BBS services.

In December 2001, the MIIT promulgated the Administrative Measures for Telecommunications Business Operating License, or the Telecom License Measures. In March 2009, the MIIT issued a revised Telecom License Measures which took effect on April 10, 2009. The Telecom License Measures set forth the types of licenses required to operate value-added telecommunications services and the qualifications and procedures for obtaining such licenses. For example, an ICP operator providing value-added services in multiple provinces is required to obtain an inter-regional license, whereas an ICP operator providing the same services in one province is required to obtain a local license.

National security considerations are an important factor in the regulation of Internet content in China. The National People’s Congress, the PRC’s national legislature, has enacted laws with respect to maintaining the security of Internet information and Internet content. According to these laws, as well as the Internet Measures, violations may be subject to penalties, including criminal sanctions, for Internet content that
- opposes the fundamental principles stated in the PRC constitution;
- compromises national security, divulges state secrets, subverts state power or damages national unity;
- harms the dignity or interests of the state;
- incites ethnic hatred or racial discrimination or damages inter-ethnic unity;
- undermines the PRC’s religious policy or propagates heretical teachings or feudal superstitions;
- disseminates rumors, disturbs social order or disrupts social stability;
- disseminates obscenity or pornography, encourages gambling, violence, murder or fear or incites the commission of a crime;
- insults or slanders a third party or infringes upon the lawful rights and interests of a third party; or
- is otherwise prohibited by law or administrative regulations.

ICP operators are required to monitor their websites, including electronic bulletin boards. They may not post or disseminate any content that falls within these prohibited categories and must remove any such content from their websites.

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The PRC government may shut down the websites of ICP license holders that violate any of the above-mentioned content restrictions and revoke their ICP licenses.

#### Restrictions on Foreign Ownership in Value-Added Telecommunications Services

According to the Provisions on Administration of Foreign Invested Telecommunications Enterprises, or the FITE Provisions, promulgated by the State Council in December 2001 and amended in September 2008, the ultimate foreign equity ownership in a value-added telecommunications services provider must not exceed 50%. Moreover, for any equity investor to acquire any equity interest in a value-added telecommunication business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating track records and experience in operating value-added telecommunication business overseas. Foreign investors that meet these requirements must obtain approvals from the MIIT and the Ministry of Commerce (or the Ministry of Commerce’s authorized local counterparts), which retain considerable discretion in granting approvals. According to publicly available information, the PRC government has issued telecommunications business operating licenses to only a limited number of foreign invested companies, all of which are Sino-foreign joint ventures engaging in the value-added telecommunication business. We believe that it would be impracticable for any equity interest in Baidu Netcom, Beijing Perusal or BaiduPay without diverting management attention and resources. In addition, we believe that our contractual arrangements with these entities and their respective individual shareholders provide us with sufficient and effective control over these entities. Accordingly, we currently do not plan to acquire any equity interest in any of these entities.

In July 2006, the MIIT issued the Notice of the MIIT on Introducing the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication services providers from leasing, transferring or selling telecommunications business operating licenses to any foreign investor in any form, or providing any person, sites or facilities to any foreign investor for their illegal operation of a telecommunications business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice further requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunication services providers are required to maintain network and Internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holders, including revoking their value-added telecommunication business operating licenses.

To comply with these PRC regulations, we operate our websites through Baidu Netcom and Beijing Perusal, our PRC affiliated entities. In February 2008, we assisted in establishing another consolidated affiliated entity, BaiduPay, which operate an online payment platform. Baidu Netcom is wholly owned by our chairman, chief executive officer and co-founder Robin Yanhong Li and our co-founder Eric Yong Xu, both of whom are PRC citizens. Beijing Perusal is wholly owned by two PRC citizens designated by our company. BaiduPay is wholly owned by Baidu Netcom and a PRC citizen designated by our company. Each of Baidu Netcom and Beijing Perusal holds a value-added telecommunications business operating license. It remains unclear whether the provision of online payment services by BaiduPay will require BaiduPay to apply for a value-added telecommunications business operating license for “online data processing and transaction processing businesses” as provided in the Catalog of Telecommunications Businesses promulgated by the MIIT.

To comply with the requirements of the MIIT on Introducing the Administration of Foreign Investment in Value-added Telecommunications Services, we have transferred certain domain names primarily used in our business to Baidu Netcom and Beijing Perusal, respectively, and have transferred certain trademarks to BaiduPay. We are also in the process of transferring certain trademarks, including pending trademark applications made by Baidu Online, to Baidu Netcom and Beijing Perusal, respectively. See “Item 3.D. Key Information — Risk Factors — Risks Related toDoing Business in China” — We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of Internet business and companies.”

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#### Regulations on News Display

Displaying news on a website and disseminating news through the Internet are highly regulated in the PRC. In November 2000, the State Council News Office and the MIIT promulgated the Notice on the Administration of Administrative Websites Carrying on the News Displaying Business. These measures require an ICP operator (other than a government approved news unit) to obtain State Council News Office approval to post news on its website or disseminate news through the Internet. Furthermore, the disseminated news must come from government-approved sources pursuant to contracts between the ICP operator and these sources, copies of which must be filed with the relevant government authorities.

On September 25, 2005, the State Council News Office and the MIIT jointly issued the Provisions on the Administration of Internet Information Services, requiring Internet news information service organizations to provide services as approved by the State Council News Office, subject to annual inspection under the new provisions. These Provisions also provide that no Internet news information service organizations may take the form of a foreign invested enterprise, whether a joint venture or a wholly foreign owned enterprise and no cooperation between Internet news information service organizations and foreign invested enterprise is allowed prior to the security evaluation by the State Council News Office.

In December 2006, Baidu Netcom obtained the Internet news license, which permits it to publish Internet news pursuant to the relevant PRC laws and regulations. The Internet news license is subject to annual inspection by relevant government authorities.

#### Regulations on Internet Culture Activities

On May 10, 2003, the Ministry of Culture promulgated the Internet Culture Administration Tentative Measures, or the Internet Culture Measures, which was revised in July 2004. The Internet Culture Measures require ICP operators engaging in “Internet culture activities” to obtain a permit from the Ministry of Culture. The term “Internet culture activities” includes, among other things, online dissemination of Internet cultural products (such as audio-video products, gaming products, performances of plays or programs, works of art and cartoons) and the production, reproduction, importation, sale (wholesale or retail), leasing and broadcasting of Internet cultural products. We have hosted certain audio/video programs on the Baidu Movie channel since 2006. Baidu Netcom was granted an Internet culture business permit in April 2007.
On November 20, 2006, the Ministry of Culture issued Several Suggestions of the Ministry of Culture on the Development and Administration of the Internet Music, or the Suggestions, which became effective on November 20, 2006. According to these Suggestions, new or existing Internet music product service providers must obtain the Internet culture business permit to carry on any business of Internet music products. In addition, foreign investors are prohibited from engaging in the Internet culture business operation.

On August 26, 2009, the PRC Ministry of Culture promulgated the Notice on Strengthening and Improving the Content Review of Online Music dated August 18, 2009. According to this notice, only “Internet culture operating entities” approved by the Ministry of Culture may engage in the production, release, dissemination (including providing direct links to music products), and importation of online music products. Internet culture operating entities should establish strict self-monitoring system of online music content and set up special department in charge of such monitoring.

**Regulation on Broadcasting Audio/Video Programs through the Internet**

On June 7, 2004, the State Administration of Radio Film and Television promulgated the Rules for the Administration of Broadcasting of Audio/Video Program Services through the Internet and Other Information Networks, or the A/V Broadcasting Rules. The A/V Broadcasting Rules apply to the opening, broadcasting, integration, transmission or download of audio/video programs via the Internet and other information networks. Anyone who wishes to engage in Internet broadcasting activities must first obtain an audio/video program transmission license, with a term of two years, issued by the State Administration of Radio Film and Television and operate pursuant to the scope as provided in such license. Foreign invested enterprises are not allowed to engage in the above business.

**Regulations on Advertisements**

The PRC government regulates advertising, including online advertising, primarily through the State Administration for Industry and Commerce, although there are no national PRC laws or regulations specifically regulating online advertising business. Under the Rules for Administration of Foreign Invested Advertising Enterprise, promulgated by the State Administration for Industry and Commerce on December 27, 2000, foreign investors are permitted to earn equity interests in PRC advertising companies. However, foreign investors in wholly foreign-owned and joint venture Chinese advertising companies are required to have at least three years and two years, respectively, of direct operations in the advertising industry outside of China. Since we have not been involved in advertising outside of China for the required number of years, we cannot hold direct equity interests in PRC companies engaged in advertising business. We conduct our online advertising business through our consolidated affiliated entities in China, Baidu Netcom and Beijing Peraal.

On November 30, 2004, the State Administration for Industry and Commerce issued the Administrative Regulations for Advertising Operation Licences, taking effect as of January 1, 2005, granting a general exemption to enterprises other than radio stations, television stations, newspapers and magazines, non-corporate entities and other entities specified in laws or administrative regulations) from the previous requirement to obtain an advertising operation licence in addition to a business licence. We conduct our online advertising business through Baidu Netcom and Beijing Peraal, each of which holds a business license that includes advertising in its business scope.

Advertisers, advertising operators and advertising distributors are required by PRC advertising laws and regulations to ensure that the contents of the advertisements they prepare or distribute are true and in full compliance with applicable laws and regulations. In addition, where a special government review is required for certain categories of advertisements before publishing, the advertisers, advertising operators and advertising distributors are obligated to confirm that such review has been performed and that relevant approval has been obtained. Violation of these regulations may result in penalties, including confiscation of advertising income, orders to cease advertising, and the inability to publish advertisements correcting the misleading information. In circumstances involving serious violations, the State Administration for Industry and Commerce or its local branches may force the violator to terminate its advertising operation or even revoke its business licence. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liability if they infringe on the legal rights and interests of third parties.

**Regulations on Software Products**

On March 1, 2009, the MIIT issued an amended Software Measures, which will become effective on April 10, 2009. The Software Measures provide a registration and filing system with respect to software products made in or imported into China. These software products may be registered with the competent local authorities in charge of software industry administration. Registered software products may enjoy preferential treatment granted by relevant software industry regulations. Software products may be registered for a five-year period, and the registration is renewable upon expiration.

In order to further implement the Computer Software Protection Regulations promulgated by the State Council on December 20, 2001, the State Copyright Bureau issued the Computer Software Copyright Registration Procedures on February 20, 2002, which apply to software copyright registration, license contract registration and transfer contract registration.

**Regulations on Intellectual Property Rights**

China has adopted legislation governing intellectual property rights, including trademarks, patents and copyrights. China is a signatory to the main international conventions on intellectual property rights and became a member of the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the WTO in December 2001.

Patent. The National People’s Congress adopted the Patent Law in 1984, and amended it in 1992, 2000 and 2008. The purpose of the Patent Law is to protect lawful interests of patent holders, encourage invention, foster applications of invention, enhance innovative capabilities and promote the development of science and technology. To be patentable, invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, scientific research methods used to reduce or treat diseases, animal and plant breeds, substances obtained by means of nuclear transformation or a design which has major marking effect on the patterns or colors of graphic print products or a combination of both patterns and colors. The Patent Office of the State Council is responsible for receiving, examining and approving patent applications. A patent is valid for a term of twenty years in the case of an invention and a term of ten years in the case of utility models and designs. A third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of patent rights.

Copyright. The National People’s Congress adopted the Copyright Law in 1990 and amended it in 2001 to widen the scope of works and rights that are eligible for copyright protection. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administrated by the China Copyright Protection Center.

To address copyright issues relating to the Internet, the PRC Supreme People’s Court on November 22, 2000 adopted the Interpretations on Some Issues Concerning Applicable Law for Internet Copyright, which subsequently amended on December 23, 2001 and November 20, 2005. The Interpretations establishes joint liability for ICP operators if they knowingly participate in, assist in or incite infringing activities or fail to remove infringing content from their websites after receiving notice from the rights holder. In addition, any act intended to bypass circumvention technologies designed to protect copyrights constitutes copyright infringement. Upon request, the ICP operators must provide the rights holder with relevant information on such infringers in a timely manner. The infringers have produced relevant identification, copyright certificate and evidence of infringement. An ICP operator is exempted from any liabilities as long as it removes the alleged infringing content after receiving the rights holder a notice accompanied with proper evidence.

To address the problem of copyright infringement related to the content portal or transmitted over the Internet, the PRC National Copyright Administration and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. This measure became effective on May 30, 2005.

This measure applies to situations where an ICP operator (i) allows another person to post or store any works, recordings, audio or video programs on the websites operated by such ICP operator or (ii) provides links to, or

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Infringing content. If an ICP operator knowingly transmits infringing content or fails to take remedial actions after receipt of a notice of infringement harming public interests, the ICP operator would be subject to administrative penalties, including cessation of infringement activities; confiscation by the authorities of all income derived from the infringement activities; and payment of a fine of up to three times the unlawful income or, in cases where the amount of unlawful income cannot be determined, a fine of up to RMB100,000. An ICP operator is also required to retain all infringement notices for a minimum of six months and to record the content, display time and IP addresses or the domain names related to the infringement for a minimum of 60 days. Failure to comply with this requirement could result in an administrative warning and a fine of up to RMB30,000.

On May 18, 2006, the State Council promulgated the Protection of the Right of Communication through Information Network, which became effective on July 1, 2006. Under this regulation, an Internet service provider may be exempted from liabilities for providing links to infringing or illegal content if it does not know that such content is infringing or illegal. However, if the legitimate owner of the content notifies the Internet service provider and requests removal of the links to the infringing content, the Internet service provider would be deemed to have constructive knowledge upon receipt of each notification but would be exempted from liabilities if it removes or disconnects the links to the infringing content at the request of the legitimate owner. The request of the alleged violator, the Internet service provider should immediately notify such links to infringing content.

We have adopted measures to mitigate copyright infringement risks. For example, our policy is to remove links to web pages if we know that such pages contain materials that infringe third-party rights or if we are notified by the legitimate copyright holder of the infringement with proper evidence.

Trademark. The PRC Trademark Law, adopted in 1982 and revised respectively in 1993 and 2001, protects registered trademarks. The Trademark Office under the State Administration for Industry and Commerce handles trademark registration and its implementing rules, pursuant to which CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered Baidu.cn, Baidu.com.cn, jia0.23.com and certain other domain names with CNNIC.

Regulations on Information Security

The People’s Congress has enacted legislation that prohibits use of the Internet that breaches the public security, disseminates socially destabilizing content or leaks state secrets. Breach of public security includes leaks of information security and infringement on legal rights and interests of the state, society or citizens. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, uprisings socially disruptive actions or involves activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities. According to other relevant regulations, ICP operators must complete mandatory security filing procedures and regularly update information security and censorship systems for their websites with local public security authorities, and must also report any public dissemination of prohibited content.

On November 5, 2004, the MIIT promulgated the Measures of Administration of Domain Names for the Chinese Internet, or Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first-tier domain name “.cn.” In February 2006, CNNIC issued the Implementing Rules on Domain Name Dispute Resolution and its implementing rules, pursuant to which CNNIC can authorize a domain name dispute resolution institution to decide disputes. We have registered Baidu.cn, Baidu.com.cn, jia0.23.com and certain other domain names with CNNIC.

Foreign Currency Exchange

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of such rights. In recent years, PRC government authorities have enacted legislation on information security. The Internet Measures prohibit an ICP operator from insinuating or slandering a third party or infringing the lawful rights and interests of a third party. Pursuant to the BBS Measures, ICP operators that provide electronic messaging services must keep users’ personal information confidential and must not disclose such personal information to any third party without the users’ consent or unless required by law. The regulations further authorize the relevant telecommunications authorities to order ICP operators to rectify unauthorized disclosure. ICP operators are subject to legal liability if the unauthorized disclosure results in damages or losses to users. The PRC government, however, has the power and authority to order ICP operators to turn over personal information if an Internet user posts any prohibited content or engages in illegal activities on the Internet.

Regulations on Foreign Exchange

Under Circular No. 51, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary’s foreign exchange activities and in its ability to distribute dividends to the SPV. On December 25, 2006, the People’s Bank of China promulgated the Measures for the Administration of Individual Foreign Exchange, and on January 5, 2007 SAFE further promulgated the above regulations. Both regulations impose considerable limits on individuals’ foreign exchange activities.

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- Sino-foreign Equity Joint Venture Enterprise Implementing Rules (1983), as amended;
- PRC Enterprise Income Tax Law (2007); and

Under these laws and regulations, wholly foreign owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises are required to set aside certain amounts of their accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends.

Foreign Exchange Registration of Offshore Investment by PRC Residents

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January 1, 2008, employees who have served more than one year for an employer are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated for three times their regular salaries for each waived vacation day.

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us based on pre-determined performance metrics, such as number of click-throughs, duration of placement, number of converted users and number of telephone calls. Some of our large tailored solutions customers have increasingly used our auction-based P4P services as one of the means to meet their online marketing needs. We expect to continue to experience such trend in the near future.

The most significant factors that directly or indirectly affect our online marketing revenues are:

• the number of our users and online marketing customers;
• the number of searches initiated on our websites and our Baidu Union members properties;
• the rate at which users click on paid search results;
• the competitiveness of bidding for keywords by P4P customers;
• the total online marketing budgets of our customers; and
• the total number of sponsored links and advertisements displayed on our websites and the bidding price for click-through.

Our P4P services revenues have primarily been driven by the increase in the number of P4P customers and, by our success in optimizing the display of sponsored links. We believe that an increase in the number of active P4P customers generally leads to an increase in the number of sponsored links and a higher average price per click-through for selected keywords. Our P4P customer growth has primarily been driven by the adoption of our P4P services by SMEs and, to a lesser extent, large enterprises. Our online advertising services have been driven by the growth of online advertising in China and by the general increase in our customers online marketing budgets. Most of our tailored solutions customers are medium and large enterprises. We expect the number of our online marketing customers to grow and, as a result, our customer mix may change. However, we expect our online marketing customer base to remain diverse for the foreseeable future. A prolonged economic slowdown in China may cause our customers to decrease or delay their online marketing spending, hamper our efforts to grow our customer base, or result in fewer clicks by our users on sponsored links or advertisements displayed on our or Baidu Union members websites. Any of these consequences could negatively affect our online marketing revenues.

In April 2009, we officially launched Phoenix Nest, our new auction-based online marketing system designed to improve relevance in paid search and increase value for customers. In December 2009, we completed the switch from our previous online marketing system, the Online Marketing Classic Edition, to Phoenix Nest. If Phoenix Nest is perceived to be a less effective marketing tool than the Online Marketing Classic Edition, we may lose existing customers or encounter difficulty attracting new customers and, as a result, our future revenues could be materially and adversely affected.

Our online marketing customers are increasingly seeking marketing solutions with measurable results in order to maximize their ROI. To meet our customers needs, we will continue to evaluate the effectiveness of our various products and services and adjust the mix of our service offerings to optimize our customers ROI. We expect that we will continue to earn a substantial majority of our revenues from our online marketing services. As a result, we plan to continue focusing most of our resources on expanding our online marketing services.

Prior to July 2006, we had provided enterprise search software and related services. We decided to phase out our enterprise search software business in July 2006. This phase-out was completed in 2008.

Revenue Collection

We collect payments for our P4P services both from our customers directly and through our distributors. We have expanded our direct sales effort in several cities in China, including Beijing, Shanghai, Guangzhou, Shenzhen and Dongguan, and as a result, an increasing portion of P4P payments have been collected through our direct sales. We require our P4P distributors or direct customers to pay a deposit before using our P4P services, to maintain a minimum balance in their accounts, and to replenish the accounts immediately or in some cases, within certain grace periods after their account balance falls below the designated amount. We deduct the amount due to us from the deposit paid by a distributor or a customer when a user clicks on the customer's link in the search results.

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We offer payment terms to our tailored solutions customers and longer payment terms to certain qualified distributors, consistent with industry practice.

As of December 31, 2009, we had accounts receivable of RMB164.6 million (US$23.7 million), net of allowance of RMB9.0 million (US$1.3 million), mainly due to tailored solutions customers.

**Operating Costs and Expenses**

Our operating costs and expenses consist of cost of revenues, selling, general and administrative expenses, and research and development expenses. Share-based compensation expenses are all expenses, based on the nature of the work of the employees who have received share-based compensation. Costs and expenses related to our Japan operations, which started in December 2006, are included in our cost of revenues, selling, general and administrative expenses and research and development expenses. Our total operating costs and expenses increased significantly from 2007 to 2009 due to the growth of our business.

#### Cost of Revenues

The following table sets forth the components of our cost of revenues both in absolute amount and as a percentage of total revenues for the periods indicated.

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands, except percentages)</td>
<td>2009</td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>1,744,425</td>
<td>100.0</td>
<td>3,198,252</td>
<td>100.0</td>
</tr>
<tr>
<td>Traffic acquisition costs</td>
<td>(286,256)</td>
<td>(16.5)</td>
<td>(659,804)</td>
<td>(20.8)</td>
</tr>
<tr>
<td>Bandwidth costs</td>
<td>(117,554)</td>
<td>(6.7)</td>
<td>(178,651)</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Depreciation of servers and other equipment</td>
<td>(47,151)</td>
<td>(2.7)</td>
<td>(225,799)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Share-based compensation expenses</td>
<td>(1,717)</td>
<td>0.1</td>
<td>(4,542)</td>
<td>0.1</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>1,458,268</td>
<td>83.7</td>
<td>(2,155,675)</td>
<td>(68.7)</td>
</tr>
</tbody>
</table>

Traffic Acquisition Costs: Traffic acquisition costs represent the portion of our online marketing revenues that we share with our Baidu Union members. We typically pay a Baidu Union member, based on a pre-agreed arrangement, a portion of the online marketing revenues generated from valid click-throughs by users of that member's properties.

Bandwidth Costs: Bandwidth costs are the fees we pay to telecommunications carriers such as China Telecom and China Unicom for telecommunications services and for hosting our servers at their Internet data centers. We expect our bandwidth costs, as variable costs, to increase with the traffic on our websites. Our bandwidth costs could also increase if the telecommunications carriers increase their service charges.

Depreciation of Servers and Other Equipment: We include depreciation expenses within our cost of revenues for servers and other computer hardware that are directly related to our business operations and technical support.

Operational Costs: Operational costs include primarily salary and benefit expenses and travel and other expenses incurred by our operating and technical support personnel. Salary and benefit expenses include wages, bonuses, medical insurance, unemployment insurance, pension benefits, employee housing fund and other welfare benefits.

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**Operating Expenses**

The following table sets forth the components of our operating expenses both in absolute amount and as a percentage of total revenues for the periods indicated.

