BEIJING, Feb. 27, 2014 /PRNewswire/ -- Youku Tudou Inc. (NYSE: YOKU, and formerly Youku Inc. or "Youku"), China's leading Internet television company ("Youku Tudou" or the "Company"), today announced its unaudited financial results for fourth quarter and fiscal year 2013.

Basis of Presentation

On August 23, 2012, the Company and Tudou Holdings Limited ("Tudou") announced the completion of the merger between Youku and Tudou. Following the completion of the merger, Tudou's financial results were consolidated into the Company. Based on Youku's review with Tudou management of Tudou's publicly disclosed summary of significant accounting policies prior to the merger, certain adjustments to the historical statement of operations have been made to conform its accounting policies to those of Youku's. Due to the fact that Tudou's historical statements of operations for certain period of 2012 consist of stand-alone historical financial information without these adjustments, we do not believe that comparison of the Company's fiscal year 2013 financial results with that of the fiscal year 2012 can be provided on a consistent basis.

Fourth Quarter 2013 Highlights[1]

- Net revenues were RMB901.3 million (US$148.9 million),a 42% increase from the corresponding period in 2012.
- Gross profit was RMB254.3 million (US$42.0 million), a 119% increase from the corresponding period in 2012. Non-GAAP gross profit is herein defined as gross profit excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to user generated content. Non-GAAP gross profit was
RMB268.3 million
(
US$44.3 million

) in the fourth quarter of 2013, an increase of 108% from the corresponding period in 2012.

- Net loss was RMB24.6 million (US$4.1 million), a 78% decrease from the corresponding period in 2012. Non-GAAP net profit or loss is herein defined as net loss excluding share-based compensation expenses, amortization of intangible assets from business combination and business combination related expenses. Non-GAAP net profit was RMB44.2 million (US$7.3 million) in the fourth quarter of 2013, as compared to a non-GAAP net loss of RMB62.3 million (US$10.3 million) for the corresponding period in 2012.
- Basic and diluted loss per ADS, each representing 18 Class A ordinary shares, for the fourth quarter of 2013 amounted to RMB0.15 (US$0.02) and RMB0.15 (US$0.02), respectively.
- Cash, cash equivalents, restricted cash and short-term investments totaled RMB3.2 billion (US$524.7 million) as of December 31, 2013 .
- Acquisition of property and equipment for the fourth quarter of 2013 was RMB15.0 million (US$2.5 million).
- Acquisition of intangible assets for the fourth quarter of 2013 was RMB227.5 million (US$ 37.6 million).

Fiscal Year 2013 Highlights

- Net revenues were RMB3.0 billion (US$500.3 million).
- Gross profit was RMB541.1 million (US$89.4 million). Non-GAAP gross profit was RMB60 1.3 million (US$99.3 million).
- Net loss was RMB580.7 million (US$95.9 million). Non-GAAP net loss was RMB342.1milli on (US$56.5 million).
- Basic and diluted loss per ADS, each representing 18 Class A ordinary shares, for 2013 amounted to RMB3.50 (US$0.58) and RMB3.50 (US$0.58), respectively.

- Acquisition of property and equipment in 2013 was RMB144.1 million (US$23.8 million).
- Acquisition of intangible assets in 2013 was RMB740.6 million (US$122.3 million).

"The strong operational and financial performance recorded in the fourth quarter enabled Youku Tudou to achieve profitability on a combined basis for the first time in the company's history. This milestone was achieved on the back of scale economics, strong operating leverage and solid execution," stated Victor Koo, Chairman and Chief Executive Officer of Youku Tudou. "With dynamic rise in mobile traffic throughout 2013, our existing comprehensive content library and the two most recognized online video brands set Youku Tudou apart as China's no. 1 multi-screen video company."

Dele Liu, President of Youku Tudou, added, "As viewing content from multiple Internet-enabled devices increasingly becomes a social phenomenon in China, a diverse and comprehensive content mix is critical to elevating our media value and further expanding our leadership across China. We believe our most comprehensive content offering provides enlightening entertainment to hundreds of millions of users in China."

Fourth Quarter 2013 Results

Net revenues were RMB901.3 million (US$148.9 million) in the fourth quarter of 2013, a 42% increase from the corresponding period in 2012 and exceeding the high end of the net revenues guidance previously announced by the Company. Advertising net revenues were RMB801.0 million (US$132.3 million), meeting the advertising net revenues guidance previously announced by the Company. The growth was primarily attributable to the increased use by brand advertisers of our advertising services as evidenced by the rising average spend per advertiser.