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands, except percentages)</td>
<td>2009</td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>1,744,425</td>
<td>100.0</td>
<td>3,198,252</td>
<td>100.0</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(41,163)</td>
<td>2.4</td>
<td>(659,804)</td>
<td>(20.8)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(18,480)</td>
<td>1.1</td>
<td>(230,000)</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Research and development</td>
<td>(140,702)</td>
<td>8.1</td>
<td>(266,256)</td>
<td>8.3</td>
</tr>
<tr>
<td>Total cost of revenues and operating expenses</td>
<td>(1,979,277)</td>
<td>63.7</td>
<td>(2,269,039)</td>
<td>72.9</td>
</tr>
</tbody>
</table>

Selling and General Administrative Expenses

http://www.sec.gov/Archives/edgar/data/1329099/000095012310028511/h03358e20vf.htm
Our selling and marketing expenses primarily consist of salaries and benefits and commissions for our sales and marketing personnel and promotional and marketing expenses. We expect to incur higher selling and marketing expenses as we intensify our brand-promotion efforts. To the extent that our direct sales force sells a greater proportion of our online marketing services, we expect that our selling expenses will increase as a result of increased sales commissions.

Our general and administrative expenses primarily consist of salaries and benefits for research and development personnel and expenses for legal, accounting and other professional services.

Research and Development Expenses

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 capitalized software development costs that fulfill the capitalization criteria under Accounting Standards Codification, or ASC, 350-40, Intangibles—Goodwill and Other. Internal Use Software (pre-Codification Statement of Position No. 1–1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use).

Share-based Compensation Expenses

We grant options to our employees as a type of share-based compensation award. As of December 31, 2009, there was RMB63.5 million (US$9.3 million) unrecognized share-based compensation cost related to options, which is expected to be recognized over a weighted-average vesting period of 2.6 years. To the extent the actual forfeiture rate is different from our original estimate, actual share-based compensation cost related to these awards may be different from our expectation.

In addition to options, we started awarding restricted shares to employees in 2006. As of December 31, 2009, there was RMB51.1 million (US$7.9 million) unrecognized share-based compensation cost related to restricted shares, which is expected to be recognized over a weighted-average vesting period of 1.2 years. To the extent the actual forfeiture rate is different from our original estimate, actual share-based compensation cost related to these awards may be different from our expectation.

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The following table sets forth the allocation of our share-based compensation expenses both in absolute amount and as a percentage of total share-based compensation expenses among our employees based on the nature of work which they were assigned to perform.

<table>
<thead>
<tr>
<th>Allocated to Share-based Compensation Expenses</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenues</td>
<td>1,171</td>
<td>4,314</td>
<td>5,740</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>574</td>
<td>5,770</td>
<td>12,620</td>
</tr>
<tr>
<td>Research and development</td>
<td>2,683</td>
<td>4,580</td>
<td>6,065</td>
</tr>
<tr>
<td>total share-based compensation expenses</td>
<td>35,847</td>
<td>52,575</td>
<td>59,624</td>
</tr>
</tbody>
</table>

Depreciation Expenses of Baidu Campus

Depreciation expenses of Baidu Campus are allocated into cost of revenues and operating expenses based on the function of the operating units benefiting from the use of the premises. With our recent move into Baidu Campus and the termination of certain prior leasing contracts, our leasing expenses are expected to decrease in the future.

Taxation

Under the current laws of the Cayman Islands and the British Virgin Islands, we and our direct subsidiary Baidu Holdings Limited are not subject to income or capital gains tax. Under the current laws of Hong Kong, Baidu (Hong Kong) Limited is exempted from income tax on its foreign-derived income. Additionally, dividend payments made by any of these companies are not subject to withholding tax in these jurisdictions.

PRC Enterprise Income Tax

Pursuant to the applicable PRC tax laws and regulations effective before January 1, 2008, foreign-invested enterprises established in China were generally subject to a state and local enterprise income tax, or EIT, at statutory rates of 30% and 5%, respectively. An enterprise qualified as a “high and new technology enterprise” and located in a “national high-tech development zone” was entitled to a preferential EIT rate of 15%. In addition, an enterprise qualified as a “high and new technology enterprise” and located in a “national high-tech development zone” was entitled to a preferential EIT rate of 15% and would enjoy an exemption from the EIT for the first three years of its establishment and, upon approval, a 50% reduction of the EIT for the succeeding three years.

In 2006, Baidu Online obtained an “advanced technology enterprise” certificate from the Beijing Municipal Bureau of Commerce, which qualified Baidu Online for a 10% EIT rate from 2006 to 2007, followed by a 15% EIT rate so long as it continued to qualify as a high and new technology enterprise. Baidu Times, which was a certified foreign-invested high and new technology enterprise located in Beijing Shangti Science and Science Park (part of the Beijing New Technology Industry Development Zone), was entitled to a three-year exemption from EIT from 2006 to 2008 and a 7.5% EIT rate for another three years from 2009 to 2011, followed by a 15% EIT rate so long as it continued to qualify as a high and new technology enterprise. Baidu China was granted “software enterprise” status by the Shanghai Municipal Information Commission in 2006 and thus was entitled to a full exemption from EIT from 2006 to 2007 and a 50% tax reduction from 2008 to 2010.

On March 16, 2007, the National People’s Congress of China enacted the Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council issued the Implementation Rules of the Enterprise Income Tax Law, or the Implementation Rules, which also became effective on January 1, 2008. On December 26, 2007, the State Council issued the Notice on Implementation of the PRC Income Tax Transition Preferential Policy under the EIT Law, or the Transition Preferential Policy Circular, which became effective simultaneously with the EIT Law.

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According to the EIT Law, as further clarified by the Implementation Rules and the Transition Preferential Policy Circular, foreign-invested enterprises and domestic enterprises are subject to EIT at a uniform rate of 25%. The EIT rate of enterprises established before March 16, 2007 that were eligible for preferential tax rate according to then-effective tax laws and regulations will gradually transition to the uniform 25% EIT rate by January 1, 2013. In addition, certain enterprises may still benefit from a preferential tax rate of 15% under the EIT Law if they qualify as “high and new technology enterprises” supported by the state, subject to certain general factors described therein.

Under the Notice on Several Preferential Policies in Respect of Enterprise Income Tax promulgated jointly by the Ministry of Finance and the State Administration of Taxation on February 22, 2008, or the Caishui No. 1 Notice, other than the preferential EIT treatments specified under the EIT Law, the Implementation Rules and certain other preferential EIT treatments granted prior to January 1, 2008 are eliminated. On April 24, 2008, the Ministry of Finance and the State Administration of Taxation jointly promulgated Caishui Circular 69. According to Caishui Circular 69, subject to verification, a qualified software enterprise established prior to January 1, 2008 may continue to enjoy the tax holidays previously granted to it as a “software enterprise.” Where the software enterprise had already started to enjoy its tax holidays before 2008, it may continue to enjoy the remaining tax holidays from 2008 until the expiration of such tax holidays. Therefore, Baidu China may continue to enjoy a 50% reduced EIT rate from 2008 to 2010 as a “software enterprise.”

On April 14, 2008, the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation jointly issued the Administrative Measures on the Recognition of New Technology Enterprises, or the Recognition Rules, effective on January 1, 2008. According to the Recognition Rules, the provincial counterparts of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation shall jointly determine whether an enterprise is qualified as a high and new technology enterprise under the EIT Law. In making such determination, these government agencies shall consider, among other factors, ownership of core technology, whether the products or services fall within the scope of high and new technology strongly supported by the state as specified in the Recognition Rules, the ratios of technical personnel and research and development (R&D) personnel to total personnel, the ratio of R&D expenditures to annual sales, the ratio of revenues attributed to high and new technology products or services to total revenues, and other measures set forth in relevant guidelines.

In December 2008, our PRC subsidiaries Baidu Online and Baidu Times were designated by relevant government authorities as “high and new technology enterprises” under the EIT Law. In February 2009, Baidu Online and Baidu Times received the high and new technology enterprise certificates jointly issued by the Beijing Municipal Science and Technology Commission, the Beijing Finance Bureau, and the Beijing State and Local Tax Bureaus. In addition, Baidu Times will continue to benefit from the remaining tax holidays granted to it under the applicable PRC tax laws and regulations effective before January 1, 2008.

We grant options to our employees as a type of share-based compensation award. As of December 31, 2009, there was RMB63.5 million (US$9.3 million) unrecognized share-based compensation cost related to options, which is expected to be recognized over a weighted-average vesting period of 2.6 years. To the extent the actual forfeiture rate is different from our original estimate, actual share-based compensation cost related to these awards may be different from our expectation.

In addition to options, we started awarding restricted shares to employees in 2006. As of December 31, 2009, there was RMB51.1 million (US$7.9 million) unrecognized share-based compensation cost related to restricted shares, which is expected to be recognized over a weighted-average vesting period of 1.2 years. To the extent the actual forfeiture rate is different from our original estimate, actual share-based compensation cost related to these awards may be different from our expectation.
Under the EIT Law and the Implementation Rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered a resident enterprise and will be subject to the EIT at the rate of 25% on its worldwide income taxable to the tax authority where such “de facto management bodies” locate. The Implementation Rules define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.”

The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, on April 22, 2009. SAT Circular 82 provides that an overseas registered enterprise controlled by a PRC company and which is classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are located primarily in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies located in the PRC; (iii) its major assets, accounting books, company seals, and minutes or kept in the PRC; and (iv) no less than half of the enterprise’s directors or senior management with voting rights reside in the PRC. Although SAT Circular 82 only applies to overseas registered enterprises controlled by PRC enterprises and not those controlled by PRC individuals, the State Administration of Taxation’s general position on how the “de facto management bodies” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreign entities.

If we are deemed a PRC resident enterprise, we may be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be excluded from EIT and will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. Our PRC subsidiaries historically have not paid dividends to us. If they declare and distribute dividends to us in the future, such dividend payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company.

If we are classified as a PRC resident enterprise, we may be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be excluded from EIT and will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. Our PRC subsidiaries historically have not paid dividends to us. If they declare and distribute dividends to us in the future, such dividend payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company.

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If our PRC subsidiaries no longer qualify for preferential tax treatment, we will consider available options under applicable law that would enable us to qualify for further preferential tax treatment of our PRC subsidiaries. Further, if we are considered a resident enterprise and earn income other than dividends from our PRC subsidiaries, a 25% EIT on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

PBC Business Tax

Revenues from our P4P services are subject to a 5% PRC business tax. Revenues from our online advertising services are subject to business taxes, surcharges and cultural business construction fees totaling approximately 8.5% of the online advertising revenues. Revenues from our other services are also subject to a 5% business tax.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. Our business has evolved rapidly since we commenced operations in 2000. Our limited operating history makes it difficult to predict future operating results. We believe that period-to-period comparisons of operating results should not be relied upon as indicative of future performance.

<table>
<thead>
<tr>
<th>For the Year Ended December 31,</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online marketing services</td>
<td>1,741,021</td>
<td>3,194,461</td>
<td>4,445,310</td>
</tr>
<tr>
<td>Other services</td>
<td>3,404</td>
<td>3,791</td>
<td>2,466</td>
</tr>
<tr>
<td>Total revenues</td>
<td>1,744,425</td>
<td>3,198,252</td>
<td>4,447,776</td>
</tr>
<tr>
<td>Operating costs and expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>(645,406)</td>
<td>(1,155,457)</td>
<td>(1,616,236)</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(613,028)</td>
<td>(659,040)</td>
<td>(805,988)</td>
</tr>
<tr>
<td>Research and development</td>
<td>(140,702)</td>
<td>(286,256)</td>
<td>(422,615)</td>
</tr>
<tr>
<td>Total operating costs and expenses</td>
<td>(1,409,136)</td>
<td>(2,100,759)</td>
<td>(2,842,866)</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,074,549</td>
<td>1,098,293</td>
<td>1,604,913</td>
</tr>
<tr>
<td>Interest income</td>
<td>49,009</td>
<td>47,677</td>
<td>32,661</td>
</tr>
<tr>
<td>Other income, including exchange gains or losses</td>
<td>20,053</td>
<td>19,767</td>
<td>45,752</td>
</tr>
<tr>
<td>Loss from equity method investments</td>
<td>—</td>
<td>—</td>
<td>(229)</td>
</tr>
<tr>
<td>Taxation</td>
<td>12,752</td>
<td>(110,071)</td>
<td>(190,107)</td>
</tr>
<tr>
<td>Net income</td>
<td>628,968</td>
<td>1,046,108</td>
<td>1,483,104</td>
</tr>
</tbody>
</table>

(1) Share-based compensation expenses are allocated as follows

| Cost of revenues | (4,542) | (6,574) | (934) |
| Selling, general and administrative | (41,651) | (58,881) | (5,667) |
| Research and development | (37,784) | (41,282) | (6,046) |
| Total | (59,845) | (83,977) | (72,086) |
2009. This was primarily due to the growth of revenue contribution from our Baidu Union members.

- **Bandwidth Costs and Depreciation Expenses.** Our bandwidth costs increased by 14.1% from RMB178.7 million in 2008 to RMB203.9 million (US$29.9 million) in 2009. Our depreciation expenses of servers and other equipment increased by 11.1% from RMB225.8 million in 2008 to RMB251.0 million (US$36.8 million) in 2009. The absolute increase in our operating expenses. These costs in 2009 accounted for a lower percentage of total revenues than in 2008. The decreases in bandwidth costs and depreciation expenses as percentages of total revenues reflect our improved efficiency as well as the scalability of our Internet-based business model.

- **Business Tax and Surcharges.** Our business tax and surcharges increased by 37.9% from RMB200.1 million in 2008 to RMB251.0 million (US$36.8 million) in 2009, primarily due to an increase in our online marketing revenues; and

- **Operational Costs.** Our operational costs increased by 41.8% from RMB127.9 million in 2008 to RMB181.4 million (US$26.6 million) in 2009, primarily due to the increase in the number and compensation levels of our operating and technical support employees to meet the needs of our growing operations.

- **Selling, General and Administrative Expenses.** Our selling, general and administrative expenses increased by 21.9% from RMB69.8 million in 2008 to RMB84.0 million (US$12.3 million) in 2009, primarily due to an increase in our online marketing revenues; and

- **Research and Development Expenses.** Our research and development expenses increased by 47.6% from RMB26.3 million in 2008 to RMB42.2 million (US$6.4 million) in 2009, primarily due to an increase in our research and development staff.

- **Operating Profit.** As a result of the foregoing, we generated an operating profit of RMB81.6 million (US$12.5 million) in 2009, a 46.3% increase from 2008.

**Taxation.** Our income tax expenses increased by 70.6% from RMB116.1 million in 2008 to RMB198.0 million (US$29.0 million) in 2009, primarily due to the expiration of tax holiday of our subsidiary Baidu Times.

**Other income net including exchange gains or losses.** Our other income, net, including exchange gains or losses was RMB45.8 million (US$6.7 million) in 2009, compared to RMB10.8 million in 2008. The increase was primarily due to more government subsidies received in 2009.

**Net Income.** As a result of the foregoing, we had net income of RMB1.5 million (US$217.6 million) in 2009, a 41.7% increase from RMB1.0 million in 2008.

**Year Ended December 31, 2008 Compared to Year Ended December 31, 2007.**

Revenue. Our total revenues increased by 81.3% from RMB1.0 billion in 2007 to RMB1.2 billion in 2008. This increase was primarily due to a substantial increase in our revenues from online marketing services. Our online marketing revenues increased by 85.5% from RMB1.7 billion in 2007 to RMB3.2 billion in 2008. This increase was mainly attributable to the increase in the number of our online marketing customers from approximately 214,000 in 2007 to over 284,000 in 2008, and the increase in the average revenue per customer.

- **Operating Costs and Expenses.** Our cost of revenues increased by 79.0% from RMB645.4 million in 2007 to RMB1,122.0 million in 2008. This increase was primarily due to the following factors:
  - **Traffic Acquisition Costs.** Our traffic acquisition costs increased by 104.4% from RMB284.7 million in 2007 to RMB578.5 million in 2008. This was primarily due to the growth of revenue contribution from our Baidu Union members.
  - **Bandwidth Costs and Depreciation Expenses.** Our bandwidth costs increased by 52.0% from RMB175.6 million in 2007 to RMB268.7 million in 2008. Our depreciation expenses of servers and other computer hardware increased by 53.5% from RMB147.1 million in 2007 to RMB225.8 million in 2008. The absolute increases in these costs were due to the expansion of our business. However, these costs in 2007 accounted for a lower percentage of total revenues than in 2008. The decreases in bandwidth costs and depreciation expenses as percentages of total revenues reflect our improved efficiency as well as the scalability of our Internet-based business model.
  - **Business Tax and Surcharges.** Our business tax and surcharges increased by 83.9% from RMB108.8 million in 2007 to RMB200.1 million in 2008, primarily as a result of increase in our online marketing revenues; and
  - **Operational Costs.** Our operational costs increased by 95.1% from RMB65.5 million in 2007 to RMB127.9 million in 2008, primarily due to the increase in the number and compensation levels of our operating and technical support employees to meet the needs of our growing operations.

**Net Income.** As a result of the foregoing, we had net income of RMB1.0 million (US$167.6 million) in 2008, a 104.4% increase from RMB1.0 million in 2007.

**Inflation.** Inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was 4.8%, 5.9% and -0.7% in 2007, 2008 and 2009, respectively. Although we were not materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by potentially higher rates of inflation in China. For example, certain operating costs and expenses, such as employee compensation and office operating expenses may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consist of cash and cash equivalents and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

**Foreign Currency.** The average exchange rate between U.S. dollar and RMB has fluctuated from RMB2.67 per U.S. dollar in July 2005 to RMB6.25 per U.S. dollar in December 2008. This fluctuation in the exchange rate has had a significant impact on the financial results of our operations denominated in Japanese yen, and our reporting currency in RMB. During 2009, the Japanese yen depreciated by approximately 2.4% against RMB. As of December 31, 2009, we recorded RMB13.5 million (US$16.6 million) of net foreign currency translation loss in accumulated
other comprehensive loss as a component of shareholders equity. We have not hedged exposures to exchange fluctuations using any hedging instruments. See also "Item 3.D. Key Information — Risk Factors — Risks Related to Doing Business in China — Fluctuation in the value of the RMB"

**Critical Accounting Policies**

We prepare financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenues and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from these estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. For further information on our significant accounting policies, see Note 2 to our consolidated financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

**Revenue Recognition**

We recognize revenues based on the following principles:

- **Online Marketing Services**
- **Auction-based P4P Services**
- **Other Performance-based Online Marketing Services**
- **Time-based Online Advertising Services**
- **Barter Transactions**
- **Other Revenue Recognition Related Policies**

- **Share-based Compensation**

We account for share-based compensation in accordance with Subtopic 718-10. Under this guidance, we estimate the fair value of share-based awards using the Black-Scholes-Merton (BSM) option-pricing model. Share-based compensation expense is recognized on a straight-line basis over the vesting period of the related awards. We estimate the fair value of share-based awards using the BSM option-pricing model. We estimate the expected term used in the BSM option-pricing model is based on historical results. We estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience and current conditions.

We estimate the expected volatility and expected life of the options based on historical results. We estimate the risk-free interest rate based on the United States Treasury yield curve. We estimate the expected dividend yield as zero since we do not expect to pay dividends in the near future.

We recognize share-based compensation expense ratably over the vesting period of the related awards. We recognize options-based compensation expense only for those options that actually vest. We recognize compensation expense for options that vest based on our actual results.

We recognize compensation expense for options that vest based on our actual results. We recognize compensation expense for options that vest based on our actual results. We recognize compensation expense for options that vest based on our actual results. We recognize compensation expense for options that vest based on our actual results.
Inventories

We do not have any significant items that are not in the process of being manufactured when the financial statements were issued. We do not hold any significant items that are not in the process of being manufactured when the financial statements were issued. We do not hold any significant items that are not in the process of being manufactured when the financial statements were issued.

Long-Lived Assets

We test our long-lived assets, such as property and equipment and purchased or internally developed intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be not recoverable. An asset is not recoverable when the estimated undiscounted future cash flows expected to result from the use of the asset group plus net proceeds expected from the disposal of the asset group, if any, are less than the carrying value of the asset group. If we identify an impairment, we reduce the carrying amount of the asset group to its estimated fair value based on a discounted cash flow approach or, when available and appropriate, to comparable market values. We also estimate the fair value of our long-lived assets on a periodic basis and make general and specific allowances when there is doubt as to the collectibility of individual balances. In evaluating the collectibility of individual receivable balances, we consider many factors, including the age of the balance, the customer’s past payment history, its current credit-worthiness and current economic trends. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, or if the operators decide not to pay us, additional allowances may be required which could materially impact our financial results and prospects of operating.

Impairment of Goodwill and Intangible Assets with Indefinite Life

We assess goodwill and non-amortized intangible assets for impairment in accordance with ASC Topic 350-20, ASC 350-20, Intangibles—Goodwill and Other (Pre-Codification SFAS No. 142, Goodwill and Other Intangible Assets), which requires that goodwill and non-amortized intangible assets be tested for impairment at the “reporting unit level” at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. Intangible assets with an indefinite useful life are not amortized. In accordance with this policy, one of the domain name assets, which was acquired in July 2006, and the “Badwe” trademark are not subject to amortization, as the remaining useful life is indefinite. Based on our business activities and operational management perspective, we have determined that there is only one reporting unit. Goodwill and non-amortized intangible assets were tested for impairment in the annual impairment test on December 31 in each of the years 2007, 2008, and 2009 using the two-step process required by ASC 350-20. First, we reviewed the carrying amount of the reporting unit compared to the “fair value” of the reporting unit based on quoted market prices of our ordinary shares. If such comparison reflected potential impairment, we would then prepare the discounted cash flow analyses. Such analyses are based on cash flow assumptions that are consistent with the plans and estimates being used to manage the business. Cash flow assumptions include estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for the reporting unit. An excess of the carrying value of the goodwill over the fair value of the goodwill would indicate that the goodwill is impaired. Finally, if we determine that goodwill may be impaired, the “implied fair value” of the goodwill, as defined by ASC 350-20, would be compared to its carrying amount to determine the impairment loss, if any. There has been no impairment of goodwill in any of the years presented.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash, cash equivalents and short-term investments, which comprise primarily of fixed rate investments maturing within one year, as well as the cash flow generated from our operations. We believe that our current cash, cash equivalents, short-term investments and anticipated cash flow from operating activities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months. We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, debt securities or borrow from banks.

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Cash Flows and Working Capital

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>(In Thousands)</td>
<td>USD</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>955,152</td>
<td>1,746,199</td>
<td>2,279,455</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(713,216)</td>
<td>(661,102)</td>
<td>(536,069)</td>
</tr>
<tr>
<td>Net cash generated from financing activities</td>
<td>40,698</td>
<td>38,677</td>
<td>95,045</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>(48,308)</td>
<td>(73,889)</td>
<td>(741)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>214,226</td>
<td>1,811,571</td>
<td>2,857,118</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>1,356,274</td>
<td>1,270,060</td>
<td>2,362,171</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the period</td>
<td>1,550,500</td>
<td>2,081,631</td>
<td>4,199,889</td>
</tr>
</tbody>
</table>

Operating Activities

Net cash generated from operating activities increased to RMB1.7 billion in 2008 from RMB1.1 billion in 2007. This increase was mainly attributable to several factors, including (i) the substantial increase in net income to RMB1.5 billion (US$227.6 million) in 2008 compared to net income of RMB0.1 billion in 2008; (ii) the increase in bad-debt of non-cash expenses, mainly consisting of share-based compensation and depreciation expenses; and (iii) the increase in customers advance, deferred revenues and accounts payable.

Net cash generated from operating activities increased to RMB1.7 billion in 2008 from RMB1.0 billion in 2007. This increase was mainly attributable to several factors, including (i) the substantial increase in net income to RMB1.0 billion in 2008 compared to net income of RMB0.9 billion in 2007; (ii) the increase in bad-debt of non-cash expenses, mainly consisting of share-based compensation and depreciation expenses; (iii) the increase in customers advance and deposits resulting from the increased number of PAP customers; and (iv) the increase in accrued expenses and other liabilities, partially offset by an increase of RMB47.8 million in other non-current assets primarily due to deposits for new offices we rent.

Investing Activities

Net cash used in investing activities decreased from RMB661.1 million in 2008 to RMB536.1 million in 2009, primarily due to less spending on acquisition of fixed assets and construction of Baidu Campus.

Net cash used in investing activities decreased from RMB713.2 million in 2007 to RMB661.1 million in 2008, primarily due to less spending on acquisition of fixed assets and no further spending on land use right for our new corporate headquarters in 2008.

Financing Activities

Net cash flow generated from financing activities was RMB895.1 million (US$139.9 million) in 2009, compared to a net cash flow of RMB35.6 million used in financing activities in 2008, primarily due to the receipt of cash payments previously made by us, plus pre-determined premiums, in two structured share repurchase transactions in 2009.

Net cash outflow in financing activities was RMB35.6 million in 2008, compared to a net cash inflow of RMB405.7 million from financing activities in 2007, primarily due to an upfront cash payment of US$10 million made under a structured share repurchase transaction entered into in December 2008, partially offset by the proceeds received from exercise of our share options in 2008.

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We are a holding company with no operations of our own. We conduct our operations in China primarily through our indirect wholly owned subsidiaries and our consolidated affiliated entities in China. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our PRC subsidiaries and license and service fees paid by our PRC consolidated affiliated entities. If any of our subsidiaries incurs debt in its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to us. In addition, our PRC subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined under PRC accounting standards and regulations. Under PRC law, our subsidiaries and consolidated affiliated entities in the PRC are required to set aside at least 10% of their after-tax profit each year to fund a statutory reserve fund until the amount of the reserve fund reaches 50% of such entity’s registered capital. Although these statutory reserve funds can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, these reserve funds are not distributable as cash dividends except in the event of a solvent liquidation of the companies. See Note 13 to our consolidated financial statements.

Capital Expenditures

We made capital expenditures of RMB569.1 million, RMB417.9 million and RMB399.3 million (US$58.5 million) in 2007, 2008 and 2009, respectively, representing 32.6%, 13.1% and 9.0% of our total revenues, respectively. In January 2010, we entered into an agreement with Rakuten, Inc., the largest e-commerce entity in Japan, to form a joint venture to build a business-to-business-to-consumer (B2B2C) online shopping mall for Chinese Internet users. Under the agreement, we will invest RMB84.5 million into the joint venture in 2010. Our capital expenditures were used primarily to purchase servers, network equipment and other computer hardware for our business, the acquisition of the land use right and the construction for our new corporate headquarters, Baidu Campus. We funded our capital expenditures primarily with net cash flow from operating activities.

In late 2005, we entered into an agreement to acquire the land use right in Beijing to build our new corporate headquarters. We made a total payment of RMB409.9 million for the land use right. The construction and renovation of our new corporate headquarters were completed in 2009, and we moved into the new building in November 2009. Our capital expenditures in connection with the construction of our new office building were RMB102.1 million in 2007, RMB172.3 million in 2008 and RMB209.3 million (US$36.6 million) in 2009, excluding the above-mentioned payment for land use right. Our capital expenditures may increase substantially in the near term as our business continues to grow and as we expand and improve our network infrastructure.

Research and Development

We have a team of experienced engineers who are mostly based at our headquarters in Beijing. We recruit most of our engineers locally and have established various recruiting and training programs with leading universities in China. We also have recruited experienced engineers from overseas. We compete aggressively for engineering talent to help us address challenges such as Chinese language processing, information retrieval and high performance computing. In each of the three years ended December 31, 2007, 2008 and 2009, our research and development expenditures, including share-based compensation expenses for research and development staff, were RMB140.7 million, RMB206.3 million and RMB242.6 million (US$61.9 million), representing 8.1%, 9.0% and 9.5% of our total revenues for 2007, 2008 and 2009, respectively.

Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2009 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

Off-Balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any off-balance sheet derivative instruments. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity. Although these statutory reserve funds can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings in the event of a solvent liquidation of the companies, these reserve funds are not distributable as cash dividends except in the event of a solvent liquidation of the companies.

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have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity.

Contractual Obligations

The following table sets forth our contractual obligations by specified categories as of December 31, 2009:

<table>
<thead>
<tr>
<th></th>
<th>Less Than 1 Year</th>
<th>1-3 Years (in RMB Renminbi)</th>
<th>More Than 3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Operating lease obligations(1)</td>
<td>256,640</td>
<td>216,006</td>
<td>26,318</td>
</tr>
<tr>
<td>Capital expenditure(2)</td>
<td>40,294</td>
<td>40,294</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>296,934</td>
<td>256,294</td>
<td>26,318</td>
</tr>
</tbody>
</table>

(1) Operating lease obligations represent the lease obligations for our premises and bandwidth obligations.

(2) Capital commitments relate primarily to expenditures in connection with Baidu Campus.

Other than the contractual obligations set forth above and a contingent consideration of RMB4.2 million that may be paid pursuant to a business acquisition, we do not have any contractual obligations that are long-term debt obligations, capital (finance) lease obligations, purchase obligations or other long-term liabilities reflected on our balance sheet under U.S. GAAP.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robin Yanhong Li</td>
<td>Chairman and Chief Executive Officer</td>
</tr>
<tr>
<td>Jennifer Li</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>William J. Chang</td>
<td>Chief Scientist</td>
</tr>
<tr>
<td>William Decker</td>
<td>Independent Director</td>
</tr>
<tr>
<td>James Ding</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Nobuyuki Idei</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Greg Penner</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

Robin Yanhong Li is a co-founder of our company. Mr. Li has served as our chairman of the board since our inception in January 2000 and as our chief executive officer since January 2004. Mr. Li served as our president from February 2000 to December 2003. Prior to founding our company, Mr. Li worked as a staff engineer for Infoseek, a pioneer in the Internet search engine industry, from July 1997 to December 1999. Mr. Li was a senior consultant for IDD Information Services from May 1994 to June 1997. Mr. Li currently serves as an independent director, chairman of the compensation committee and member of the audit and nominating and corporate governance committees of the board of directors of New Oriental Education & Technology Group Inc., the largest private educational services provider in China that is listed on the New York Stock Exchange. Mr. Li received a bachelor's degree in information science from Peking University in China and a master's degree in computer science from the State University of New York at Buffalo.

Jennifer Li has served as our chief financial officer since March 2008. Prior to joining our company, Ms. Li served as controller of General Motors Acceptance Corporation's North American Operations from 2003 to 2008. Prior to GMAC, Ms. Li worked at General Motors China, where she was responsible for overseeing finance functions of General Motors wholly owned and joint venture businesses in China from 2001 to 2004, with the last post as chief financial officer. From 1994 to 2001, she held several other finance positions at General Motors in China, Singapore, the United States and Canada. Ms. Li holds an MBA degree from the University of British Columbia and a degree from Fudan University in China.

William J. Chang has served as our chief scientist since January 2007. Dr. Chang is a recognized expert in search technology, online community and advertising business models. From 2001 to January 2007, he served as chairman, president and chief executive officer of the Affini, Inc., a search technology and software company he founded. Since January 2007, Dr. Chang served as chief technology officer at Seminars Corporation, a hypertext software company, where he created a contextual advertising product. From 1998 to 1999, Dr. Chang served as vice president of Go Network. From 1997 to 1998, he was the chief technology officer of Infoseek, where he created the first full-text natural language search engine for both the Internet search and enterprise applications. From 1991 to 1995, Dr. Chang worked as a postdoctoral fellow and associate staff researcher with the Cold Spring Harbor Laboratory, where he mapped a genome and invented a protein sequence search methodology. Dr. Chang received a bachelor's degree in mathematics from Harvard University and a Ph.D. in computer science from the University of California, Berkeley.

William Decker has served as our independent director since October 2005. Mr. Decker currently serves as an independent director and the chairman of the audit committee of VisionChina Media Inc., a Nasdaq-listed company that operates an out-of-home advertising network in China. He is a retired partner of PricewaterhouseCoopers LLP. Prior to his retirement in July 2005, Mr. Decker was the senior partner in charge of PricewaterhouseCoopers LLP's Global Capital Markets Group. He led a team of more than 300 professionals in 25 countries to provide technical support to non-U.S. companies on SEC regulations and U.S. GAAP reporting and assistance with the Sarbanes-Oxley Act compliance work. He was also one of PricewaterhouseCoopers' lead authorities on the Sarbanes-Oxley Act. Mr. Decker received a bachelor's degree in accounting from Fairleigh Dickinson University in New Jersey.

James Ding has served as our independent director since our initial public offering in August 2005. Mr. Ding is a managing director of GSR Ventures, a venture capital fund focusing on early stage technology companies in China. He also serves as chairman of the board of directors of AsiaInfo Holdings, Inc., a Nasdaq-listed company, since April 2003 and has served as a member of the board of AsiaInfo since its inception. He served as AsiaInfo's chief executive officer from May 1999 to April 2003. He was AsiaInfo's senior vice president for business development and chief technology officer from 1997 to 1999. Mr. Ding received a master's degree in information science from the University of California, Los Angeles and a bachelor's degree in chemistry from Peking University in China.

Nobuyuki Idei has served as our independent director since June 2007. An experienced director, Mr. Idei also currently serves as chairman of the advisory board of Sony Corporation, director of Ascentor, director of Reid Harding and chairman of the National Conference on Fostering Beautiful Forests in Japan. Mr. Idei is founder and CEO of Quantum Leap Corporation, a specialist consultancy that advises private and public institutions on the changing role of technology in the 21st century. From 2000 to 2005, Mr. Idei was chief executive officer and senior managing director of the core business of Sony Corporation, including as counsel to the Bank of Japan, member of Japan's national IT Strategy Council, and as vice chairman of Nippon Keidanren. Mr. Idei received a bachelor's degree in economics and politics from Waseda University in Tokyo.

Greg Penner has served as our director since July 2004. Mr. Penner is a general partner of Madrone Capital Partners, an investment fund based in Menlo Park, California. From 2002 to 2004, he was the senior vice president and chief financial officer of Wal-Mart Japan, and was a director of The Seiyu, Ltd. a Japanese retailer, from 2002 to 2008 when the company was acquired by Wal-Mart Stores, Inc. From 2000 to 2002, Mr. Penner was responsible for the business development, legal and finance affairs of Walmart.com, Wal-Mart's Internet business based in California. Prior to joining Wal-Mart, Mr. Penner was a general partner at Peninsula Capital, an early stage venture capital fund. Mr. Penner also serves as director of Wal-Mart Stores, Inc., the Hyatt Hotels Corporation, where he is a member of the finance committee, Citi, Inc., a privately held Internet search engine developer and 9893 Corporation, based in Shanghai, China. Mr. Penner received a bachelor's degree in international economics and politics from Waaseda University in Tokyo.

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

<table>
<thead>
<tr>
<th>Name</th>
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<tr>
<td>Nobuyuki Idei</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Greg Penner</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

B. Compensation

In 2009, we paid an aggregate of approximately RMB9.9 million (US$1.5 million) in cash compensation and granted options to purchase an aggregate of 51,706 Class A ordinary shares to our executive officers as a group (including our former chief operating officer and former chief technology officer, who resigned separately in January 2010 and are not listed under “—A. Directors and Senior Management”). We also paid an aggregate of approximately RMB0.8 million (US$0.1 million) in cash compensation to our non-executive directors as a group. We did not grant any new share-based awards to our non-executive directors in 2009. Our PRC subsidiaries and consolidated affiliated entities are required by local law to make contributions to social insurance and social security funds. Social insurance and social security benefits provide minimum levels of protection and consist of basic pension, unemployment and other statutory benefits. Other than the above-mentioned pension insurance mandated by applicable PRC law, we have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. No executive officer is entitled to any severance benefits upon termination of his or her employment with our company except as required under applicable PRC law.

Our board of directors and shareholders approved the issuance of up to 5,400,000 ordinary shares upon exercise of awards granted under our 2000 option plan. As of December 31, 2009, an aggregate of 1,304,000 shares were issuable upon exercise of outstanding awards granted under our 2000 option plan. At the annual general meeting held on December 16, 2008, our shareholders approved a new 2008 share incentive plan, which has reserved an additional 3,428,777 Class A ordinary shares for awards to be granted pursuant to its terms. As of December 31, 2009, no awards had been granted under the 2008 share incentive plan.

The following table summarizes, as of December 31, 2009, the outstanding options and restricted shares that we granted to our current directors and executive officers and to other individuals as a group under our 2000 option plan.
(1) Restricted shares.
(2) Includes our former chief operating officer and former chief technology officer, who resigned separately in January 2010.

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The following paragraphs summarize the key terms of our 2008 option plan, which was amended and restated on December 16, 2008, and our 2008 share incentive plan.

2008 Option Plan

Types of Awards. We may grant the following types of awards under our 2008 option plan:

• options to purchase our ordinary shares;
• any other securities with value derived from the value of our ordinary shares.

Plan Administration. Our board of directors, or a committee designated by our board of directors, administers our 2008 option plan. In each case, our board of directors or the committee, will determine the provisions and terms and conditions of each award grant. These include, among other things, the option vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment upon settlement of an award, payment contingencies and satisfaction of any performance criteria.

Award Agreement. Awards granted under our 2008 option plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award. In addition, in the case of options, the award agreement also specifies whether the option constitutes an incentive stock option, or ISO, or a non-qualifying stock option.

Eligibility. We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest. However, we may grant ISOs only to our employees and employees of our majority-owned subsidiaries.

Acceleration of Awards upon Corporate Transactions. The outstanding awards will accelerate upon occurrence of a change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2008 option plan. In such event, each outstanding award will become fully vested and immediately exercisable, and the exercise restrictions on the awards will be released (other than those applicable to ISOs), and the repurchase or forfeiture rights will terminate immediately before the date of the change-of-control transaction. If the successor entity assumes our outstanding awards and later terminates the grantee’s employment or service without cause, or if the grantee resigns voluntarily with good cause within 12 months of the change-of-control transaction, the outstanding awards automatically become fully vested and exercisable.

Exercise Price and Term of Awards. If we grant an ISO to an employee, who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of that grant. To the extent not prohibited by applicable law or exchange rules, a downward adjustment of the exercise price per share subject to an outstanding option may be made in the absolute discretion of the plan administrator without the approval of our shareholders or the affected grantees.

The term of each award is stated in the award agreement. The term may not exceed ten years from the date of the grant, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

Vesting Schedule. In general, the plan administrator determines, or the award agreement specifies, the vesting schedule. Options generally vest over a four-year period beginning from one year after the grant date. The award agreements may provide that grantees may elect at any time during their employment or service to exercise any part of all of the awards prior to full vesting of the awards. No early exercise may be subject to a repurchase right as determined by the plan administrator. When an optionee’s employment or service is terminated, the optionee may exercise his or her options that have vested as of the termination date within three months of termination or as determined by our plan administrator.

Repurchase Rights. If an award agreement provides for repurchase rights upon termination of a grantee’s employment or service, it must (or may, with respect to awards granted to officers, directors or consultants) provide that (i) such repurchase right must be exercised within 90 days of termination of the grantee’s employment or service (or, in the case of exercise of awards after termination of the grantee’s employment or service, within 90 days following such exercise), (ii) the repurchase price must be equal to the original purchase price paid by the grantee for each such share, and (iii) the right to repurchase will lapse at the rate of at least 20% of the shares subject to the award per year over five years from the date the award is granted (without respect to the date the award was exercised or became exercisable).

Amendment and Termination. Our board of directors may at any time amend, suspend or terminate our 2008 share incentive plan. Amendments to our 2008 share incentive plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Any amendment, suspension or termination of our 2000 option plan must not adversely affect awards already granted without written consent of the recipient of such awards. Unless terminated earlier, our 2000 option plan shall continue in effect for a term of ten years from the date of adoption.

2008 Share Incentive Plan

Types of Awards. We may grant the following types of awards under our 2008 share incentive plan:

• options;
• restricted shares;
• restricted share units; and
• any other form of award granted to a participant pursuant to the 2008 plan.

Plan Administration. The compensation committee of our board of directors administers our 2008 share incentive plan, but may delegate to a committee of one or more members of our board of directors the authority to grant or amend awards to participants other than independent directors and executive officers. The compensation committee will determine the provisions and terms and conditions of each award grant, including, but not limited to, the exercise price, the grant price or purchase price, any restrictions or limitations on the award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an award, and accelerations or waivers thereof, any provision for the granting of awards to new employees, and all other terms and conditions of awards as determined by the compensation committee. The compensation committee will have the sole power to determine the vesting or cancellation conditions for awards.

Eligibility. We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest. However, we may grant ISOs only to our employees and employees of our majority-owned subsidiaries.

Acceleration of Awards upon Corporate Transactions. The outstanding awards will accelerate upon occurrence of a change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2000 option plan. In such event, each outstanding award will become fully exercisable and all forfeiture restrictions on such award will lapse immediately prior to the specified effective date of the corporate transaction. If the successor entity assumes our outstanding awards and later terminates the grantee’s employment or service without cause, or if the grantee resigns voluntarily with good cause within 12 months of the change-of-control transaction, the outstanding awards automatically become fully vested and exercisable. The compensation committee may also, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the plan participants, replace the awards, or provide for the payment of the awards in cash.

Exercise Price and Term of Awards. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the compensation committee, the determination of which shall be final.

Restricted Shares and Restricted Share Units. The compensation committee is also authorized to make awards of restricted shares and restricted share units. Except...
as otherwise determined by the compensation committee at the time of the grant of an award or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at the time subject to restrictions shall be forfeited or repurchased in accordance with the respective award agreements. At the time of grant for restricted share units, the compensation committee shall specify the date on which the restricted share units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate.

Amendment and Termination. With the approval of our board of directors, the compensation committee may at any time amend, suspend or terminate our 2008 share incentive plan. Amendments to our 2008 share incentive plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Any amendment, suspension or termination of our 2008 share incentive plan must not adversely affect any material way awards already granted without written consent of the recipient of such awards. Unless terminated earlier, our 2008 share incentive plan shall continue in effect for a term of ten years from the date of adoption.

C. Board Practices

Board of Directors

Our board of directors has five directors. A director is not required to hold any shares in the company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever he is authorized as security for any obligation of the company or of any third party. The remuneration to be paid to the directors are determined by the board of directors. There is no age limit requirement for directors.

Committees of the Board of Directors

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.

Audit Committee

Our audit committee consists of Messrs. William Decker, James Ding and Greg Penner, all of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the NASDAQ Stock Market Rules and Rule 10A-3, under the Securities Exchange Act of 1934 amended. Our board of directors has determined that Mr. Decker is an audit committee financial expert as defined in the instructions to item 16A of the Form 20-F. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

• appointing, retaining and overseeing the work of the independent auditors, including resolving disagreements between the management and the independent auditors relating to financial reporting;
• pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
• reviewing annually the independence and quality control procedures of the independent auditors;
• reviewing and approving all proposed related party transactions;
• discussing the annual audited financial statements with the management;
• meeting separately with the independent auditors to discuss critical accounting policies, management letters, recommendations on internal controls, the auditor’s engagement letter and independence letter and other material written communications between the independent auditors and the management; and
• attending to such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

In 2009, our audit committee held meetings or passed resolutions by unanimous written consent five times.

Compensation Committee

Our compensation committee consists of Messrs. James Ding and Greg Penner, both of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the NASDAQ Stock Market Rules. The compensation committee assists the board in reviewing and approving our compensation structure, including all forms of compensation relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting while his compensation is deliberated. The compensation committee is responsible for, among other things:

• reviewing and approving executive compensation;
• reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans;
• determining our policy with respect to change of control or “parachute” payments, and
• managing and reviewing director and executive officer indemnification and insurance matters.

In 2009, our compensation committee passed resolutions by unanimous written consent once.

Corporate Governance and Nominating Committee

Our corporate governance and nominating committee consists of Messrs. James Ding and Greg Penner, both of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the NASDAQ Stock Market Rules. The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

• recommending to the board nominees for election or re-election to the board for appointments to fill any vacancies;
• reviewing annually the performance of each incumbent director in determining whether to recommend such director for an additional term;
• overseeing the board’s annual review of its own performance and the performance of the management; and
• considering, preparing and recommending to the board such policies and procedures with respect to corporate governance matters as may be required or required to be disclosed under the applicable laws or otherwise considered to be material.

In 2009, our corporate governance and nominating committee passed resolutions by unanimous written consent once.

Terms of Directors and Executive Officers

All directors hold office until their successors have been duly elected and qualified. Director nomination is subject to the approval of our corporate governance and nominating committee. Our shareholders may remove any director by ordinary resolution and may in like manner appoint another person in his stead. A valid ordinary

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• discussing the annual audited financial statements with the management;
• meeting separately with the independent auditors to discuss critical accounting policies, management letters, recommendations on internal controls, the auditor’s engagement letter and independence letter and other material written communications between the independent auditors and the management; and
• attending to such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

In 2009, our audit committee held meetings or passed resolutions by unanimous written consent five times.

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Our compensation committee consists of Messrs. James Ding and Greg Penner, both of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the NASDAQ Stock Market Rules. The compensation committee assists the board in reviewing and approving our compensation structure, including all forms of compensation relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting while his compensation is deliberated. The compensation committee is responsible for, among other things:

• reviewing and approving executive compensation;
• reviewing periodically and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans;
• determining our policy with respect to change of control or “parachute” payments, and
• managing and reviewing director and executive officer indemnification and insurance matters.

In 2009, our compensation committee passed resolutions by unanimous written consent once.

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Our corporate governance and nominating committee consists of Messrs. James Ding and Greg Penner, both of whom satisfy the “independence” requirements of Rule 5605(a)(2) of the NASDAQ Stock Market Rules. The corporate governance and nominating committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The corporate governance and nominating committee is responsible for, among other things:

• recommending to the board nominees for election or re-election to the board for appointments to fill any vacancies;
• reviewing annually the performance of each incumbent director in determining whether to recommend such director for an additional term;
• overseeing the board’s annual review of its own performance and the performance of the management; and
• considering, preparing and recommending to the board such policies and procedures with respect to corporate governance matters as may be required or required to be disclosed under the applicable laws or otherwise considered to be material.

In 2009, our corporate governance and nominating committee passed resolutions by unanimous written consent once.

Terms of Directors and Executive Officers

All directors hold office until their successors have been duly elected and qualified. Director nomination is subject to the approval of our corporate governance and nominating committee. Our shareholders may remove any director by ordinary resolution and may in like manner appoint another person in his stead. A valid ordinary

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resolution requires a majority of the votes cast at a shareholder meeting that is duly constituted and meets the quorum requirement. Officers are elected by and serve at the discretion of the board of directors.