Bandwidth costs as a component of cost of revenues were RMB178.8 million (US$29.5 million)in the fourth quarter of 2013, representing 20% of net revenues, as compared to 26% of net revenues for the corresponding period in 2012.

Content costs as a component of cost of revenues were RMB353.7 million (US$58.4 million) in the fourth quarter of 2013, representing 39% of net revenues.
Non-GAAP content costs
, which is herein defined as content costs excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to user generated content, were
RMB339.7million
(
US$56.1 million
) in the fourth quarter of 2013, representing 38% of net revenues, as compared to 41% of net revenues for the corresponding period in 2012.

Gross profit was RMB254.3 million (US$42.0 million)in the fourth quarter of 2013, an increase of 119% from the corresponding period in 2012.
Non-GAAP gross profit
was
RMB268.3 million
(
US$44.3 million
) in the fourth quarter of 2013, an increase of 108% from the corresponding period in 2012 due to strong operating leverage.

Operating expenses were RMB333.4 million (US$55.1 million) in the fourth quarter of 2013, as compared to RMB245.0
million (US$40.
5 million
) of the corresponding period in 2012.
Non-GAAP operating expenses
, which is herein defined as operating expenses excluding share-based compensation expenses, business combination related expenses and amortization of intangible assets from business combination in relation to customer relationship, technology and non-compete provisions, were
RMB278.5 million
(
US$46.0 million
) in the fourth quarter of 2013, an increase of 35% from the corresponding period in 2012.
Detailed discussion of each component of operating expenses is as follows:

Sales and marketing expenses were RMB216.4 million (US$35.8 million) in the fourth quarter of 2013, as compared to
RMB107.8 million
(
US$17.8 million
) of the corresponding period in 2012.
Non-GAAP sales and marketing expenses
, which is herein defined as sales and marketing expenses excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to customer relationship, were
RMB195.8 million
(
US$32.3 million
) in the fourth quarter of 2013, an increase of 106% from the corresponding period in 2012. This increase was primarily due to year-end advertising related promotion expenses and marketing expenditures on our mobile products.

Product development expenses were RMB76.5 million (US$12.6 million) in the fourth quarter of 2013, as compared to
RMB64.1 million
(
US$10.6 million
) for the corresponding period in 2012.
Non-GAAP product development expenses
, which is herein defined as product development expenses excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to technology, were
RMB61.3 million
(
US$10.1 million
) in the fourth quarter of 2013, an increase of 13% from the corresponding period in 2012. This increase was primarily due to an increase in personnel related expenses for our product development in mobile, search, social and paid-services.

General and administrative expenses were RMB40.4 million (US$6.7 million) in the fourth quarter of 2013, as compared to
RMB73.1 million
(
US$12.1 million
) for the corresponding period in 2012.
Non-GAAP general and administrative expenses,
which is herein defined as general and administrative expenses excluding share-based

compensation expenses, business combination related expenses and amortization of intangible assets from business combination in relation to non-compete provisions, were RMB21.4 million (US$3.5 million) in the fourth quarter of 2013, a decrease of 62% from the corresponding period in 2012.

Net loss was RMB24.6 million (US$4.1 million)in the fourth quarter of 2013, a decrease of 78% compared to RMB113.6 million (US$18.8 million) for the corresponding period in 2012.

Non-GAAP net profit was RMB44.2 million (US$7.3 million) in the fourth quarter of 2013, as compared to a non-GAAP net loss of RMB62.3 million (US$10.3 million) for the corresponding period in 2012.

Non-GAAP adjusted EBITDA Profit, which is herein defined as net loss before income taxes, interest expenses, interest income, depreciation and amortization (excluding amortization of acquired content), further adjusted for share-based compensation expenses, amortization of intangible assets from business combination related expenses and other non-operating items, was RMB36.8 million (US$6.1 million) in the fourth quarter of 2013, as compared to a non-GAAP adjusted EBITDA loss of RMB46.1 million (US$7.6 million) for the corresponding period in 2012.

Fiscal Year 2013 Results

Net revenues were RMB3.0 billion (US$500.3 million).

Bandwidth costs as a component of cost of revenues were RMB685.7 million (US$113.3 million), representing 23% of net revenues.

Content costs as a component of cost of revenues were RMB1.4 billion (US$235.0 million), representing 47% of net revenues.