B. Employees

We had 6,252,6,387 and 7,333 employees as of December 31, 2007, 2008 and 2009, respectively. As of December 31, 2009, we had 471 employees in management and administration, 1,726 employees in research and development, 700 employees in operations and service, and 4,456 employees in sales and marketing. We also hire temporary employees and contractors from time to time. Our employees are not covered by any collective bargaining agreement. 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 “Item 13D. Key Information — Risk Factors — Risk Related to Our Business — We may not be able to manage our expanding operations effectively.”

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our shares as of December 31, 2009 by:

• each of our current directors and executive officers; and
• each person known to us to own beneficially more than 5% of our shares.

See “— B. Compensation” for more details on options and restricted shares granted to our directors and executive officers.

Table: Directors and Executive Officers

<table>
<thead>
<tr>
<th>Name</th>
<th>Shares Beneficially Owned</th>
<th>Shares Beneficially Owned as a %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robin Yanhong Li()</td>
<td>5,601,527</td>
<td>16.1%</td>
</tr>
<tr>
<td>Jennifer Li()</td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Chang(5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>William Decker(5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greg Penner(5)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Nobuyuki Idei(8)
Greg Penner(9)

All Directors and Executive Officers as a Group(10)

6,505,163 18.7%

Principal Shareholders:

Handsome Reward Limited(11)
Marcore Capital Management, LLC(12)

5,490,000 15.8%

2,435,495 7.0%

* Less than 1% of our total outstanding shares.
(1) The number of shares beneficially owned by each named director and executive officer includes the shares beneficially owned by such person, the shares underlying all options held by such person that have vested or will vest within 60 days after December 31, 2009, and restricted shares held by such person that will vest within 60 days after December 31, 2009. The options and restricted shares were granted under our 2000 option plan.
(2) Percentage of beneficial ownership of each named director and executive officer is based on 34,753,292 ordinary shares (consisting of 26,298,960 Class A ordinary shares and 8,454,332 Class B ordinary shares) of our company outstanding as of December 31, 2009, the number of ordinary shares underlying options that have vested or will vest within 60 days after December 31, 2009, and the number of restricted shares that will vest within 60 days after December 31, 2009, each as held by such person as of that date.

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(3) Includes (i) 37,660 Class A ordinary shares held by Mr. Li; (ii) 33,249 Class A Ordinary Shares in the form of ADSs held by the administrator of our employee stock option program, (iii) 38,613 Class A ordinary shares issuable upon exercise of options held by Mr. Li, and (iv) 5,490,000 Class B ordinary shares held by Handsome Reward Limited, a company wholly owned and controlled by Mr. Li. Excludes 1,676,667 Class B ordinary shares held by Melissa Ma, Mr. Li’s wife, of which Mr. Li disclaims beneficial ownership. The business address for Mr. Li is c/o Baidu, Inc., Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, PRC.
(4) The business address for Ms. Li is c/o Baidu, Inc., Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, PRC.
(5) The business address for Mr. Chang is c/o Baidu, Inc., Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, PRC.
(6) The address of Mr. Decker is 24 Nile Way, Saranac Lake, NY, 12983.
(7) The business address of Mr. Ding is 4/7, Zhonglian Information Tower No. 6 Zhongguancun South Street, Haidian District, Beijing 100086, PRC.
(8) The business address of Mr. Idei is a address in Tokyo Ginko Kyokai Building 16F, 1-3-1, Mamomichi, Chiyoda-ku, Tokyo, 100-005, Japan.
(9) Includes (i) 27,663 Class A ordinary shares in the form of ADSs held by Mr. Penner, (ii) 105 restricted shares, (iii) 150,000 Class A ordinary shares in the form of ADSs held by Madame Partners, LP, a fund for which Mr. Penner serves as a managing member of the sole manager; and (iv) 700,000 Class B ordinary shares held by Peninsula Capital Fund I, LLC. Mr. Penner is the sole manager of Peninsula Capital Fund I, LLC, and has sole voting and dispositive power over all the shares held by Peninsula Capital Fund I, LLC. Mr. Penner disclaims beneficial ownership of the shares held by Madame Partners, LP and Peninsula Capital Fund I, LLC, except to the extent of his pecuniary interest therein. The business address for Mr. Penner is 3000 Sand Hill Road, Building 1, Suite 150, Menlo Park, California 94025, U.S.A.
(10) Includes ordinary shares, ordinary shares issuable upon exercise of options and restricted shares, held by all of our directors and executive officers as a group.
(11) Represents 5,490,000 Class B ordinary shares held by Handsome Reward Limited, a British Virgin Island company wholly owned and controlled by Mr. Robin Yanhong Li. The business address of Handsome Reward Limited is c/o Robin Yanhong Li, Baidu, Inc., Baidu Campus, No. 10 Shangdi 10th Street, Haidian District, Beijing 100085, PRC.
(12) Represents 2,435,495 Class A ordinary shares in the form of ADSs held by Marcore Capital Management, LLC, as reported on Schedule 13G filed by Marcore Capital Management, LLC, on February 10, 2010. The percentage of beneficial ownership was calculated based on the total number of our ordinary shares outstanding as of December 31, 2009. The address of Marcore Capital Management, LLC is 1200 17th Street, Suite 1000, Denver, Colorado 80202.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 10 votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering in 2005. Holders of our Class B ordinary shares may choose to convert their Class B ordinary shares into the same number of Class A ordinary shares at any time. We are not aware of any arrangement that may, at a subsequent date, result in a change in control of our company. See “Item 3.D. Key Information — Risk Factors — Risks Related to Our ADSs.” Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

As of December 31, 2009, 13,753,292 of our ordinary shares were issued and outstanding. To our knowledge, approximately 79% of our total outstanding ordinary shares were held by five record shareholders in the United States, including approximately 76% held by The Bank of New York Mellon, the depository of our ADSs. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

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- Item 7. Major Shareholders and Related Party Transactions
  - A. Major Shareholders
  - B. Related Party Transactions
- Contractual Arrangements with Baidu Netcom and Its Shareholders

PRC law currently limits foreign equity ownership of companies that provide Internet content and online advertising businesses. To comply with these foreign ownership restrictions, we own, through our websites and provide online advertising services in China through a series of contractual arrangements with Baidu Netcom and its shareholders, Robin Yanhong Li and Eric Yong Xu. In March 2005, we restructured these contractual arrangements. The following is a summary of these contractual arrangements as currently in effect.

Exclusion of Technology Consulting and Services Agreement. Pursuant to the exclusive technology consulting and services agreement between Baidu Netcom and Baidu Online, Baidu Online has the exclusive right to provide to Baidu Netcom technology consulting and services related to the maintenance of servers, software development and design of advertisements. Baidu Online also employs employees to Baidu Netcom for whom Baidu Netcom bears the costs and expenses. Baidu Online owns the intellectual property rights related to the software developed by Baidu Online for Baidu Netcom. Baidu Netcom pays monthly service fees to Baidu Online based upon a pro-rata formula, which takes into account the number of monthly page views and the basic fee for every one thousand page views of advertisements displayed on our websites. The basic fee for every one thousand page views is subject to periodic adjustment. The current rate of the basic fee is RMB2.390. The term of this agreement is ten years from the date thereof.

Business Cooperation Agreement. Pursuant to the business cooperation agreement between Baidu Netcom and Baidu Online, Baidu Netcom provides Internet information services, Internet advertising services and related services to Baidu Online to enable Baidu Online to provide P4P services on the websites owned and operated by Baidu Netcom, and Baidu Online provides search engine technology services to Baidu Netcom to pay a monthly fee of RMB10,000 to Baidu Netcom. The term of this agreement is ten years from the date thereof.

Operating Agreement. Pursuant to the operating agreement among Baidu Online, Baidu Netcom and the shareholders of Baidu Netcom, Baidu Online provides guidance and managerial services. The shareholders of Baidu Netcom must designate the candidates recommended by Baidu Online as their representatives on Baidu Netcom’s board of directors. Baidu Online has the right to appoint senior executives of Baidu Netcom. In addition, Baidu Online agrees to guarantee Baidu Netcom’s performance under any agreements or arrangements relating to Baidu Netcom’s business arrangements with any third party. Baidu Netcom agrees to guarantee Baidu Online’s performance under any agreements or arrangements relating to Baidu Online’s business arrangements with any third party. Baidu Netcom also agrees to guarantee Baidu Online’s performance under any agreements or arrangements relating to Baidu Online’s business arrangements with any third party. Baidu Netcom also agrees to guarantee Baidu Online’s performance under any agreements or arrangements relating to Baidu Online’s business arrangements with any third party.

Software License Agreement. Under the software license agreement, Baidu Online granted Baidu Netcom a non-exclusive, non-assignable and non-transferable right to use “Baidu Chinese Search Engine” and “Baidu Internet P4P System” software. Baidu Netcom can only use the software on its designated operating systems to process its internal data. The annual license fee for each software is RMB83 million. When deciding the amount of the annual license fee, Baidu Online and Baidu Netcom considered several factors, including the number of software users, past and ongoing research and development costs incurred by Baidu Online in developing and upgrading the software, license fees of other portal search software applications, Baidu Online’s enterprise search application license fees, and Baidu Netcom’s financial resources and projected operating results. The initial term of the license agreement was five years from the date thereof and has been extended for another five years from the date thereof.

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- Other License Agreements. Under these license agreements, Baidu Online granted Baidu Netcom the exclusive right to use the registered domain names and

power he acquired as a result of his additional investment in the registered capital of Baidu Netcom to the person(s) appointed by Baidu Online. The term of the proxy agreement is 10 years from the date thereof.

Equity Pledge Agreement. Under the equity pledge agreement between the shareholders of Baidu Netcom and Baidu Online, the shareholders of Baidu Netcom pledge all of their equity interests in Baidu Netcom to Baidu Online to guarantee their obligations under the loan agreement and Baidu Netcom’s performance of its obligations under the exclusive technology consulting and service agreement. If Baidu Netcom or either of its shareholders breaches its respective contractual obligations, Baidu Online, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The shareholders of Baidu Netcom agreed not to dispose of the pledged equity interests or take any actions that would prejudice Baidu Online’s interests. The equity pledge agreement will expire two years after expiration of the term for fulfillment by Baidu Netcom and its shareholders of their respective obligations under the exclusive technology consulting and service agreement and the loan agreement.

Exclusive Equity Purchase Option Agreement. Under the exclusive equity purchase option agreement between the shareholders of Baidu Netcom and Baidu Online, the shareholders of Baidu Netcom irrevocably granted Baidu Online or its designated person an exclusive option to purchase, to the extent permitted under PRC law, all or part of the equity interests in Baidu Netcom for the cost of the initial contributions to the registered capital or the minimum amount of consideration permitted by applicable PRC law. Baidu Online or its designated person has sole discretion to decide when to exercise the option, whether in part or in full. The term of this agreement is ten years from the date thereof.

In February 2006 and March 2008, we extended two additional interest-free loans of RMB8.0 million and RMB90.0 million, respectively, to Robin Yanhong Li for the sole purpose of increasing the registered capital of Baidu Netcom. In connection with each loan, we entered into the following agreements with Mr. Li:

• a loan agreement;
• an equity pledge agreement between Robin Yanhong Li and Baidu Online; and
• an exclusive equity purchase option agreement among Robin Yanhong Li, Baidu Netcom and Baidu Online.

The terms of these agreements are similar to the terms of the original agreements between Baidu Online and the shareholders of Baidu Netcom entered into in March 2005. In addition, under the terms of the original proxy agreement entered into in March 2005, Mr. Li is required to entitle all the rights to exercise the additional voting

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• a trademark license agreement and a web page copyright license agreement between BaiduPay and Baidu Online. After the transfer of a pending trademark application from Baidu Online to BaiduPay is completed, the trademark license agreement will be terminated. We do not expect the termination of this agreement to have any material effect on our operations.

The terms of these contractual arrangements are similar to the terms of our contractual arrangements with Baidu Netcom and its shareholders.

Share Options and Restricted Shares Grants

Please refer to "Item 6.B: Directors, Senior Management and Employees — Compensation.”

Transaction with UTIV

In September 2008, we entered into agreements with UTIV, operator of an Internet television platform in China. Under these agreements, we would contribute assets related to the operation of Baidu Internet TV channel to UTIV in exchange for an 8.3% stake in UTIV and US$15 million. James Ding, one of our independent directors, is the chairman of UTIV and owns approximately 17.6% of the equity interests in UTIV. The agreements with UTIV were terminated in December 2009.

C. Interests of Exports and Constest

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.
Legal Proceedings

From time to time, we have been involved in litigation or other disputes regarding, among other things, copyright and trademark infringement, defamation, unfair competition and labor disputes. Our results provide links to materials, and our Baidu Post Bar, Baidu Knows, Baidu Space and other Baidu communities 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. We have received notice letters from third parties asserting copyright infringement, unfair competition, defamation, breach of contract and labor-related claims against us.

As of December 31, 2009, we were involved in 31 cases pending in various PRC courts, including the cases summarized below. The aggregate amount of compensation sought under these cases is approximately RMB 77.2 million (US$11.3 million).

In March 2008, we received complaints filed by three record companies against us, alleging, among other things, that we had asked illegal online copying of music by providing links to pirated music. In January 2010, the First Intermediate People’s Court of Beijing, in separately issued rulings, dismissed the complaints filed by the three record companies. Applying the Protection of the Right of Communication through Information Network, which was promulgated by the State Council and became effective on July 1, 2006, the court held that the record companies’ claims lacked factual and legal basis. The plaintiffs have filed appeals with the High People’s Court of Beijing. In December 2009, the Haiyuan District People’s Court in Beijing issued a ruling against us in a lawsuit filed by the Music Copyright Society of China. In the ruling, the court held that our display of certain song lyrics in response to user’s search requests constituted infringement of the plaintiff’s rights of communication through information network, and ordered us to pay for the plaintiff’s damages and litigation-related expenses totaling RMB 30,000. We have appealed the court’s ruling with the First Intermediate People’s Court of Beijing. See “Item 3.D. Key Information — Risk Factors — Risks Related to Our Business — We may face intellectual property infringement claims and related other claims that could be time-consuming and costly to defend and may result in our inability to continue providing certain of our existing services.”

In January 2009, we received a complaint filed by a medical company alleging that we had violated the new PRC Anti-Monopoly Law by abusing our dominant market position to screen out the website of the medical company. In December 2009, the First Intermediate People’s Court of Beijing issued a ruling dismissing all the claims made by the plaintiff. In the ruling, the court held, among other things, that the plaintiff’s allegation that we have abused dominant market position as defined in the Anti-Monopoly Law lacks factual and legal support. The plaintiff has filed an appeal with the High People’s Court of Beijing. Because the Anti-Monopoly Law is still new, and there have been very few court rulings and no judicial or administrative interpretations on certain key concepts used in the law, there is no assurance that a court would reach the same conclusion in a similar case against us in the future. See “Item 3.D. Key Information — Risk Factors — Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system could adversely affect us.”

In June 2009, a plaintiff filed a lawsuit against us in the United States District Court for the Southern District of New York, alleging that we had infringed upon its copyrights to certain music works. In December 2009, the court granted our motion to dismiss the complaint on the grounds of insufficient service of process and lack of personal jurisdiction. The plaintiff did not appeal the court’s ruling.

Although we cannot predict with certainty the results of pending litigation and claims, we believe that the final outcome of pending litigation and claims will not have a material adverse effect on our business and results of operations. Regardless of the outcome, however, any litigation can result in substantial costs and diversion of management resources and attention.

Dividend Policy

We have never declared or paid any dividends, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has complete discretion whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount of our dividends will depend upon our future operations and earnings, capital requirements and surplus, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

Our ADSs, each representing one Class A ordinary share, have been listed on The NASDAQ Global Market since August 5, 2005. Our ADSs currently trade on The NASDAQ Global Select Market under the symbol “BIDU.”

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The following table provides the high and low trading prices for our ADSs on the NASDAQ for (1) the years 2005 (from August 5, 2005), 2006, 2007, 2008 and 2009, (2) each of the four quarters of 2008 and 2009 and (3) each of the past six months.

<table>
<thead>
<tr>
<th>Sales Price</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual High and Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 (from August 5, 2005)</td>
<td>153.98</td>
<td>60.00</td>
</tr>
<tr>
<td>2006</td>
<td>128.68</td>
<td>44.44</td>
</tr>
<tr>
<td>2007</td>
<td>429.19</td>
<td>92.80</td>
</tr>
<tr>
<td>2008</td>
<td>397.70</td>
<td>100.50</td>
</tr>
<tr>
<td>2009</td>
<td>441.25</td>
<td>105.00</td>
</tr>
<tr>
<td>Quarterly Highs and Lows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Quarter 2008</td>
<td>397.70</td>
<td>201.15</td>
</tr>
<tr>
<td>Second Quarter 2008</td>
<td>382.90</td>
<td>243.00</td>
</tr>
<tr>
<td>Third Quarter 2008</td>
<td>353.17</td>
<td>227.00</td>
</tr>
<tr>
<td>Fourth Quarter 2008</td>
<td>274.83</td>
<td>100.50</td>
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<tr>
<td>First Quarter 2009</td>
<td>197.69</td>
<td>105.00</td>
</tr>
<tr>
<td>Second Quarter 2009</td>
<td>310.25</td>
<td>171.02</td>
</tr>
<tr>
<td>Third Quarter 2009</td>
<td>408.00</td>
<td>268.03</td>
</tr>
<tr>
<td>Fourth Quarter 2009</td>
<td>441.25</td>
<td>353.03</td>
</tr>
<tr>
<td>Monthly Highs and Lows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September 2009</td>
<td>408.00</td>
<td>316.49</td>
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<tr>
<td>October 2009</td>
<td>439.90</td>
<td>353.03</td>
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<tr>
<td>November 2009</td>
<td>443.25</td>
<td>369.12</td>
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<tr>
<td>December 2009</td>
<td>441.00</td>
<td>396.56</td>
</tr>
<tr>
<td>January 2010</td>
<td>470.25</td>
<td>384.66</td>
</tr>
<tr>
<td>February 2010</td>
<td>518.69</td>
<td>416.81</td>
</tr>
<tr>
<td>March 2010 (through March 23, 2010)</td>
<td>628.50</td>
<td>512.51</td>
</tr>
</tbody>
</table>

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing one Class A ordinary share, have been listed on the NASDAQ since August 5, 2005 under the symbol “BIDU.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.
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Item 10.  Additional Information

A.  Share Capital

Not applicable.

B.  Memorandum and Articles of Association

The following are summaries of material provisions of our third amended and restated memorandum and articles of association, as well as the Companies Law (2009 Revision) insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

The Registered Office of our company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands or at such other place as our board of directors may from time to time decide. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law (2009 Revision), as amended from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6.C. Board Practices — Board of Directors.”

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and certain conversion rights. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are nonresidents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstance. Upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder (as defined in our articles of incorporation), such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. In addition, if at any time our chairman and chief executive officer, Robin Yanhong Li, and his affiliates collectively own less than 5% of the total number of the issued and outstanding Class B ordinary shares, each issued and outstanding Class B ordinary share shall be automatically and immediately converted into one share of Class A ordinary share, and we shall not issue any Class B ordinary shares thereafter.

Voting Rights. All of our shareholders have the right to receive notice of shareholders’ meetings and to attend, speak and vote at such meetings. In respect of matters requiring shareholders’ vote, each Class A ordinary share is entitled to one vote; and each Class B ordinary share is entitled to 10 votes. A shareholder may participate at a shareholders’ meeting in person, by proxy or by telephone conference or other communications equipment by means of which all the shareholders participating in the meeting can communicate with each other at any shareholders’ meeting, a resolution put to the vote of the meeting shall be decided on a poll conducted by the chairman of the meeting.

A quota for a shareholders’ meeting consists of one or more shareholders holding at least one third of the paid up voting share capital present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. We shall, if required by the Companies Law, hold a general meeting of shareholders as our annual general meeting and shall specify the meeting as such in the notice calling it. Our board of directors may call extraordinary general meetings, and they must on shareholders’ requisition convene an extraordinary general

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3.

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meeting. A shareholder requisition is a requisition of shareholders holding at the date of deposit of the requisition not less than a majority of the voting power represented by the issued shares of our company at that date carried the right of voting at general meetings of our company. Advance notice of at least five days is required for the convening of our annual general meeting and other shareholders’ meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, and a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares cast in a general meeting. A special resolution is required for matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including consolidating and dividing all or any of our share capital into shares of larger amount than our existing share capital and canceling any shares.

Transfer of Shares. Subject to the restrictions of our memorandum and articles of association, as applicable, any of our shareholders may transfer any or all of his or her ordinary shares by means of a transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in their absolute discretion (except with respect to a transfer from a shareholder to its affiliate(s)), decline to register any transfer of shares without assigning any reason therefore. If our board of directors refuses to register a transfer thereof, they shall notify the transferor within two months of such refusal. Notwithstanding the foregoing, if a transfer complies with the holder’s transfer obligations and restrictions set forth under applicable law (including but not limited to U.S. securities law provisions relating to insider trading) and our articles of association, our board of directors shall promptly register such transfer. Further, any director is authorized to confirm in writing addressed to the registered office to authorize a share transfer and to instruct that the register of members be updated accordingly, provided that the transfer complies with the holder’s transfer obligations and our articles of association.

Subject to the restrictions of our memorandum and articles of association, as applicable, any of our shareholders may transfer any or all of his or her ordinary shares by means of a transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in their absolute discretion (except with respect to a transfer from a shareholder to its affiliate(s)), decline to register any transfer of shares without assigning any reason therefore. If our board of directors refuses to register a transfer thereof, they shall notify the transferor within two months of such refusal. Notwithstanding the foregoing, if a transfer complies with the holder’s transfer obligations and restrictions set forth under applicable law (including but not limited to U.S. securities law provisions relating to insider trading) and our articles of association, our board of directors shall promptly register such transfer. Further, any director is authorized to confirm in writing addressed to the registered office to authorize a share transfer and to instruct that the register of members be updated accordingly, provided that the transfer complies with the holder’s transfer obligations and our articles of association.

Our board of directors may, in their absolute discretion (except with respect to a transfer from a shareholder to its affiliate(s)), decline to register any transfer of shares without assigning any reason therefore. If our board of directors refuses to register a transfer thereof, they shall notify the transferor within two months of such refusal. Notwithstanding the foregoing, if a transfer complies with the holder’s transfer obligations and restrictions set forth under applicable law (including but not limited to U.S. securities law provisions relating to insider trading) and our articles of association, our board of directors shall promptly register such transfer. Further, any director is authorized to confirm in writing addressed to the registered office to authorize a share transfer and to instruct that the register of members be updated accordingly, provided that the transfer complies with the holder’s transfer obligations and our articles of association.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of the ordinary shares shall be distributed among the holders of the ordinary shares as determined by the liquidator, subject to sanction of a special resolution of our company. If any assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by such shareholders respectively.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption of Shares. Subject to the provisions of the Companies Law and our articles of association, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as our board of directors may determine.

Repurchase of Shares. Subject to the provisions of the Companies Law and our articles of association, our board of directors may authorize repurchase of our shares in accordance with the manner of purchase specified in our articles of association without seeking shareholder approval.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied either by the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

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Inspection of Books and Records. No holder of our ordinary shares who is not a director shall have any right of inspecting any of our accounts, books or documents except as conferred by the Companies Law or authorized by the directors or by us in general meeting. However, we will make this annual report, which contains our audited financial statements, available to shareholders and ADS holders. See “Item 10.H. Additional Information — Documents on Display.”

Preferred Shares

Our board of directors have the authority, without shareholder approval, to issue up to a total of 10,000,000 shares of preferred shares in one or more series. Our board of directors may establish the number of shares to be included in each such series and may set the designations, preferences, powers and other rights of the shares of a series of preferred shares. We may issue our preferred shares with flexibility in connection with possible acquisitions or other corporate purposes, it could, among other things, have the effect of delaying, deferring or preventing a change of control transaction and could adversely affect the market price of our ADSs. We have no current plan to issue any preferred shares.

C.  Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

D.  Exchange Controls

E. Taxation

The following summary of the material Cayman Islands, People’s Republic of China and United States federal income tax consequences of an investment in our ADSs or ordinary shares and relevant tax opinions thereon is as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

According to Maples and Calder, our Cayman Islands counsel, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaty. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People’s Republic of China Taxation

If we were considered a PRC resident enterprise under the EIT Law, our shareholders and ADS holders who are deemed non-resident enterprises may be subject to the EIT at the rate of 10% on the dividends payable by us or upon any gains realized from the transfer of our shares or ADSs, if such income is deemed derived from China, provided that (i) such foreign enterprise investor has no establishment or premises in China, or (ii) it has establishment or premises in China but its income derived from China has not met the requirements for establishment or premises. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC enterprise shareholders and ADS holders, or if any gains realized from the transfer of our shares or ADSs by our non-PRC enterprise shareholders and ADS holders were subject to the EIT, your investment in our shares or ADSs could be materially and adversely affected.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If PRC withholding taxes apply to dividends paid to you with respect to our shares or ADSs, the PRC tax authority is entitled to tax the dividends at the rate of 10%.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as the following:

- banks;
- financial institutions;
- insurance companies;
- broker-dealers;
- traders that deal ex mark to mark;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- regulated investment companies;
- certain estates or former long-term residents of the United States;
- governments or agencies or instrumentalities thereof;
- persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting shares;
- persons holding ADSs or ordinary shares through partnerships or other pass-through entities;
- persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as consideration.

U.S. Holders are urged to consult their tax advisors about the application of the United States federal income tax rules to their particular circumstances as well as the state and local and foreign tax consequences to them of the purchase, ownership and disposition of ADSs or ordinary shares.

The discussion below of the United States federal income tax consequences to “U.S. Holders” will apply if you are the beneficial owner of ADSs or ordinary shares and you are, for United States federal income tax purposes,

- a citizen or individual resident of the United States;
- a corporation (or other entity subject to tax as a corporation for United States federal income tax purposes) that is created or organized in or under the laws of the United States, any State or the District of Columbia;

With respect to non-corporate U.S. Holders (including individual U.S. Holders) for taxable years beginning before January 1, 2016, dividends are taxable to the holder as ordinary income at your ordinary income tax rate. To the extent that the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to pay any dividends in respect of our ADSs or ordinary shares.

Appendix A: Table of Contents

| United States Federal Income Taxation |  
|--------------------------------------|---|
| The following discussion describes certain material United States federal income tax considerations under present law of the purchase, ownership and disposition of the ADSs or ordinary shares. This summary applies only to investors that hold the ADSs or ordinary shares as capital assets and that have the U.S. dollar as their functional currency. This discussion is based on the tax laws of the United States as in effect on the date of this Form 20-F and on United States Treasury regulations in effect or, in some cases, as of the date of this Form 20-F, as well as judicial and administrative interpretations thereof available or on before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations such as: |
| United States Federal Income Taxation |  
|--------------------------------------|---|
| • banks; |  
| • financial institutions; |  
| • insurance companies; |  
| • broker-dealers; |  
| • traders that deal ex mark to mark; |  
| • tax-exempt entities; |  
| • persons liable for alternative minimum tax; |  
| • regulated investment companies; |  
| • certain estates or former long-term residents of the United States; |  
| • governments or agencies or instrumentalities thereof; |  
| • persons holding an ADS or ordinary share as part of a straddle, hedging, conversion or integrated transaction; |  
| • persons that actually or constructively own 10% or more of our voting shares; |  
| • persons holding ADSs or ordinary shares through partnerships or other pass-through entities; |  
| • persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as consideration. |  

U.S. Holders are urged to consult their tax advisors about the application of the United States federal income tax rules to their particular circumstances as well as the state and local and foreign tax consequences to them of the purchase, ownership and disposition of ADSs or ordinary shares. The discussion below of the United States federal income tax consequences to “U.S. Holders” will apply if you are the beneficial owner of ADSs or ordinary shares and you are, for United States federal income tax purposes, |

| U.S. Holders |  
|--------------------------------------|---|
| • a citizen or individual resident of the United States; |  
| • a corporation (or other entity subject to tax as a corporation for United States federal income tax purposes) that is created or organized in or under the laws of the United States, any State or the District of Columbia; |  

This discussion does not consider the tax treatment of partnerships or other pass-through entities that hold the ADSs or ordinary shares, or of persons who hold the ADSs or ordinary shares through such entities. If a partnership |

| Taxation of Dividends and Other Distributions on the ADSs or Ordinary Shares |  
|--------------------------------------|---|
| Subject to the passive foreign investment company rules discussed below, the gross amount of all our distributions to you with respect to the ADSs or ordinary shares will be included in your gross income as dividend income on the date of receipt by the depositary, in the case of ADSs, or by you, in the case of ordinary shares, but only to the extent that the distribution is paid out of our current and accumulated earnings and profits (computed under United States federal income tax principles). The dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from U.S. corporations. With respect to non-corporate U.S. Holders (including individual U.S. Holders) for taxable years beginning before January 1, 2011, dividends may be taxed at the lower applicable capital gains rate (or “qualified dividend income”) provided that (1) the ADSs or ordinary shares are readily tradable on an established securities market in the United States or we are eligible for the benefit of the income tax treaty between the United States and the PRC, (2) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, (3) certain holding period requirements are met, and (4) such corporate U.S. Holder is not a passive foreign investment company. U.S. Holders are subject to tax on dividends by non-U.S. holders at substantially similar or related property. For this purpose, any gain realized by a non-U.S. holder from the disposition of ADSs or ordinary shares will constitute gain from the sale or exchange of property to a non-U.S. holder. Dividends will constitute foreign source income for foreign tax credit limitation purposes. If PRC withholding taxes apply to dividends paid to you with respect to our ADSs or ordinary shares, you may be able to obtain a reduced rate of PRC withholding taxes under the income tax treaty between the United States and the PRC if certain requirements are met. In addition, subject to certain conditions and limitations, PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. U.S. Holders should consult their own tax advisors regarding the creditability of any PRC tax. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to ADSs or ordinary shares will generally constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.” To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in your ADSs or ordinary shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits for United States federal income tax purposes. Therefore, a U.S. Holder should expect that a distribution will be reported as a dividend. |
ordinary share. The gain or loss will generally be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the ADS or ordinary share for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you reinvest will generally be treated as a capital gain or loss, subject to certain limitations. However, in the event you are deemed to be a Chinese "resident enterprise" under PRC tax law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat such gain as PRC source income. U.S. Holders should consult their own tax advisors regarding the creditability of any PRC tax.

Passive Foreign Investment Company

Based on the market value of our ADSs and ordinary shares, the composition of our assets and income and our operations, we believe that for our taxable year ended December 31, 2009, we were not a passive foreign investment company ("PFIC") for United States federal income tax purposes. However, our PFIC status for the current taxable year ending December 31, 2010 will not be determinable until its close, and, accordingly, there is no guarantee that we will not be a PFIC for the current taxable year (or any future taxable year). A non-U.S. corporation is considered a PFIC for any taxable year if either

• at least 75% of its gross income is passive income (the "income test"), or

• at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the "asset test").

We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the shares.

We must make a separate determination each year as to whether we are a PFIC. As a result, our PFIC status may change. In particular, because the total value of our assets and our gross income of a PFIC may generally be calculated using the market price of our ADSs and ordinary shares, our PFIC status will depend in large part on the market price of our ADSs and ordinary shares which may fluctuate considerably. Accordingly, fluctuations in the market price of the ADSs and ordinary shares may result in our being a PFIC for any year. If we are a PFIC for any year during which you hold ADS or ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which you hold ADS or ordinary shares. However, if we cease to be a PFIC, provided that you have not made a mark-to-market election, as described below, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the ADSs or ordinary shares, as applicable.

If we are a PFIC for any taxable year during which you hold ADSs or ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the ADSs or ordinary shares, unless you make a "mark-to-market" election as discussed below. Excess distributions you receive in a taxable year that are greater than 125% of the average annual dividends you received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules

• the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,

• the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we become a PFIC, will be treated as ordinary income, and

• the amount allocated to each other taxable year will be subject to the highest tax rate in effect for that taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such taxable year.

The tax liability for amounts allocated to years prior to the year of disposition or "excess distribution" cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or ordinary shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election for such stock of a PFIC to elect out of tax treatment discussed in the two preceding paragraphs. If you make a valid mark-to-market election for the ADSs or ordinary shares, you will include in income each year an amount equal to the excess, if any, of the fair market value of the ADSs or ordinary shares at the close of your taxable year over your adjusted basis in such ADSs or ordinary shares. You are allowed a deduction for the excess, if any, of the adjusted basis of the ADSs or ordinary shares over their fair market value as of the close of the taxable year. Such elections, however, are allowable only to the extent of any net mark-to-market gains on the ADSs or ordinary shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as any gain on the disposition of the ADSs or ordinary shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the ADSs or ordinary shares, as well as to any loss realized on the actual sale or disposition of the ADSs or ordinary shares, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs or ordinary shares. Your basis in the ADSs or ordinary shares will be adjusted to reflect such income or loss amounts. If you make such a mark-to-market election, tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us (except that the lower applicable capital gain rates would not apply).

The mark-to-market election is available only for "marketable stock" which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable Treasury regulations. We expect that the ADSs will continue to be regularly traded during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as an excess distribution. Under these special tax rules

• the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares,

• the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we become a PFIC, will be treated as ordinary income, and

• the amount allocated to each other taxable year will be subject to the highest tax rate in effect for that taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such taxable year.

D. Dividends and Payouts

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statement on Form F-1, as amended and prospectus under the Securities Act of 1933, with respect to our ordinary shares.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F (1) within six months after the end of each fiscal year, which is December 31, for fiscal years ending before December 15, 2011; and (2) within four
In accordance with NASDAQ Stock Market Rule 5210(d), we will post this annual report on Form 20-F on our website at http://ir.baidu.com. In addition, we will provide hard copies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to excess cash invested in short-term fixed income instruments with original maturities of less than a year. Investments in both fixed rate and floating rate earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates, or we may suffer losses in principal if we have to sell securities which have declined in market value due to changes in interest rates. We have not, and do not expect to, exposed to material interest rate risks, and therefore have not used any derivative financial instruments to manage our interest rate exposure.

We had RMB381.1 million (US$55.8 million) short-term investments as of December 31, 2009, with a weighted average duration of approximately 0.27 year. A hypothetical one percentage point (100 basis-point) increase in interest rates would have resulted in a decrease of approximately RMB1.0 million (US$0.1 million) in the fair value of our fixed-income investments at December 31, 2009.

Foreign Exchange Risk

Most of our revenues and costs are denominated in RMB, while a significant portion of our cash and cash equivalents and short-term financial assets are denominated in U.S. dollars and held by the Cayman holding company. Our exposure to foreign exchange risk primarily relates to those financial assets denominated in U.S. dollars. Any significant revaluation of RMB against the U.S. dollar may materially affect our revenues, earnings and financial position, and the value of, and any dividends payable on the ADSs. The depositary has agreed to reimburse us for such changes in exchange rates, which may materially affect the value of the RMB may have a material adverse effect on your investment.”

In addition, we commenced operation in Japan in late 2007. To the extent we need to make capital injections into our Japan operation by converting U.S. dollars into Japanese Yen, we will be exposed to the fluctuations in the exchange rate between the U.S. dollar and the Japanese Yen. We have not hedged exposures denominated in foreign currencies using any derivative financial instruments.

The exchange rate between the RMB and the U.S. dollar was relatively stable in 2009. A hypothetical 10% decrease in the exchange rate of the U.S. dollar against the RMB would have resulted in a decrease of RMB42.9 million (US$6.3 million) in the value of our U.S. dollar-denominated financial assets at December 31, 2009.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fee and Charges Our ADS holders May Have to Pay

The Bank of New York Mellon, the depositary of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs to them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

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Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2009, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(f) of the Exchange Act, based on criteria established in the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2009.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our independent registered public accounting firm, Ernst & Young Hua Ming, has audited the effectiveness of our internal control over financial reporting as of December 31, 2009, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 1A. Audit Committee Financial Expert

Our board of directors has determined that Mr. William Decker, an independent director (under the standards set forth in NASDAQ Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 1B. Code of Ethics

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers, employees and advisors in July 2005. We have posted a copy of our code of business conduct and ethics on our website at http://ir.baidu.com.

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<tr>
<th>Item 1C.</th>
<th>Principal Accountant Fees and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst &amp; Young Hua Ming, our principal auditors, for the periods indicated.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Audit fees</td>
<td>$ 870,000</td>
</tr>
<tr>
<td>Audit-related fees</td>
<td></td>
</tr>
<tr>
<td>Tax fees</td>
<td>$ 21,866</td>
</tr>
<tr>
<td>All other fees</td>
<td></td>
</tr>
</tbody>
</table>

(1) “Audit fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for the audit of our annual financial statements. In 2008 and 2009, the audit fees refer to integrated audit, including financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

(2) “Tax fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for tax compliance, tax advice, and tax planning. In 2008 and 2009, the tax fees refer to fees paid to our principal auditors to review the compliance of our tax documentation.

All audit and non-audit services provided by our independent auditors must be pre-approved by our audit committee. Our audit committee has adopted a combination of two approaches in pre-approving proposed services: general pre-approval and specific pre-approval. With general approval, proposed services are pre-approved without consideration of specific case-by-case services; with specific approval, proposed services require the specific pre-approval of the audit committee. Unless a type of service has received general pre-approval, it will require specific pre-approval by our audit committee. Any proposed services exceeding pre-approved cost limits or budgeted amounts will also require specific pre-approval by our audit committee.

All requests or applications for services to be provided by our independent auditors that do not require specific approval by our audit committee will be submitted to our chief financial officer and must include a detailed description of the services to be rendered. The chief financial officer will determine whether such services are included within the list of services that have received the general pre-approval of the audit committee. The audit committee will be informed on a timely basis of any such services. Requests or applications to provide services that require specific approval by our audit committee will be submitted to the audit committee by both our independent auditors and our chief financial officer and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC’s rules on auditor independence.

Item 1D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

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<table>
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<tr>
<th>Item 1E.</th>
<th>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</th>
</tr>
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<tr>
<td>In 2008, we received authorizations and approvals from our board of directors and shareholders to repurchase up to US$200 million of our ordinary shares represented by ADSs by the end of 2009. This share repurchase plan expired on December 31, 2009. The following tables set forth some additional information about our repurchases made in the year ended December 31, 2009.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>(a) Total Number of ADSs Purchased</th>
<th>Average Price Paid per ADS</th>
<th>Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs</th>
<th>Maximum Number of Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plans or Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month 1 (January 2009)</td>
<td>32,740</td>
<td>$ 109.04</td>
<td>32,740</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 2 (February 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 3 (March 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 4 (April 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 5 (May 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 6 (June 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 7 (July 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 8 (August 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 9 (September 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 10 (October 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 11 (November 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>$ 196,430,030</td>
</tr>
<tr>
<td>Month 12 (December 2009)</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>32,740</td>
<td>$ 109.04</td>
<td>32,740</td>
<td>0</td>
</tr>
</tbody>
</table>

As part of our share repurchase plan, in late December 2008, we entered into a structured share repurchase transaction with a major financial institution. Under this transaction, we made an upfront cash payment of US$10 million. On the settlement date for this transaction in June 2009, we received US$21,866 million in cash, including a pre-determined premium of US$9,523 million.

Item 1F. Change in Registrant’s Certifying Accountant

Not applicable.
Item 14.G. Corporate Governance

NASDAQ Stock Market Rule 5620 requires each issuer to hold an annual meeting of shareholders no later than one year after the end of the issuer’s fiscal year-end. However, NASDAQ Stock Market Rule 5615(a)(3) permits domestic private issuers like us to follow “home country practice” in certain corporate governance matters. Maples and Calder, our Cayman Islands counsel, has provided a letter to the NASDAQ Stock Market certifying that under Cayman Islands law, we are not required to hold annual shareholder meetings every year. We follow home country practice with respect to annual meetings and did not hold an annual meeting of shareholders in 2009. We may, however, hold annual shareholder meetings in the future if there are significant issues that require shareholders’ approvals.

Other than the annual meeting practice described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under NASDAQ Stock Market Rules.

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PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Baidu, Inc. and its subsidiaries are included at the end of this annual report.

Item 19. Exhibits

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Third Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 99.2 of Form 6-K filed with the Securities and Exchange Commission on December 17, 2008)</td>
</tr>
<tr>
<td>4.2</td>
<td>Registrant’s Specimen American Depositary Receipt (incorporated by reference to Exhibit 1 of the prospectus filed with the Securities and Exchange Commission on January 3, 2009 pursuant to Rule 424(b)(3) under the Securities Act)</td>
</tr>
<tr>
<td>4.3</td>
<td>Registrant’s Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.2 of Amendment No. 5 to our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on August 2, 2005)</td>
</tr>
<tr>
<td>4.4</td>
<td>Form of Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on June 12, 2005)</td>
</tr>
<tr>
<td>4.5</td>
<td>Second Amended and Restated Shareholders Agreement, dated as of June 9, 2004, among the Registrant and other parties thereto (incorporated by reference to Exhibit 4.4 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.6</td>
<td>2000 Plan (amended and restated effective December 16, 2008) (incorporated by reference to Exhibit 99.3 of Form 6-K filed with the Securities and Exchange Commission on December 17, 2008)</td>
</tr>
<tr>
<td>4.7</td>
<td>2008 Share Incentive Plan (incorporated by reference to Exhibit 99.4 of Form 6-K filed with the Securities and Exchange Commission on December 17, 2008)</td>
</tr>
<tr>
<td>4.8</td>
<td>Form of Indemnification Agreement with the Registrant’s directors (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.9</td>
<td>Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.10</td>
<td>Translation of Technology Consulting and Services Agreement dated as of March 22, 2005 between Baidu Online and Baidu Netcom (incorporated by reference to Exhibit 99.2 to our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.11</td>
<td>Translation of Domain Name License Agreement dated as of March 1, 2004 between Baidu Online and Baidu Netcom and the supplementary agreement dated as of August 9, 2004 (incorporated by reference to Exhibit 99.3 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.12</td>
<td>Translation of Web Layout Copyright License Agreement dated as of March 1, 2004 between Baidu Online and Baidu Netcom and the supplementary agreement dated as of August 9, 2004 (incorporated by reference to Exhibit 99.3 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.13</td>
<td>Translation of Line-of-Duty Agreement dated as of August 9, 2004 between Baidu Online, Baidu Netcom, Robin Yanhong Li and Eric Yong Xu (incorporated by reference to Exhibit 99.3 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.14</td>
<td>Translation of Equity Pledge Agreement dated as of March 22, 2005 among Baidu Online, Robin Yanhong Li and Eric Yong Xu (incorporated by reference to Exhibit 9.10 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.15</td>
<td>Translation of Exclusive Equity Purchase Option Agreement dated as of March 22, 2005 among Baidu Online, Robin Yanhong Li and Eric Yong Xu (incorporated by reference to Exhibit 99.11 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.16</td>
<td>Translation of Loan Agreement dated as of March 22, 2005 among Baidu Online, Robin Yanhong Li and Eric Yong Xu (incorporated by reference to Exhibit 99.12 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.17</td>
<td>Translation of Form of Inevitable Process of Attorney issued by the shareholders of Baidu Netcom (incorporated by reference to Exhibit 99.13 of our Registration Statement on Form F-1 (file no. 333-126534) filed with the Securities and Exchange Commission on July 12, 2005)</td>
</tr>
<tr>
<td>4.18</td>
<td>Translation of the form of Technology Consulting and Services Agreement between Baidu Online and a consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.19 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
<tr>
<td>4.19</td>
<td>Translation of the form of Operating Agreement between Baidu Online and a consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.20 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
<tr>
<td>4.20</td>
<td>Translation of the form of Web Layout Copyright License Agreement between Baidu Online and a consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.21 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
<tr>
<td>4.21</td>
<td>Translation of the form of Proxy Agreement among Baidu Online, a consolidated affiliated PRC entity and the shareholders of the consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.22 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
<tr>
<td>4.22</td>
<td>Translation of the form of Equity Pledge Agreement between Baidu Online and the shareholder of a consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.23 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.23</td>
<td>Translation of the form of Exclusive Equity Purchase Option Agreement between Baidu Online and the shareholder of a consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.24 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
<tr>
<td>4.24</td>
<td>Translation of the form of Loan Agreement between Baidu Online and the shareholder of a consolidated affiliated PRC entity (incorporated by reference to Exhibit 4.25 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on June 5, 2008)</td>
</tr>
</tbody>
</table>

8.1* List of Subsidiaries and Consolidated Affiliated Entities
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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf:

Baidu, Inc.

By /s/ Robin Yanhong Li

Name  Robin Yanhong Li

Title  Chairman and Chief Executive Officer

Date  March 26, 2010

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<td>Reports of Independent Registered Public Accounting Firm</td>
</tr>
<tr>
<td>Consolidated Balance Sheets as of December 31, 2009 and 2008</td>
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<tr>
<td>Consolidated Statements of Income for the Years Ended December 31, 2007, 2008 and 2009</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2008 and 2009</td>
</tr>
<tr>
<td>Notes to the Consolidated Financial Statements</td>
</tr>
</tbody>
</table>

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

Baidu, Inc.

We have audited the accompanying consolidated balance sheets of Baidu, Inc. (the “Company”) as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baidu, Inc. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming

Beijing, The People’s Republic of China

March 26, 2010

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

Baidu, Inc.

We have audited Baidu, Inc.’s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Baidu, Inc. is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained, and our report expresses an opinion on this subject.

/s/ Ernst & Young Hua Ming

Beijing, The People’s Republic of China

March 26, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

Baidu, Inc.

We have audited the accompanying consolidated balance sheets of Baidu, Inc. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baidu, Inc. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming

Beijing, The People’s Republic of China

March 26, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders

Baidu, Inc.