Gross profit was RMB541.1 million (US$89.4 million). **Non-GAAP gross profit** was RMB601.3 million (US$99.3 million).

Operating expenses were RMB1.2 billion (US$201.7 million). **Non-GAAP operating expenses** were RMB1.0 billion (US$172.2 million). Detailed discussion of each component of operating expenses is as follows:

Sales and marketing expenses were RMB681.0 million (US$112.5 million). **Non-GAAP sales and marketing expenses** were RMB619.0 million (US$102.3 million).

Product development expenses were RMB278.0 million (US$45.9 million). **Non-GAAP product development expenses** were RMB232.0 million (US$38.3 million).

General and administrative expenses were RMB261.8 million (US$43.2 million). **Non-GAAP general and administrative expenses**
were
RMB191.5 million
(
US$31.6 million
).

Net loss was RMB580.7 million (US$95.9 million). **Non-GAAP net loss** was RMB342.1 million
(
US$56.5 million
).

Non-GAAP adjusted EBITDA loss was RMB309.5 million (US$51.1 million).

Business Outlook

For the first quarter of 2014, the Companyexpects net revenues will be between RMB680 million and RMB720 million
, with advertising net revenues contributing between
RMB600 million and RMB640 million
. This forecast reflects the Company's current and preliminary view, which is subject to change.

Conference Call Information

Youku Tudou's management will host an earnings conference call at 8:00 p.m. U.S. Eastern Time on Februar
y 27, 2014
(
9:00 a.m.
Beijing
/Hong Kong Time on
February 28, 2014
).

Interested parties may participate in the conference call by dialing one of the following numbers below and entering passcode Youku# (i.e., 96858#) starting 10-15 minutes prior to the beginning of the call.

US Toll Free Dial In: 1-866-519-4004 International Dial In: 1-718-354-1231Mainland China Toll Free Dial
In: 86-4006208038 / 86-8008190121Hong Kong Dial In: 852-2475-0994

A replay of the call will be available by dialing +61 2 8199 0299 and entering passcode 1592223#. The replay will be available through March 8, 2014.

This call will be webcast live and the replay will be available for 12 months. Both will be available on the Investor Relations section of Youku Tudou's corporate website at http://ir.youku.com .

About Youku Tudou Inc.

Youku Tudou Inc. (NYSE: YOKU) is China's leading Internet television company. Its Youku and Tudou Internet television platforms enable users to search, view and share high-quality video content quickly and easily across multiple devices. Its Youku brand and Tudou brand are among the most recognized online video brands in China. Youku Tudou's American depositary shares, each representing 18 of Youku Tudou's Class A ordinary shares, are traded on the NYSE under the symbol "YOKU."

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among

other things, the business outlook and quotations from management in this announcement, as well as Youku Tudou's strategic and operational plans, contain forward-looking statements. Youku Tudou may also make written or oral forward-looking statements in its filings with the U.S. Securities and Exchange Commission ("SEC"), in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Youku Tudou's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: our goals and strategies; our future business development, financial condition and results of operations; the expected growth of the online video market in China; our expectations regarding demand for and market acceptance of our services; our expectations regarding the retention and strengthening of our relationships with key advertisers and customers; our plans to enhance user experience, infrastructure and service offerings; competition in our industry in
China
; and relevant government policies and regulations relating to our industry. Further information regarding these and other risks is included in our annual report on Form 20-F and other documents filed with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and Youku Tudou does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

About Non-GAAP Financial Measures

To supplement Youku Tudou's financial results presented in accordance with United States Generally Accepted Accounting Principles ("GAAP"), Youku Tudou uses the following measures defined as non-GAAP financial measures by the SEC in evaluating its business: non-GAAP content costs, non-GAAP gross profit, non-GAAP operating expenses, non-GAAP sales and marketing expenses, non-GAAP product development expenses, non-GAAP general and administrative expenses, non-GAAP profit or loss from operations, non-GAAP net profit or loss and non-GAAP EBITDA profit or loss. We define non-GAAP content costs as content costs excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to user generated content. We define non-GAAP gross profit or loss as the respective nearest comparable GAAP financial measure to exclude share-based compensation expenses and amortization of intangible assets from business combination in relation to user generated content. We define non-GAAP operating expenses as operating expenses excluding share-based compensation expenses, business combination related expenses and amortization of intangible assets from business combination in relation to customer relationship, technology and non-compete provisions. We define non-GAAP sales and marketing expenses as sales and marketing expenses excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to customer relationship. We define non-GAAP product development expense as product development expenses excluding share-based compensation expenses and amortization of intangible assets from business combination in relation to technology. We define non-GAAP general and administrative expenses as general and administrative expenses excluding share-based compensation expenses, business combination related expenses and amortization of intangible assets from business combination in relation to non-compete provisions. We define non-GAAP profit or loss from operations as profit or loss from operations excluding share-based compensation expenses, amortization of intangible assets from business combination and business combination related expenses. We define non-GAAP net profit or loss as net loss excluding share-based compensation expenses, amortization of intangible assets from business combination and business combination related expenses. We define non-GAAP EBITDA profit or loss as net profit or loss before income taxes, interest expenses, interest income, depreciation and amortization (excluding amortization of acquired content), further adjusted for share-based compensation expenses, amortization of intangible assets from business combination, business combination related expenses and other non-operating items.