We have audited the accompanying consolidated balance sheets of Baidu, Inc. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baidu, Inc. as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 26, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming

Beijing, The People’s Republic of China

March 26, 2010
and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Baidu, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Baidu, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 of Baidu, Inc., and our report dated March 26, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young Hua Ming
Beijing, The People's Republic of China
March 26, 2010

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BAIDU, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of Renminbi ("RMB"), and in thousands of U.S. Dollars ("US"), except for number of shares and per share data)

<table>
<thead>
<tr>
<th>Notes</th>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>US</td>
</tr>
<tr>
<td></td>
<td>RMB</td>
<td>US</td>
</tr>
</tbody>
</table>

ASSETS
Current assets:
- Cash and cash equivalents: 2,362,271 4,199,889 615,287
- Short-term investments: 3 301,244 301,149 55,819
- Accounts receivable, net of allowance of RMB8,561 for 2008 and RMB9,015 (US$1,321) for 2009: 4 92,727 161,610 23,676
- Other assets, current: 5 80,067 91,067 13,341
- Receivables from a shareholder: 15 10,697
- Deferred tax assets, net: 9 5,560 9,392 1,342
- Total current assets: 2,852,676 4,882,472 709,488

Non-current assets:
- Fixed assets, net: 6 789,714 997,337 146,143
- Intangible assets, net: 7 128,782 122,925 17,960
- Goodwill: 7 51,082 63,691 9,311
- Long-term investments, net: 12,281 14,108 2,096
- Deferred tax assets, net: 9 26,537 33,709 4,952
- Other assets, non-current: 10 80,114 82,193 12,055
- Total non-current assets: 1,085,513 1,314,017 112,217

TOTAL ASSETS: 3,937,589 6,196,489 821,705

LIABILITIES AND SHAREHOLDERS' EQUITY
Current liabilities:
- Accounts payable and accrued liabilities, current: 8 421,029 749,661 109,655
- Customer advances and deposits, current: 422,520 607,428 89,047
- Deferred revenue: 3,461 42,615 6,158
- Deferred income: 532
- Total current liabilities: 849,120 1,309,721 205,860

Long-term payable for business acquisition: 4,370 608
- Total non-current liabilities: 4,370 608
- Total liabilities: 849,120 1,303,849 205,868

Commitments and contingencies: 11

Shareholders' equity:
- Class A Ordinary Shares, par value US$0.00001 per share, 825,000,000 shares authorized, and 8,873,986 shares issued and outstanding as at December 31, 2009: 12 11 11 2
- Class B Ordinary Shares, par value US$0.00001 per share, 35,400,000 shares authorized, and 8,735,900 shares and 8,549,332 shares issued and outstanding as at December 31, 2009 and 2008: 12 4 4 1
- Additional paid-in capital: 1,218,336 1,426,070 208,920
- Accumulated other comprehensive loss: 159,652 (113,513) (16,610)
- Retained earnings: 1,379,884 3,480,529 504,041
- Total shareholders' equity: 3,988,683 4,755,161 696,574

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY: 3,937,589 6,196,489 821,705

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

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BAIDU, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands of Renminbi ("RMB"), and in thousands of U.S. Dollars ("US"), except for number of shares and per share data)

<table>
<thead>
<tr>
<th>Notes</th>
<th>For the Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>RMB</td>
</tr>
</tbody>
</table>

Revenues:
- Online marketing services: 1,741,821 3,194,461 444,310 651,242
- Other services: 3,404 3,791 2,466 361
- Total revenues: 2,744,426 3,198,252 447,776 651,603

Operating costs and expenses:
- Cost of revenues: (645,406) (1,115,455) (1,616,236) (236,780)
- Selling, general and administrative: (413,163) (459,804) (885,958) (117,783)
- Research and development: (140,702) (216,236) (422,615) (61,913)
- Total operating costs and expenses: (1,209,271) (2,791,500) (4,924,809) (416,478)

Operating profit: 547,154 1,406,752 1,019,991 235,125

Other income:
- Interest income: 49,009 47,677 3,404 6,700
- Foreign exchange loss, net: (2,425) (1,329) (42) (3)
- Loss from equity method investment: (229) (34)
- Other income, net: 22,478 21,647 45,794 6,700

Total other income: 69,062 67,444 78,184 11,454

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BAIDU, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(As of December 31, 2009, 2008, and 2007)

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>628,968</td>
<td>1,046,108</td>
<td>1,485,104</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash generated from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of fixed assets and others</td>
<td>170,731</td>
<td>266,953</td>
<td>306,281</td>
</tr>
<tr>
<td>Fixed assets written-off</td>
<td>22</td>
<td>2,675</td>
<td>2,046</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>10,204</td>
<td>10,231</td>
<td>10,759</td>
</tr>
<tr>
<td>Deferred tax assets, net</td>
<td>(10,767)</td>
<td>(15,814)</td>
<td>(10,839)</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>39,846</td>
<td>85,977</td>
<td>12,646</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>(703)</td>
<td>4,880</td>
<td>403</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>1,235</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest income from short-term investments</td>
<td>(4,914)</td>
<td>(5,739)</td>
<td>(8,181)</td>
</tr>
<tr>
<td>Impairment on long-term investments</td>
<td>—</td>
<td>7,966</td>
<td>—</td>
</tr>
<tr>
<td>Loss from equity method investments</td>
<td>—</td>
<td>—</td>
<td>229</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities net of effects of acquisition</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(40,685)</td>
<td>(35,322)</td>
<td>(69,331)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(59,424)</td>
<td>(27,349)</td>
<td>5,732</td>
</tr>
<tr>
<td>Receivables from a shareholder</td>
<td>—</td>
<td>(10,897)</td>
<td>—</td>
</tr>
<tr>
<td>Customer advances and deposits, current</td>
<td>116,391</td>
<td>164,949</td>
<td>183,302</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities, current</td>
<td>121,167</td>
<td>150,210</td>
<td>216,632</td>
</tr>
<tr>
<td>Dividends revenue</td>
<td>1,654</td>
<td>(15,876)</td>
<td>38,995</td>
</tr>
<tr>
<td>Deferred income</td>
<td>(4,089)</td>
<td>(2,483)</td>
<td>(312)</td>
</tr>
<tr>
<td>Trading securities</td>
<td>(44,426)</td>
<td>129,465</td>
<td>—</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>955,856</td>
<td>1,746,199</td>
<td>2,279,435</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of fixed assets</td>
<td>(509,091)</td>
<td>(417,896)</td>
<td>(399,312)</td>
</tr>
<tr>
<td>Acquisition of business</td>
<td>(14,009)</td>
<td>—</td>
<td>(12,866)</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>(9,211)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Capitalization of software costs</td>
<td>(4,084)</td>
<td>(17,668)</td>
<td>(11,282)</td>
</tr>
<tr>
<td>Acquisition of long-term investments</td>
<td>(4,024)</td>
<td>—</td>
<td>(2,250)</td>
</tr>
<tr>
<td>Purchase of held-to-maturity securities</td>
<td>(228,896)</td>
<td>(784,720)</td>
<td>(779,476)</td>
</tr>
<tr>
<td>Maturities of held-to-maturity securities</td>
<td>120,127</td>
<td>360,430</td>
<td>797,529</td>
</tr>
<tr>
<td>Acquisition of long-term prepaid computer parts</td>
<td>(41,246)</td>
<td>(39,388)</td>
<td>(5,767)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(373,206)</td>
<td>(661,352)</td>
<td>(716,406)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of ordinary shares</td>
<td>—</td>
<td>—</td>
<td>11,000</td>
</tr>
<tr>
<td>Repurchase of ordinary shares</td>
<td>—</td>
<td>—</td>
<td>(24,469)</td>
</tr>
<tr>
<td>Proceeds from exercise of share options</td>
<td>40,686</td>
<td>32,982</td>
<td>40,462</td>
</tr>
<tr>
<td>Net cash generated from (used in) financing activities</td>
<td>44,040</td>
<td>(35,877)</td>
<td>(34,891)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(88,708)</td>
<td>(37,885)</td>
<td>(394)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>214,236</td>
<td>1,013,171</td>
<td>1,872,728</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>1,580,000</td>
<td>2,562,191</td>
<td>4,099,899</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>3,154,074</td>
<td>3,575,362</td>
<td>6,072,627</td>
</tr>
</tbody>
</table>

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BAIDU, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY
(As of December 31, 2009, 2008, and 2007)

<table>
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<tr>
<th>Year Ended December 31</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary Share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Paid-in Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated Other Comprehensive Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2006</td>
<td>33,704,399</td>
<td>1,048,176</td>
<td>3,157,261</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>—</td>
<td>(48,256)</td>
<td>(48,256)</td>
</tr>
<tr>
<td>Net income</td>
<td>628,968</td>
<td>1,046,108</td>
<td>1,485,104</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>580,712</td>
<td>1,048,100</td>
<td>1,483,100</td>
</tr>
<tr>
<td>Exercise of share-based awards</td>
<td>428,990</td>
<td>40,794</td>
<td>40,794</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2007</td>
<td>34,332,389</td>
<td>1,089,970</td>
<td>3,507,955</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>—</td>
<td>(27,599)</td>
<td>(27,599)</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>1,048,108</td>
<td>1,485,104</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>1,020,709</td>
<td>1,048,100</td>
<td>1,485,104</td>
</tr>
<tr>
<td>Exercise of share-based awards</td>
<td>382,844</td>
<td>28,437</td>
<td>28,437</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares repurchased</td>
<td>86,863</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structural share repurchase</td>
<td>(68,539)</td>
<td>(68,539)</td>
<td></td>
</tr>
<tr>
<td>Balances at December 31, 2008</td>
<td>34,515,033</td>
<td>1,128,535</td>
<td>4,006,405</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>—</td>
<td>(3,961)</td>
<td>(3,961)</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>1,485,104</td>
<td>1,485,104</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>1,481,143</td>
<td>1,485,100</td>
<td>1,485,100</td>
</tr>
<tr>
<td>Exercise of share-based awards</td>
<td>270,199</td>
<td>41,121</td>
<td>41,121</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td></td>
<td>87,523</td>
<td>87,523</td>
</tr>
<tr>
<td>Shares repurchased</td>
<td>70,870</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase of ordinary shares</td>
<td>(32,740)</td>
<td>(24,419)</td>
<td>(24,419)</td>
</tr>
<tr>
<td>Balances at December 31, 2009</td>
<td>34,753,292</td>
<td>1,426,070</td>
<td>4,753,101</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

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

1. ORGANIZATION, CONSOLIDATION AND PRESENTATION OF FINANCIAL STATEMENTS

Baidu, Inc. ("Baidu" or the "Company") was incorporated under the laws of the Cayman Islands on January 18, 2000. The Company was formerly known as Baidu.com, Inc. and changed its name to Baidu, Inc. on December 16, 2008. The Company is the 100% shareholder of Baidu Holdings Ltd. ("Baidu Holdings") incorporated in the British Virgin Islands.

As of December 31, 2009, Baidu Holdings owns three subsidiaries, details of which are as follows:

- Baidu Online Network Technology (Beijing) Co., Ltd. ("Baidu Online") incorporated under the laws of the People's Republic of China ("PRC") on January 18, 2000,
- Baidu, Inc. ("Baidu Japan") incorporated in Tokyo under the laws of Japan on December 13, 2006, and
- Baidu (Hong Kong) Limited ("Baidu HK") incorporated in Hong Kong under the laws of Hong Kong on November 27, 2007.

Baidu HK owns three subsidiaries in the PRC, details of which are as follows:

- Baidu (China) Co., Ltd. ("Baidu China") incorporated under the laws of the PRC on June 6, 2005,
- Baidu.com Times Technology (Beijing) Co., Ltd. ("Baidu Times") incorporated under the laws of the PRC on April 19, 2006, and
- Baidu InterAction (Shenzhen) Network Technology Co., Ltd. ("Baidu InterAction"), which obtained its business license in March 2009, to be incorporated under the laws of the PRC.

Baidu Japan has established two wholly-owned subsidiaries in Japan, details of which are as follows:

- Hyskudo Inc. ("Hyskudo") incorporated in Tokyo under the laws of Japan on April 14, 2008, and
- Baidu, Inc. ("Baidu") incorporated in Tokyo under the laws of Japan on April 14, 2008.

As of December 31, 2009, the Company also effectively controls three variable interest entities ("VIEs")

- Beijing BaiduNetcom Science Technology Co., Ltd. ("BaiduNetcom") incorporated under the laws of the PRC on June 5, 2001,
- Beijing Perual Technology Co., Ltd. ("Beijing Perual") incorporated under the laws of the PRC on June 6, 2006, and
- Beijing BaiduPay Science and Technology Co., Ltd. ("BaiduPay") incorporated under the laws of the PRC on February 27, 2008.

On July 13, 2009, Beijing Perual, together with Paibo Online (Beijing) Technology Co., Ltd. ("Paibo"), a subsidiary of Beijing News, set up a joint venture, Beijing Paibo Times Technology Co., Ltd. ("Paibo Times"), to operate a community website and provide information of interest to Beijing local residents. The registered capital of Paibo Times is RMB50.00 million (US$9.73 million). Paibo and Beijing Perual hold 55% and 45% of the Paibo Times equity interest, respectively. The Company accounts for its investment in Paibo Times under the equity method.

The Company, its subsidiaries and VIEs are hereinafter collectively referred to as the "Group." The Group offers Internet search solutions and online marketing solutions, operates an e-commerce platform with an online payment tool which enables e-commerce merchants and customers to make payments online, develops and markets scalable web application software and provides related services. The Group's principal geographic market is in the PRC and Japan. The Company does not conduct any substantive operations of its own but conducts its primary business operations through its wholly-owned subsidiaries and VIEs in the PRC and Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs in which the Company holds all the variable interests of VIEs. The Company, its subsidiaries and VIEs are hereinafter collectively referred to as the "Group." The Group operates its websites and provides online advertising services in the PRC through VIEs, the PRC legal entities that were established by the individuals authorized by the Group. The paid-in capital of the VIEs was funded by the Group through loans extended to the authorized individuals. The Group has entered into certain exclusive agreements with the VIEs through Baidu, Inc., which obligate Baidu, Inc. Online to absorb a majority of the risk of loss from the VIEs' activities and entitles Baidu, Inc. Online to receive a majority of their residual returns. In addition, the Group has entered into certain agreements with the authorized individuals through Baidu, Inc. Online, including loan agreements for the paid-in-capital of the VIEs, option agreements to acquire the equity interests in the VIEs when permitted by the PRC laws, and share pledge agreements for the equity interests in the VIEs held by the authorized individuals. Based on these contractual arrangements, the Company consolidates the VIEs as required by Accounting Standards Codification ("ASC") subtopic 810-10 ("ASC 810-10"). Consolidation Overall (Pre-Codification): Financial Accounting Standards Board ("FASB") Interpretation No. 46R, Consolidation of Variable Interest Entities (Interpretation of ARB No. 51), because the Company holds all the variable interests of VIEs through Baidu, Inc., which is the primary beneficiary of the VIEs. Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company and VIEs through the aforementioned agreements, whereby the equity holders of VIEs effectively assigned all of their voting rights underlying their equity interest in VIEs to Baidu, Inc. Online. In addition, through the other aforementioned agreements, the Company demonstrates its ability and intention to continue to exercise the ability to absorb substantially all of the profits and all of the expected losses of VIEs.

The carrying amount of the total assets of VIEs as of December 31, 2009 was RMB6,115.55 million (US$999.59 million) and there was no pledge or collateralization of their assets. The amount of the net assets of VIEs as of December 31, 2009 was RMB344.87 million (US$53.87 million).

FOREIGN CURRENCY MATTERS

Translation of amounts from RMB into U.S. for the convenience of the reader have been calculated at the exchange rate of RMB6.2395 per US$1.00 on December 31, 2009 as published on the website of the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollars at such rate.

For financial statements presented in this Annual Report on Form 20-F, the company's functional currency is the U.S. dollar, which is the same as the company's presentation currency. The company determines its functional currency based on the criterion of ASC subtopic 830-10 ("ASC 830-10"). Foreign Currency Matters Overall (Pre-Codification): Statements of Financial Accounting Standards ("FASB") No. 52, Foreign Currency Translation, and have determined their functional currency to be their respective local currency. The company uses the RMB as its reporting currency. The company uses the average exchange rate for the year and the exchange rate at the balance sheet date to translate its operating results and financial position respectively. Any translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of shareholders' equity. The company recorded RMB84.26 million, RMB27.60 million and RMB3.96 million (US$5.86 million) of net foreign currency translation loss for the years ended December 31, 2007, 2008 and 2009, respectively. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the balance sheet date.
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BAIDU, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents are stated at cost, which approximates fair value, and primarily consist of cash and investments in interest-bearing demand deposit accounts, time deposits, highly liquid investments and money market funds. All highly liquid investments with original maturities of three months or less from the date of purchase are classified as cash equivalents. All highly liquid investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments which are stated at their approximate fair value. In 2008, the Company introduced an e-commerce platform and an online payment platform which enables e-commerce merchants and customers to send and receive payments online. Cash balances deposited by the customers of the Company’s e-commerce platform are included as cash and cash equivalents in the consolidated balance sheets. The cash deposits of such nature are considered restricted because they cannot be used for the operations of the Group or any other purpose not designated by customers. When customers fund their account in the e-commerce platform using their bank accounts, the deposited balance is included in the Company’s bank account until customers either use the cash to settle their online transactions or withdraw the cash.

As of December 31, 2008 and 2009, there was RMB4.56 million and RMB1.91 million (US$0.86 million, respectively), in the Company’s cash and cash equivalents balance which was related to the deposits made by customers and designated for settlement of their online transactions on the e-commerce platform.

The Company accounts for short-term investments in accordance with ASC subtopic 320-10 (“ASC 320-10”), Investments—Debt and Equity Securities Overall (Pre-Codification SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities). The Company classifies its short-term investments in debt and equity securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by the accounting standards. Cash equivalents, which are highly liquid investments with original maturities of three months or less, are classified as cash equivalents.

In accordance with SEC Staff Accounting Bulletin No. 107 (“SAB 107”) — Debt and Equity Securities Overall (Pre-Codification SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities), thegrey text

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of expenses and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Management evaluates estimates, including those related to the accounts receivable recoverability, and available lives of intangibles and long-term assets, fair values of options to purchase the Company’s ordinary shares, and deferred tax valuation allowance, among others. Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

Fair Value Measurements of Financial Instruments

The carrying amounts of the financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, customer advances and deposits, deferred revenue and deferred income, approximate fair value because of their generally short maturities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of expenses and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Management evaluates estimates, including those related to the accounts receivable recoverability, and available lives of intangibles and long-term assets, fair values of options to purchase the Company’s ordinary shares, and deferred tax valuation allowance, among others. Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

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Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation or amortization is recorded on a straight-line basis over the shorter of the estimated useful lives of the assets or the term of the related leases, as follows:

- Office building — 45 years
- Office building related facility, machinery and equipment — 15 years
- Computer equipment — 3 or 5 years
- Internal use software development costs — 5 years
- Vehicles and office equipment — 5 years
- Leasehold improvements — over the shorter of lease term or estimated useful lives of the assets

Fixed assets have no estimated residual value except for the office building and its related facility, machinery and equipment, which have an estimated residual value of 4% of the cost.

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful life of fixed assets are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of income.

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific fixed assets items and depreciation of these assets commences when they are ready for their intended use.

Intangible Assets

Intangible assets with finite lives are carried at cost less accumulated amortization. The land use right is amortized using a straight-line method over the shorter of its estimated economic life or the term of related land use right contract. All other intangible assets with definite lives are amortized using the straight-line method over the estimated economic life. As of December 31, 2009, intangible assets have weighted average useful lives from the date of purchase as follows:

<table>
<thead>
<tr>
<th>Domain name</th>
<th>Customer relationship</th>
<th>Non-competition agreement</th>
<th>Software</th>
<th>Contract-based assets</th>
<th>Trademark</th>
<th>Land use right</th>
</tr>
</thead>
<tbody>
<tr>
<td>— 5 years</td>
<td>— 4.9 years</td>
<td>— 3.9 years</td>
<td>— 6.3 years</td>
<td>— 2.3 years</td>
<td>— 9.6 years</td>
<td>— 30 years</td>
</tr>
</tbody>
</table>

Intangible assets with an indefinite useful life are not amortized. One of the domain name assets acquired in July 2006 is not subject to amortization, as the remaining useful life is indefinite. The total amount assigned to this domain name is RMB9.36 million (US$1.37 million) as of December 31, 2009. In addition, in March 2008, the Company’s trademark of “BAIDU” was qualified as a China well-known trademark by the State Trademark Office. The registration costs amounted to RMB0.5 million as of December 31, 2008 and were recorded as an intangible asset not subject to amortization, as the remaining useful life is indefinite.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination. The Company assesses goodwill for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. There have been no impairment charges of the Company’s intangible assets with indefinite useful lives in any of the years presented.

Imagery of Long-Lived Assets

The Company evaluates long-lived assets, such as fixed assets and purchased or internally developed intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with ASC subtopic 360-10 (“ASC 360-10”), Property, Plant and Equipment—Overall (Pre-Codification SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets). When such events occur, the Company assesses the recoverability of the assets group based on the undiscounted future cash flow the assets group is expected to generate and recognizes an impairment loss when estimated undiscounted future cash flow expected to result from the use of the assets group is less than the cost of the assets group. The amount of the impairment loss is determined by the difference between the carrying amount of the assets group and their fair value, adjusted for income taxes if applicable. If the carrying amount of the assets group exceeds their fair value, impairment loss is recognized in the consolidated statements of income.

The Company evaluates the recoverability of the assets group based on the undiscounted future cash flow that the assets group is expected to generate over its remaining useful life. The remaining assets group consists of the following:

- Account receivable
- Customer relationship
- Non-competition agreement
- Software
- Contract-based assets
- Trademark
- Land use right

The Company evaluates the recoverability of the assets group based on the undiscounted future cash flow that the assets group is expected to generate over its remaining useful life. The remaining assets group consists of the following:

- Account receivable
- Customer relationship
- Non-competition agreement
- Software
- Contract-based assets
- Trademark
- Land use right

Accounting for Impairment of Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets acquired in a business combination. The Company assesses goodwill for impairment in accordance with ASC subtopic 350-20 (“ASC 350-20”), Intangible Assets — Goodwill and Other Intangible Assets (Pre-Codification SFAS 142, Goodwill and Other Intangible Assets), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20. Consistent with the management’s operational perspective, the Company has determined that it has only one reporting unit as Baidu’s chief operational decision maker only reviews the Company’s discrete financials at its consolidated level. Goodwill was tested for impairment in the annual impairment tests on December 31 in each year using the two-step process required by ASC 350-20. First, the Company determined the fair value of the reporting unit based on quoted market prices of the ordinary shares. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, the Company then tested the goodwill using a discounted cash flow approach. The fair value of the reporting unit exceeds the carrying value of the reporting unit, the Company determined that goodwill may be impaired, the implied fair value of the goodwill, as defined by ASC 350-20, would be compared to its carrying amount to determine the impairment loss, if any. There has been no impairment of goodwill in any of the years presented.

Accounts Receivable and Other Receivables

Accounts receivable are recognized and carried at original invoiced amount less an allowance for any potential uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. The Company generally does not require collateral from its customers.
reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectibility of individual balances. In evaluating the collectibility of individual receivable balances, the Company considers many factors, including the age of the balance, the customer’s historical payment history, its current credit-worthiness and current economic trends.

Revenue Recognition

The Company recognizes revenue based on the following principles:

Online marketing services

(1) Auction-based pay-for-performance service

The Company’s auction-based pay-for-performance (“PPC”) platform enables a customer to place its website link and related description on the Company’s search results page. The customer’s website and the relevance between the keyword and the customer’s business. Internet users searching for the keyword will trigger the display of the listings. The ranking of the customer’s listing depends on the bid price and the listing’s relevance to the keyword searched. Customer pays the Company only when a user clicks on one of the customer-sponsored website links, as there is persuasive evidence of an arrangement, the fee is fixed and determinable and collection is reasonably assured, as prescribed by ASC subtopic 605-10 (“ASC 605-10”), Revenue Recognition Overall (Pre-Codification Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) No. 104).

For certain PPC customers engaged through direct sales, the Company may provide certain value-added consulting support services to help its customers better utilize its PPC online marketing system. Fees for such services are generally recognized as revenue on a pro-rata basis over the contractual service period.

(2) Other performance-based online marketing services

To the extent the Company provides online marketing services based on performance criteria other than click-throughs, such as the number of telephone calls brought into customers, the number of click-throughs, revenue is recognized when the specified performance criteria are met together with satisfaction of other applicable revenue recognition criteria as prescribed by ASC 605-10.

(3) Time-based online advertising services

For time-based online advertising services such as text links, banners, or other forms of graphical advertisements, the Company recognizes revenue, in accordance with ASC 605-10, in a pro-rata basis over the contractual term commencing on the date the customer’s advertisement is displayed in a specified webpage. For certain time-based contractual agreements, the Company may also provide certain performance guarantees, in which cases revenue is recognized at the later of the completion of the time commitment or performance guarantee.

(4) Online marketing services involving Baidu Union

Baidu Union is the program through which the Company expands distribution of its customers’ sponsored links or advertisements by leveraging traffic of the Baidu Union members’ internet properties or distributing the Company’s customers’ paid links through Union members’ properties. The Company makes payments to Baidu Union members for acquisition of traffic. The Company recognizes gross revenue for the amount of fees it receives from its customers. Payments made to Baidu Union members are included in cost of revenues as traffic acquisition costs.

Research and Development Expenses

Advertising Expenses

Advertising expenses, primarily advertisements through various forms of media, are included in “Selling, general and administrative expenses” in the consolidated statements of income and are expensed when incurred. Advertising expenses for the years ended December 31, 2007, 2008 and 2009 were RMB108.78 million, RMB200.09 million and RMB77.80 million, respectively.

Cost of revenues consists primarily of business taxes and surcharges, traffic acquisition costs, bandwidth costs, depreciation, payroll and related costs of operations.

The Company incurs business taxes and surcharges in connection with the provision of online marketing services, technical and consulting service fees charged by Baidu Online and other taxable services in the PRC. According to ASC subtopic 605-45 (“ASC 605-45”), Revenue Recognition—Principal Agent Considerations (Pre-Codification EITF Issue No. 00-21, Accounting for Arrangements with Multiple Deliverables), the total revenue on such arrangements is allocated to the individual deliverables based on their relative fair values. If sufficient vendor-specific evidence of fair value does not exist for the allocation of revenue, the fee for the entire arrangement is recognized ratably over the term of the arrangement.

The Company engages in barter transactions occasionally and in such situation follows the provisions of ASC subtopic 845-10 (“ASC 845-10”), Nonmonetary Transactions—Overall (Pre-Codification APB-20). Barter transactions are generally recorded at fair value. If such value is not determinable within reasonable limits, the transaction is recognized based on the carrying value of the product or services provided. The amount of revenues recognized for barter transactions was insignificant for each of the periods presented.

The Company recognizes revenues for barter transactions involving advertising in accordance with ASC subtopic 605-20 (“ASC 605-20”), Revenue recognition Services (Pre-Codification Emerging Issues Task Force (“EITF”) Issue No. 99-17, Accounting for Advantage—Barter Transacions). However, neither the amount recognized nor the volume of such transactions qualified for income recognition was material for any of the periods presented.

According to ASC subtopic 305-50 (“ASC 305-50”), Equity: Equity-based Payments to Non-Employees (Pre-Codification EITF 00-27, Accounting for Expenditures on Non-employee Share-based Payment Arrangements), the Company provides services in exchange for equity instruments, the Company is required to measure the fair value of those equity instruments for revenue recognition purposes as of the earlier of either of the following dates:

- The date the parties come to a mutual understanding of the terms of the equity-based compensation arrangement and a commitment for performance by the Company to earn the equity instruments is reached;
- The date at which the Company’s performance necessary to earn the equity instruments is completed.

If, as of the measurement date, the fair value of the equity instruments received is not determinable within reasonable limits, the transaction is recognized based on the fair value of the services provided. If the fair value of both the equity instruments received and the services provided cannot be determined, no revenue is recognized for the services provided and the equity instrument received is recorded at zero carrying value. The amount of revenues recognized for such transactions was insignificant in each of the periods presented.

Other revenue recognition related policies

If a sales contract stipulates more than one of the services described in (1), (2) and (3) above (collectively the “Services”), and the Services are considered multiple accounting units in accordance with ASC subtopic 605-25 (“ASC 605-25”), Revenue recognition—Multiple Elements Arrangements (Pre-Codification EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables), the total revenue on such arrangements is allocated to the individual deliverables based on their relative fair values. If sufficient vendor-specific objective evidence of fair value does not exist for the allocation of revenue, the fee for the entire arrangement is recognized ratably over the term of the arrangement.

The Company engages third party distributors to deliver some of its online marketing services to end customers. In this context, the Company may provide cash incentives to distributors. The cash incentives are accounted for as reduction of revenue in accordance with ASC subtopic 605-25 (“ASC 605-25”), Revenue recognition—Multiple Elements Arrangements (Pre-Codification EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables), the total revenue on such arrangements is allocated to the individual deliverables based on their relative fair values. If sufficient vendor-specific objective evidence of fair value does not exist for the allocation of revenue, the fee for the entire arrangement is recognized ratably over the term of the arrangement.

Cash received in advance from customers is recorded as customer advances and deposits. The unused cash balances remaining in customers’ accounts are included as a liability of the Company. Deferred revenue is recognized when services are provided before the applicable revenue recognition criteria set forth in ASC 605-10 are fulfilled.

Other performance-based arrangements

The Company provides services in exchange for equity instruments where there is persuasive evidence of an arrangement, the fee is fixed and determinable and collection is reasonably assured, as prescribed by ASC subtopic 605-10 (“ASC 605-10”), Revenue Recognition Overall (Pre-Codification Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) No. 104).
Research and development expenses consist primarily of personnel-related costs. The Company has expensed substantially all development costs included in the research and development of products and new functionality added to the existing products as incurred, except for certain core technologies with alternative future uses.

Other Income

Other income consists primarily of interest income, government subsidies, impairment and non-operating expenses. Interest income is generated from bank deposits and other interest-bearing financial assets and is recognized on an accrual basis. Other income, net primarily consists of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. During the years ended December 31, 2007, 2008 and 2009, the Group received financial subsidies of RMB18.99 million, RMB22.72 million and RMB42.50 million (US$6.21 million), respectively, from various local PRC government authorities. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. Such amounts are recorded as other income when received.

Leases

Leases have been classified as either capital or operating leases. Leases that transfer substantially all the benefits and risks incidental to the ownership of assets are accounted for as capital leases. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. The Company had no capital leases for the years ended December 31, 2007, 2008 and 2009.

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BAIDU, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Taxes

The Company recognizes income taxes under the liability method. Deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted tax rates in effect for the years in which the differences are expected to reverse. The Company records a valuation allowance against the amount of deferred tax assets that it determines is not more likely than not being realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company adopted the provisions of ASC subtopic 740-10 (“ASC 740-10”), Income Taxes Overall (Pre-Codification FIN 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109), on January 1, 2007. ASC 740-10 clarified the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. No cumulative effect adjustment resulted from the adoption of ASC 740-10, nor did the standard have any impact on the Company’s financial statements for the years ended December 31, 2008 and 2009. The Company has elected to classify interest and penalties related to an uncertain tax position (if and when required) as part of income tax expense in the consolidated statements of income. As of and for the years ended December 31, 2007, 2008 and 2009, no unrecognized tax benefits or interest and penalties associated with uncertainty in income taxes have been recognized.

Comprehensive Income

Comprehensive income is defined as the change in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Comprehensive income is reported in the consolidated statements of shareholders equity. Accumulated other comprehensive loss of the Company consists of the foreign currency translation adjustments.

Share-based Compensation

The Company adopted ASC subtopic 718-10 (“ASC 718-10”), Compensation-Stock Compensation Overall (Pre-Codification SFAS No. 123(R), Share-Based Payment), using the modified prospective transition approach from January 1, 2006. Pursuant to ASC 718-10, the Company recognized share-based compensation expense over the requisite service periods for any share-based awards granted after January 1, 2006 based on the fair values of all share-based awards on the dates of grant.

The Company has elected to recognize share-based compensation after the date of adoption of ASC 718-10 using the straight-line method for all share-based awards issued. Forfeitures have been estimated based on historical experience and periodically reviewed. Cancellation of an award accompanied by the concurrent grant of a replacement award is accounted for as a modification of the terms of the cancelled award (“modification awards”). The compensation costs associated with the modification awards will be recognized if either the exercise vesting condition of the new vesting condition is achieved and the compensation costs cannot be less than the grant-date fair value of the original award. The incremental compensation cost was measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. Therefore, in relation to the modification awards, the Company recognizes share-based compensation over the vesting periods of the new options, which comprises, (1) the amortization of the incremental portion of share-based compensation over the remaining vesting term and (2) plus any unrecognized compensation cost of original award, using either the original term or the new term, whichever is higher for each reporting period.

The Company accounts for share awards issued to non-employees in accordance with the provisions of ASC subtopic 505-50 (“ASC 505-50”), Equity - Equity-based Payments to Non-Employees (Pre-Codification EITF Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services). Under ASC 505-50, the Company uses the Black-Scholes option pricing model to measure the value of options granted to non-employees at each vesting date to determine the appropriate charge to share-based compensation.

ASC 718-10 also requires share-based compensation to be presented in the same manner as cash compensation rather than as a separate line item.

Earnings Per Share (“EPS”)

The Company computes earnings per Class A and Class B ordinary shares in accordance with ASC subtopic 260-10 (“ASC 260-10”), Earnings Per Share Overall (Pre-Codification SFAS No. 128, Earnings Per Share), using the two-class method. Under the provisions of ASC 260-10, basic net income per share is computed using the weighted average number of ordinary shares outstanding during the period except that it does not include unvested ordinary shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted average number of ordinary shares and, if dilutive, potential ordinary shares outstanding during the period. Potentially dilutive securities have been excluded from the computation of diluted net income per share if their inclusion is anti-dilutive. Potential ordinary shares consist of the incremental ordinary shares issuable upon the exercise of stock options and restricted shares subject to cancellation. The dilutive effect of outstanding stock options and restricted shares is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted net income per share of Class A ordinary shares assumes the conversion of Class B ordinary shares, while the diluted net income per share of Class B ordinary shares does not assume the conversion of those shares.

The liquidation and dividend rights of the holders of the Company’s Class A and Class B ordinary shares are identical, except with respect to voting. As a result, and in accordance with ASC subtopic 260-10 (“ASC 260-10”), Earnings Per Share Overall (Pre-Codification EITF Issue No. 03-06, Participating Securities and the Two-Class Method under FASB Statement No. 128), the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B ordinary shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as the conversion of Class B ordinary shares is assumed in the computation of the diluted net income per share of Class A ordinary shares, the undistributed earnings are equal to net income for that computation.

For the purposes of calculating the Company’s basic and diluted earnings per Class A and Class B ordinary shares, the ordinary shares relating to the options that were exercisable are assumed to have been outstanding from the date of exercise of such options.

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BAIDU, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the computation of basic and diluted net income per Class A and Class B ordinary shares.

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

SFAS 167 is effective for interim and annual reporting periods beginning after November 30, 2009. The Company does not expect the adoption of SFAS 167 will have a material impact on its consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-13 ("ASU 2009-13"). Multiple-Deliverable Revenue Arrangements. ASU 2009-13 amends ASC sub-topic 605-25 (ASC 605-25), Revenue Recognition, Multiple-Element Arrangements, regarding revenue arrangements with multiple deliverables. These updates address how to determine whether an arrangement involves multiple deliverables and, if so, how the arrangement consideration should be allocated among the separate units of accounting. These updates are effective for fiscal years beginning after June 15, 2010 and to be applied retrospectively or prospectively to arrangements entered into or materially modified in addition, early adoption is permitted. The Company does not expect the adoption of ASU 2009-13 will have a material impact on its consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-14 ("ASU 2009-14"). Certain Revenue Arrangements That Include Software Elements. ASU 2009-14 amends the scope of ASC sub-topic 985-605 ("ASC 985-605"). Software Revenue Recognition, to exclude all tangible products containing both software and non-software components that function together to deliver the product’s essential functionality. ASU 2009-14 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and is to be applied on a prospective basis. Early application is permitted as of the beginning of an entity’s fiscal year. The Company does not expect the adoption of ASU 2009-14 will have a material impact on its consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06 ("ASU 2010-06"). Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends ASC 820 to require a number of additional disclosures regarding (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll-forward of activity in Level 3 fair value measurements. These disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company does not expect that the adoption of ASU 2010-06 will have a material impact on its consolidated financial statements.

Concentration of Risks

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk primarily consist of cash and cash equivalents, short-term investments and accounts receivable. The Company has RMB4.58 billion (US$0.58 million) in cash, bank deposits and money market funds in the PRC, which constitute about 91% of total cash and cash equivalents and short-term investments. The Company has approximately RMB 4.18 billion (US$0.52 million) in bank deposits and money market funds in the PRC, which constitute about 91% of total cash and cash equivalents and short-term investments. Since the global financial crisis during the third quarter of 2008, the risk of bankruptcy of these banks in which the Company has deposits or investments has increased significantly. In the event of bankruptcy of one of these financial institutions, it may be unable to claim its deposits or investments back in full. The Company continues to monitor the financial strength of the financial institutions. Accounts receivable are typically unsecured and derived from revenue earned from customers and agents in China, which are exposed to credit risk. The risk is mitigated by credit evaluations the Company performs on its customers and its ongoing monitoring process of outstanding balances. We maintain reserves for estimated credit losses and these losses have generally been within our expectations.

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BAIDU, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Business and economic risks

The Company participates in a dynamic high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Company’s operations:

1. Changes in the competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and costs associated with the Company’s ability to attract and retain employees necessary to support its growth.
2. Changes in the Company’s future financial position, results of operations or cash flows; changes in the demand for services and products; changes in business offerings; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and costs associated with the Company’s ability to attract and retain employees necessary to support its growth.
3. Changes in the overall demand for services and products; changes in business offerings; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and costs associated with the Company’s ability to attract and retain employees necessary to support its growth.
4. Changes in the Company’s future financial position, results of operations or cash flows; changes in the demand for services and products; changes in business offerings; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and costs associated with the Company’s ability to attract and retain employees necessary to support its growth.

Company convertible debt

Substantially all of the Company’s businesses are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions take place either through the People’s Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People’s Bank of China. Approval of foreign currency payments by the People’s Bank of China or other banks authorized by the People’s Bank of China or other regulatory institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

Foreign currency exchange rate risk

The Company is exposed to foreign currency exchange rate risk primarily related to cash and cash equivalents and short-term investments denominated in the U.S. dollar. The functional currency of the Company is the U.S. dollar and the reporting currency is RMB. Since July 21, 2005, the RMB has been permitted to fluctuate within a range of ±2% against the U.S. dollar. The appreciation of the RMB against the U.S. dollar may materially and adversely affect the cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the ADS in U.S. dollars. As a result, an appreciation of RMB against the U.S. dollar would result in foreign currency translation losses when translating the net assets of the Company from the U.S. dollar into RMB.

The functional currency of the subsidiaries in Japan is Japanese Yen ("JPY"), and the reporting currency is JPY. During 2009, JPY depreciated by approximately 2.4% against RMB. The depreciation of JPY against RMB results in foreign currency translation losses when translating the net assets into RMB.

For the years ended December 31, 2007, 2008 and 2009, the net foreign currency translation loss resulting from the translation from the respective functional currencies to the RMB reporting currency recorded in the Company’s other comprehensive loss was RMB44.26 million, RMB27.60 million and RMB37.95 million (US$6.80 million, respectively).

F-21
3. SHORT-TERM INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Fixed rate investments</strong></td>
<td>140,053</td>
<td>381,149</td>
<td>55,839</td>
</tr>
<tr>
<td><strong>Adjustable rate investments</strong></td>
<td>181,211</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>321,264</td>
<td>381,149</td>
<td>55,839</td>
</tr>
</tbody>
</table>

During the years ended December 31, 2007, 2008 and 2009, the Company recorded short-term investment gains and interest income of RMB8.25 million, RMB8.75 million and RMB8.18 million in the consolidated statements of income, respectively.

The following table summarizes the estimated fair value of the held-to-maturity securities as of December 31, 2009 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Carrying Value</th>
<th>Gross Unrealized Gains</th>
<th>Gross Unrealized Losses</th>
<th>Fair Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed rate investments</strong></td>
<td>381,149</td>
<td>354</td>
<td>—</td>
<td>381,503</td>
<td>55,891</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>381,149</td>
<td>354</td>
<td>—</td>
<td>381,503</td>
<td>55,891</td>
</tr>
</tbody>
</table>

4. ACCOUNTS RECEIVABLE

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>101,358</td>
<td>170,625</td>
<td>24,997</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(6,561)</td>
<td>(9,015)</td>
<td>(1,321)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>94,797</td>
<td>161,610</td>
<td>23,676</td>
</tr>
</tbody>
</table>

5. OTHER ASSETS, CURRENT

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Deposits</td>
<td>10,777</td>
<td>18,236</td>
<td>2,012</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>11,194</td>
<td>8,026</td>
<td>1,176</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>9,080</td>
<td>8,965</td>
<td>1,314</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>2,887</td>
<td>5,469</td>
<td>801</td>
</tr>
<tr>
<td>Receivables from employees</td>
<td>5,878</td>
<td>52,118</td>
<td>7,635</td>
</tr>
<tr>
<td>Receivables from service provider</td>
<td>1,436</td>
<td>2,614</td>
<td>383</td>
</tr>
<tr>
<td>Income taxes receivable</td>
<td>38,312</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>43</td>
<td>119</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>94,007</td>
<td>91,067</td>
<td>13,141</td>
</tr>
</tbody>
</table>

6. FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Office building</td>
<td>—</td>
<td>365,198</td>
<td>53,209</td>
</tr>
<tr>
<td>Office building related facility, machinery and equipment</td>
<td>—</td>
<td>118,844</td>
<td>17,411</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>944,807</td>
<td>1,128,844</td>
<td>165,377</td>
</tr>
<tr>
<td>Internal use software development costs</td>
<td>26,811</td>
<td>44,925</td>
<td>6,361</td>
</tr>
<tr>
<td>Vehicles</td>
<td>4,010</td>
<td>4,002</td>
<td>689</td>
</tr>
<tr>
<td>Office equipment</td>
<td>17,134</td>
<td>57,687</td>
<td>8,451</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>43,132</td>
<td>43,118</td>
<td>6,581</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,035,903</td>
<td>1,148,636</td>
<td>256,177</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(535,190)</td>
<td>(766,716)</td>
<td>(112,325)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>239,010</td>
<td>15,837</td>
<td>2,291</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>780,714</td>
<td>997,557</td>
<td>146,143</td>
</tr>
</tbody>
</table>

The Company started the construction of its new office building in Beijing (“Baidu Campus”) in 2007 and completed the construction in late 2009. Direct costs related to the construction of Baidu Campus of RMB102.05 million, RMB122.29 million and RMB209.20 million (US$30.65 million) were capitalized as construction in progress for the years ended December 31, 2007, 2008 and 2009, respectively. Construction in

http://www.sec.gov/Archives/edgar/data/1329099/000095012310028511/h03358e20vf.htm
progress of RMB402.04 million (US$50.62 million) was transferred to property, plant and equipment upon substantial completion of the construction of Baidu Campus in November 2009. The depreciation of Baidu Campus and its related facility, machinery and equipment is calculated using the straight-line method over their respective estimated useful life. In addition, the remainder construction in progress of RMB8.73 million (US$1.28 million) relating to Baidu Campus that has not yet been placed in service for its intended use is anticipated to be transferred to property, plant and equipment in 2010.

Depreciation expense was RMB70.13 million, RMB259.64 million and RMB285.20 million (US$41.78 million) for the years ended December 31, 2007, 2008 and 2009, respectively.

7. GOODWILL AND INTANGIBLE ASSETS

In 2009, Baidu Online completed acquisitions of certain intangible assets, including domain name, software, trademark and non-competition agreement, that met the definition of a business acquisition in accordance with ASC topic 805-10 (“ASC 805-10”), Business Combinations: Overall (Pre-Codification SFAS No. 141(R), Business Combinations). The acquisitions resulted in the increase of intangible assets and goodwill by RMB7.54 million (US$1.10 million) and RMB12.61 million (US$1.85 million), respectively. The acquisitions were insignificant either individually or in the aggregate.

The changes in the carrying amount of goodwill are as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>RMB (in thousands)</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Balance as of January 1</td>
<td>51,093</td>
<td>51,082</td>
</tr>
<tr>
<td>Goodwill acquired</td>
<td>—</td>
<td>12,609</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>—</td>
<td>1,090</td>
</tr>
<tr>
<td>Goodwill acquired</td>
<td>—</td>
<td>12,609</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>—</td>
<td>1,090</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>51,093</td>
<td>51,093</td>
</tr>
</tbody>
</table>

Intangible assets consist of the following:

<table>
<thead>
<tr>
<th>Asset</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land use right</td>
<td>97,611</td>
<td>(3,091)</td>
</tr>
<tr>
<td>Domain names</td>
<td>24,184</td>
<td>(12,726)</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>31,363</td>
<td>(15,234)</td>
</tr>
<tr>
<td>Non-competition agreements</td>
<td>1,022</td>
<td>(760)</td>
</tr>
<tr>
<td>Software</td>
<td>3,231</td>
<td>(996)</td>
</tr>
<tr>
<td>Contract-based assets</td>
<td>210</td>
<td>(210)</td>
</tr>
<tr>
<td>Trademark</td>
<td>1,090</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>158,084</td>
<td>(32,896)</td>
</tr>
</tbody>
</table>

F-25

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES, CURRENT

The increase in accrued operating expenses resulted primarily from the incentives accrued for advertising agents.

F-26
The Company is incorporated in the Cayman Islands and conducts its primary business operations through the subsidiaries and VIEs in the PRC and Japan. It also has intermediate holding companies in the British Virgin Islands ("BVI") and Hong Kong. Under the current laws of the Cayman Islands and BVI, the Company is not subject to tax on income or capital gains. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands and BVI withholding tax will be imposed. Under the Hong Kong tax laws, Baidu Hong Kong is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

China

Prior to January 1, 2008, the Company's subsidiaries and VIEs were governed by the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises (the "FIE") and Foreign Enterprises, and the Enterprise Income Tax ("EIT") laws of the PRC respectively (the "Previous EIT Law"). Under the Previous EIT Law, the Company's PRC subsidiaries and VIEs were generally subjected to enterprise income tax at a statutory rate of 33% (30% state income tax plus 3% local income tax) while certain preferential tax treatments were granted for qualified businesses. The Company's PRC subsidiaries were entitled to preferential tax rates and special tax holidays.

- Baidu Online, being a foreign invested enterprise, was recognized as a "Technologically Advanced Enterprise" by the Beijing Municipal Bureau of Commerce and thus entitled to a preferential tax rate of 10% from 2006 to 2007.
- Baidu China, being a foreign invested enterprise, has been granted "Software Enterprise" status and thus entitled to a "tax holiday" for a full exemption from EIT from 2006 to 2007, and a 50% tax reduction from 2008 to 2010.
- Baidu Times, being a foreign invested enterprise, had been recognized as a "High and New Technology Enterprise" and thus entitled to a reduced EIT rate of 15% upon expiration of the tax holiday, as well as exemption from local income tax. The tax holiday granted to Baidu Times was for a full exemption from EIT from 2006 to 2008, and a 50% tax reduction (at 7.5%) from 2009 to 2011.

On March 16, 2007, the National People's Congress enacted the Enterprise Income Tax Law ("the New EIT Law"), which became effective on January 1, 2008 and has replaced the previous separate income tax laws for domestic enterprises and FIEs by adopting a uniform 25% enterprise income tax rate applicable to all resident enterprises in China, including FIEs and foreign enterprises operating in the PRC. The law came into force on January 1, 2008.

Moreover, the New EIT Law treats enterprises established outside of China with "effective management and control" located in China as PRC resident enterprises for tax purposes. Under the New EIT Law, such enterprises are subject to the PRC Enterprise Income Tax at the rate of 15% on its worldwide income. Moreover, the New EIT Law treats enterprises established outside of China with "effective management and control" located in China as PRC resident enterprises for tax purposes. The term "effective management and control" is generally defined as exercising overall management and control over the business, personnel, accounting, properties, etc. of an enterprise. The Company, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC Enterprise Income Tax at the rate of 25% on its worldwide income for the period after January 1, 2008. As of December 31, 2009, the Company has not accrued for PRC tax on such basis. The Company will continue to monitor its tax status.

Japan

Baidu Japan with a paid-in capital in excess of JPY10.00 million is subject to national income tax of 30%. Baidu Japan is also subject to inhalutants tax, assessed by both prefectures and municipalities. Inhalutants tax is computed as a percentage of national income tax. The per capita tax is based on the company's capitalization and the number of employees. In addition, Baidu Japan is subject to a corporate enterprise tax on its pro forma basis based on the amount of taxable profit subject to the corporate income tax. Baidu Japan has been granted the "Software Enterprise" status and is thereby entitled to a 2-year exemption for years 2006 and 2007 and subsequent 50% tax rate reduction for years 2008 to 2010. According to the relevant tax regulations provided under the New EIT Law, Baidu Japan, which has been approved as a software company, is entitled to the transitional arrangement in relation to tax rate as stipulated in Guofa [2007] No. 39 and enjoys the gradual increase in tax rate from 18% in 2008 to 25% in 2012.

Under the New EIT Law, dividends paid by a FIE to any of its foreign non-resident enterprise investors are subject to a 10% withholding tax, which were exempt under the Previous EIT Law. Thus, the dividends, (and when payable by Baidu Online to Baidu BVI) would be subject to 10% withholding tax. A lower tax rate will be applied if such foreign non-resident enterprise investor or jurisdiction of incorporation has signed a tax treaty or arrangement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income with China. There is such a tax arrangement between PRC and Hong Kong. Thus, the dividends, if and when payable by Baidu Times and Baidu China to Baidu HK, would be subject to 5% withholding tax rather than statutory rate of 10% provided that Baidu HK meets the requirements stipulated by relevant PRC tax regulations. Furthermore, pursuant to the applicable circular and interpretations of the New EIT Law, dividends from earnings created prior to 2008 but distributed after 2008 are not subject to withholding income tax.

The Company had minimal operations in jurisdictions other than the PRC and Japan. Income (loss) before income taxes consists of

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Baidu China</td>
<td>699,332</td>
<td>1,460,326</td>
<td>1,907,575</td>
<td>279,461</td>
</tr>
<tr>
<td>Baidu Times</td>
<td>83,116</td>
<td>196,147</td>
<td>224,454</td>
<td>32,882</td>
</tr>
<tr>
<td>Baidu Japan</td>
<td>168,236</td>
<td>1,664,137</td>
<td>1,683,121</td>
<td>248,579</td>
</tr>
</tbody>
</table>

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BAIDU, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The pre-tax losses from non-PRC operations consists primarily of the operating costs, administration expenses, interest income and charges for share-based compensation. Income taxes consist of

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax</td>
<td>19,409</td>
<td>129,445</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Income tax refund due to reduced transitional tax rate</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Reinvestment tax refund</td>
<td>20,598</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Deferred income tax benefit</td>
<td>39,491</td>
<td>54,553</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>28,728</td>
<td>44,739</td>
<td>51,470</td>
<td>7,241</td>
</tr>
</tbody>
</table>

In 2009 the Company received a total tax refund of RMB558,582 million for overpaid income tax of the year 2008, out of which RMB34,400 million was the refund for overpaid income tax attributed to Baidu Online before it obtained the certificate of High and New Technology Enterprise, which provides Baidu Online with the preferential tax rate of 15% from 2008 to 2010. The remaining refund of RMB214,682 million to Baidu China was composed of RMB178,536 million for over-paid income tax of the year 2008 and a tax refund of RMB13,027 million resulting from the reduced transitional tax rate granted to Baidu China, which was entitled to income tax expense upon receipt.

The reconciliation of tax computed by applying respective statutory income tax rate to pre-tax income is as follows (Amounts in thousands of Renminbi ("RMB"), and in thousands of U.S. Dollars ("US$"), except for number of shares and per share data)

<table>
<thead>
<tr>
<th>Taxable Item</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected taxation at PRC EIT statutory rate</td>
<td>203,552</td>
<td>291,045</td>
<td>420,780</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>2,410</td>
<td>2,703</td>
<td>9,001</td>
</tr>
<tr>
<td>Tax expense relating to R&amp;D expenditures</td>
<td>2,410</td>
<td>2,703</td>
<td>9,001</td>
</tr>
</tbody>
</table>

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BAIDU, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Deferred tax assets, net

<table>
<thead>
<tr>
<th></th>
<th>December 31</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>USD</td>
</tr>
<tr>
<td>Provision for doubtful receivables</td>
<td>1,548</td>
<td>2,105</td>
<td>308</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>24,984</td>
<td>37,904</td>
<td>5,538</td>
</tr>
<tr>
<td>Net operating loss carry-forward</td>
<td>73,357</td>
<td>117,964</td>
<td>17,582</td>
</tr>
<tr>
<td>Other</td>
<td>5,695</td>
<td>10,037</td>
<td>1,466</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>103,584</td>
<td>160,984</td>
<td>24,394</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(37,467)</td>
<td>(124,915)</td>
<td>(18,500)</td>
</tr>
<tr>
<td>Deferred tax assets, net</td>
<td>32,117</td>
<td>32,069</td>
<td>4,894</td>
</tr>
</tbody>
</table>

Deferred tax assets, net is more likely than not to be realized. Consequently, the Company has provided full valuation allowances on the related net deferred tax assets.

10. EMPLOYEE DEFINED CONTRIBUTION PLAN

Full-time employees of the Group in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employees' housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the required contributions. The total amounts for such employee benefits, which were expensed as incurred, were RMB55.12 million (US$8.78 million) for the years ended December 31, 2007, 2008 and 2009.

11. COMMITMENTS AND CONTINGENCIES

Capital commitments

The Company's capital commitments relate primarily to facilities. Total capital commitments were not yet reflected in the financial statements amounted to RMB480.29 million (US$69.20 million) at December 31, 2009. All of these capital commitments are to be fulfilled within the next year.

Operating lease commitments

The Company leases facilities in the PRC under non-cancelable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. Total rental expense under all operating leases was RMB45.41 million, RMB68.86 million and RMB82.45 million (US$10.78 million) for the years ended December 31, 2007, 2008 and 2009, respectively.

Future minimum payments under non-cancelable operating leases with initial terms of one-year or more consist of the following at December 31, 2009

<table>
<thead>
<tr>
<th></th>
<th>RMB</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>216,606</td>
<td>31,733</td>
</tr>
<tr>
<td>2011</td>
<td>18,395</td>
<td>2,695</td>
</tr>
<tr>
<td>2012</td>
<td>7,923</td>
<td>1,161</td>
</tr>
<tr>
<td>2013</td>
<td>7,923</td>
<td>1,161</td>
</tr>
<tr>
<td>2014</td>
<td>5,793</td>
<td>848</td>
</tr>
<tr>
<td>Total</td>
<td>256,640</td>
<td>37,750</td>
</tr>
</tbody>
</table>

12. LIQUIDITY

Baidu NetEase, Baidu China and Baidu Online were involved in a number of cases pending in various courts and arbitration as of December 31, 2009. These cases include alleged copyright infringement, unfair competition, and defamation, among others. Adverse results in these lawsuits may include awards of damages and may also result in, or even complicate, a change in the Company’s business practices, which could result in a loss of revenue or otherwise harm the business of the Company.

As of December 31, 2009, the plaintiffs associated with various cases claimed an aggregate remedy of RMB37.19 million (US$5.61 million). Although the results of litigation and claims cannot be predicted with certainty, the Company believes that the ultimate liability from the lawsuit is not material to the consolidated financial statements.
certainly, the Company does not expect that the outcome of the matters referred to above will result in a material adverse effect on its business, consolidated financial position, results of operations or cash flow.

12. ORDINARY SHARES

Upon completion of the Company’s initial public offering (“IPO”) in August 2005, 16,648,877 Class B Ordinary shares were issued upon conversion of all convertible preferred shares. In addition, immediately following the closing of the IPO, the Memorandum and Articles of Association were amended and restated such that the authorized share capital consisted of 870,400,000 ordinary shares at a par value of US$0.00005 per share, of which 825,000,000 shares were designated as Class A ordinary shares, 35,400,000 as Class B ordinary shares, and 10,000,000 shares designated as preferred shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and is not convertible into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof. Upon any transfer of Class B ordinary shares by the holder thereof to any person or entity that is not an affiliate of such holder, each Class B ordinary share would be automatically converted into an equal number of Class A ordinary shares. There were 2,133,176, 125,856 and 419,654 Class B ordinary shares transferred to Class A ordinary shares in 2007, 2008 and 2009, respectively.

As of December 31, 2009 there were 26,298,960 and 8,454,332 Class A and Class B ordinary shares outstanding, respectively.

As of December 31, 2008 and 2009, there were no preferred shares issued and outstanding.

On December 16, 2008, a resolution was passed during the 2008 annual general meeting of shareholders authorizing the Company to repurchase its Class A ordinary shares represented by American depositary shares (“ADSs”) before the end of 2009. As part of its share repurchase program, the Company entered into two types of share repurchase arrangement with a financial institution as follows:

(a) In December 2008 and March 2009, the Company entered into a structured share repurchase program which required the Company to make an upfront cash payment of US$10.00 million to the financial institution equal to 13% of the fair value of the ADSs. The repurchase program was designed to allow the Company to repurchase ADSs on the open market. The Company made the upfront payment of US$10.00 million to the financial institution in December 2008 and March 2009, respectively. The upfront cash payments were recorded in shareholders’ equity as a reduction to additional paid-in capital in accordance with ASC 815-40 (“ASC 815-40”), Derivatives and Hedging — Contracts in Entity’s Own Equity (Pre-Codification EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company’s Own Stock). The maturity dates in March and June 2009, the Company received its upfront cash payments with premium of US$8.84 million and US$8.71 million, respectively, from the financial institution. The settlement amounts of US$10.84 million and US$20.75 million received by the Company were treated as equity transactions and were credited to additional paid-in capital.

(b) In December 2008 and March 2009, the Company also entered into a preset share repurchase program which engaged the financial institution to act as a broker on behalf of the Company to repurchase ADSs in the open market based on a predetermined quantity and price range. Pursuant to the preset share repurchase program, the Company made an upfront payment of US$10.00 million and US$20.00 million to the financial institution in December 2008 and March 2000, respectively, to repurchase up to an aggregate of US$15.00 million and US$30.00 million of ADSs during an agreed period. The Company had the right to cancel the preset repurchase program with the financial institution at any time so long as the Company provided a three-day notice to the financial institution. The upfront US$10.00 million cash had no restriction otherwise and could have been withdrawn by the Company at any time. The Company repurchased 32,748 ordinary shares from the open market during the agreed periods for an aggregate purchase price of US$31.57 million, including transaction costs of US$982,00. The repurchased shares were considered cancelled under Cayman Islands law upon repurchase and the difference between the par value and the repurchase price was debited to retained earnings.

13. RETAINED EARNINGS

In accordance with the Regulations on Enterprises with Foreign Investment of China and their articles of association, the Company’s PRC subsidiaries, being foreign invested enterprises established in China, are required to provide for certain statutory reserves, namely a general reserve fund, an enterprise expansion fund, a staff welfare fund and a bonus fund, all of which are appropriated from net profit as reported in their PRC statutory accounts. Each of the Company’s subsidiaries is required to allocate at least 10% of its after-tax profits to a general reserve fund until such fund has reached 50% of its respective registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus funds are at the discretion of the board of directors of the Company’s subsidiaries.

In accordance with the China Company Laws, the Company’s VIEs must make appropriations from their after-tax profits as reported in their PRC statutory accounts to non-distributable reserve funds, namely a statutory surplus fund, a statutory public welfare fund and a discretionary surplus fund. Each of the Company’s VIEs is required to allocate at least 10% of its after-tax profits to the statutory surplus fund until such fund has reached 50% of its respective registered capital. Appropriation to the statutory public welfare fund is 3% to 10% of the after-tax profits as reported in the PRC statutory accounts. Effective from January 1, 2006, under the revised China Company Laws, appropriation to the statutory public welfare fund is no longer mandatory. Appropriations to the discretionary surplus fund are made at the discretion of the Company’s VIEs.

General reserve and statutory surplus funds are restricted to set-off against losses, expansion of production and operation and increasing registered capital of the respective company. Staff welfare and bonus fund and statutory public welfare funds are restricted to capital expenditure for the collective welfare of employees. The reserves are not allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor are they allowed for distribution except under liquidation.

Under PRC laws and regulations, there are restrictions on the Company’s PRC subsidiaries and VIEs with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. Amounts restricted include paid up capital and statutory reserve funds of the Company’s PRC subsidiaries and the net assets of VIEs in which the Company has no legal ownership, totaling approximately RMB630.77 million and RMB79.43 million (US$128.84 million) as of December 31, 2008 and 2009, respectively.

14. SHARE-BASED AWARDS PLAN

Incentive Compensation Plans

In January 2000, the Company adopted the 2000 Option Plan (the “2000 Plan”). The 2000 Plan provides for the granting of share options and restricted ordinary shares to employees and consultants of the Company. Options granted under the 2000 Plan may be either incentive share options or nonqualified share options. Incentive share options (“ISOs”) may be granted only to Company employees (including officers and directors who are also employees). Nonqualified share options (“NQOs”) may be granted to Company employees and consultants. The Company has reserved 3,040,000 ordinary shares for issuance under the 2000 Plan. Under the 2000 Plan, which expires in ten years, options granted generally vest 25% over the first year of service and ratably each month over the remaining 36-month period.

Under the 2000 Plan, the employees may exercise their options immediately, if such provisions are set forth in the award agreement, but the Company has a right to repurchase unvested shares at the amount equal to the original purchase price paid by the grantee for each such share. The right to repurchase lapses at the rate of at least twenty percent of the shares subject to the award per year over five years from the date the award is granted (without respect to the date the award was exercised or became exercisable). Such repurchase right is exercisable at any time (i) during the 90-day period following employee termination date, or (ii) during the 90-day period following an exercise of the option that occurs after employee termination date. The contractual term of options granted is generally five years.

In December 2008, the Company amended the 2000 Plan by adding a new section regarding adjustment of exercise price. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the 2000 Plan administrator, which is the Board of Directors, and the determination of which shall be final, binding and conclusive. A downward adjustment of the exercise prices shall be effective without the approval of the Company a shareholder or the approval of the affected shareholders.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the option activity for the year ended December 31, 2009:

<table>
<thead>
<tr>
<th>Share Option *</th>
<th>Number of Shares</th>
<th>Weighted-Average Exercise Price</th>
<th>Weighted-Average Remaining Contractual Life (Years)</th>
<th>Aggregate Intrinsic Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, December 31, 2008</td>
<td>328,093</td>
<td>US$72.06</td>
<td>1.95</td>
<td>24,681</td>
</tr>
<tr>
<td>Granted</td>
<td>57,739</td>
<td>US$153.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(196,296)</td>
<td>US$80.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited/Cancelled</td>
<td>(31,386)</td>
<td>US$260.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expired</td>
<td>(1,476)</td>
<td>US$285.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding, December 31, 2008</td>
<td>154,674</td>
<td>US$110.80</td>
<td>2.56</td>
<td>46,469</td>
</tr>
</tbody>
</table>

Aggregate intrinsic value in the table above represents the difference between the Company's closing stock price on the last trading day in 2009 and the exercise price.

Total intrinsic value of options exercised for the three years ended December 31, 2007, 2008 and 2009 was RMB559.9 million, RMB465.25 million and RMB340.13 million (US$49.85 million), respectively.

As of December 31, 2009, there was RMB36.45 million (US$5.54 million) unrecognized share-based compensation cost related to share options. That deferred cost is expected to be recognized over a weighted-average vesting period of 2.60 years. To the extent the actual forfeiture rate is different from original estimate, actual share-based compensation costs related to these awards may be different from the expectation.

On February 11, 2009, the Company cancelled options previously granted to certain executives with the exercise price significantly higher than the fair market value at that time, and concurrently re-granted the same number of options at the then current fair market value. The vesting of the replacement option starts from the date of grant, and all other terms remain as the original option. The cancellation and re-grant was intended to provide incentives for these executives. In accordance with ASC 718-10, the Company accounted for the cancellation of an award accompanied by the concurrent grant of a replacement award as a modification of the terms of the cancelled award. Therefore, incremental compensation cost was measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. The total compensation cost measured at the date of cancellation and replacement was US$2.96 million, representing the portion of the grant-date fair value of the original award for which the requisite service is expected to be rendered (or has already been rendered) at that date of US$2.36 million plus the incremental cost resulting from the cancellation and replacement of US$0.60 million. The cost is being amortized on a straight-line basis over the vesting term of four years of the replacement option.

Restrictive Shares

Restricted shares activity for the year ended December 31, 2009 was as follows:

<table>
<thead>
<tr>
<th>Restricted Shares</th>
<th>Number of Shares</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonvested, December 31, 2008</td>
<td>82,302</td>
<td>US$201.76</td>
</tr>
<tr>
<td>Granted</td>
<td>40,233</td>
<td>US$241.55</td>
</tr>
<tr>
<td>Vested</td>
<td>(71,903)</td>
<td>US$199.69</td>
</tr>
<tr>
<td>Forfeited/Cancelled</td>
<td>(13,008)</td>
<td>US$211.19</td>
</tr>
<tr>
<td>Nonvested, December 31, 2009</td>
<td>47,694</td>
<td>US$224.34</td>
</tr>
</tbody>
</table>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2009, there was RMB53.79 million (US$7.88 million) unrecognized share-based compensation cost related to restricted shares. That deferred cost will be recognized over a weighted-average vesting period of 1.24 years. To the extent the actual forfeiture rate is different from the original estimate, actual share-based compensation costs related to these awards may be different from the expectation.

The fair value of each option award was estimated on the date of grant using the Black-Scholes-Merton valuation model. The volatility assumption was estimated based on historical volatility and historical volatility of the Company’s share price provided by ASC Subtopic 718-10 (ASC 718-10 “Stock Compensation—Overall (Pre-Codification)”). Assumptions about the expected term were based on the vesting and contractual terms and employee demographics. The Company considered the comparable data in 2007 and 2008 because the Company had limited relevant historical information to support the expected exercise behavior of employees who had been granted options as the Company has been a public company only since August 2005. The Company began to estimate the volatility assumption solely based on its historical information since 2009. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table presents the assumptions used to estimate the fair values of the share options granted in the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>4.54%~5.03%</td>
<td>1.74%~2.60%</td>
<td>1.18%</td>
</tr>
<tr>
<td>Expected volatility range</td>
<td>63.94%~72.90%</td>
<td>63.52%~70.82%</td>
<td>85.43%</td>
</tr>
<tr>
<td>Weighted average expected volatility</td>
<td>68.28%</td>
<td>66.54%</td>
<td>85.43%</td>
</tr>
<tr>
<td>Expected life (in years)</td>
<td>1.26</td>
<td>1.63~2.44</td>
<td>2.65</td>
</tr>
</tbody>
</table>

In addition, the Company applies an expected forfeiture rate in determining the grant date fair value of the option grants. The estimation of the forfeiture rate was based primarily upon historical experience of employee turnover. To the extent the Company revises this estimate in the future, the share-based payments could be materially impacted in the quarter of revision, as well as in following quarters. During the year ended December 31, 2009, the Company decreased the forfeiture rate for the employee group primarily due to changes in historical employee turnover rates.

The table below summarizes the weighted average fair value and exercise price of share options granted:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average grant-date fair value of share options granted</td>
<td>US$</td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Where exercise price is lower than market price</td>
<td>57.02</td>
<td>136.97</td>
<td>94.10</td>
</tr>
</tbody>
</table>
15. RELATED PARTY TRANSACTIONS

Employees who exercise their options with cash will be required to pay individual income tax (“IIT”) through the Company. As of December 31, 2008, the Company accrued withholding individual income tax for one employee, who is also one of the major shareholders, of RMB0.70 million (US$0.17 million). The balance was subsequently paid by the employee to the tax authority through the Company in February 2009. No balances were due from any shareholders, officers or directors as of December 31, 2009.

16. SEGMENT REPORTING

In accordance with ASC subtopic 280-10 (“ASC 280-10”), Segment Reporting Overall (Pre-Codification SFAS 131, Disclosures about segments of an Enterprise and Related Information), the Company’s chief operating officer relies upon consolidated results of operations when making decisions about allocating resources and assessing performance of the Company; hence, the Company has only one single operating segment. The Company does not distinguish between markets or segments for the purpose of internal reporting.

The Company’s revenue and long-lived assets are primarily derived from and located in the PRC and Japan.

17. FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Group adopted ASC subtopic 820-10 (“ASC 820-10”), Fair Value Measurements and Disclosures Overall (Pre-Codification SFAS 157, Fair Value Measurements). ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Although the adoption of ASC 820-10 did not impact the Group’s financial condition, results of operations, or cash flow, ASC 820-10 requires additional disclosures to be provided on fair value measurement.

ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace

Level 3 — Unobservable inputs which are supported by little or no market activity

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach, (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is

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