We present non-GAAP financial measures because they are used by our management to evaluate our operating performance. We also believe that these non-GAAP financial measures provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. A limitation of using non-GAAP financial measures is that non-GAAP measures exclude share-based compensation charges that have been and will continue to be significant recurring expenses in Youku Tudou's business for the foreseeable future.

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

For more information, please contact:

Ryan Cheung Corporate Finance Director Youku Tudou Inc. Tel: (+8610) 5885-1881 x6090 Email: ryan.cheung@youku.com

[1]

The reporting currency of the Company is Renminbi ("RMB"), but for the convenience of the reader, the

YOUKU TUDOU INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except for number of shares)

As of December 31,

2012

2013

2013

RMB

RMB

US$

ASSETS

(Unaudited)

(Unaudited)

Current assets:

Cash and cash equivalents

1,655,857

1,764,221

291,429

Restricted cash

9,003

2,679

443

Short-term investments

2,110,073

1,409,439

232,823

Accounts receivable, net

932,796

1,370,031

226,313

Intangible assets, net

19,607

51,942

8,580

Deferred tax assets

10,470

7,843

1,296

Prepayments and other assets

64,909

82,300

13,595

Total current assets

4,802,715

4,688,455

774,479

Non-current assets:

Property and equipment, net

200,681

222,229

36,710

Intangible assets, net

1,304,923

1,197,671

197,841

Capitalized content production costs

-

1,176

194

Prepayments and other assets

229,185

197,856

32,683

Goodwill

4,255,570

4,262,569

704,126

Total non-current assets

5,990,359

5,881,501

971,554

TOTAL ASSETS

10,793,074

10,569,956

1,746,033

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable

181,878

213,825

35,321

Advances from customers

21,603

25,081

4,143

Accrued expenses and other liabilities

981,353

1,124,342

185,729

Current portion of long-term debt

7,441

-

-

Total current liabilities

1,192,275

1,363,248

225,193

Non-current liabilities

Deferred tax liability

224,374

219,519

36,262

Other liabilities

19,552

4,070

672

Total non-current liabilities

243,926

223,589

36,934

Total liabilities

1,436,201

1,586,837

262,127

Commitments and contingencies

Shareholders' equity

Class A Ordinary Shares (US$0.00001 par value, 9,340,238,793 authorized, 2,286,643,502 and 2,356,529,401 issued and outstanding

as of December 31, 2012 and 2013, respectively)

149

154

25

Class B Ordinary Shares (US$0.00001 par value, 659,761,207

authorized, 659,561,893 and 659,561,893 issued and outstanding as

of December 31, 2012 and 2013, respectively)

49

49

8

Additional paid-in capital

10,768,204

11,058,360

1,826,711

Statutory reserves

1,500

2,063

341

Accumulated deficit

(1,297,147)

(1,878,454)

(310,298)

Accumulated other comprehensive loss

(115,882)

(199,053)

(32,881)

Total shareholders' equity

9,356,873

8,983,119

1,483,906

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

10,793,074

10,569,956

1,746,033

YOUKU TUDOU INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Three Months Ended

For the Twelve Months Ended

(Amounts in thousands, except for number of shares and ADS and per share and per

ADS data)

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

Net revenues

635,831

857,743

901,287

148,882

1,795,575

3,028,484

500,271

Cost of revenues (Note 1)

(519,544)

(775,436)

(646,938)

(106,867)

(1,499,536)

(2,487,421)

(410,893)

Gross profit

116,287

82,307

254,349

42,015

296,039

541,063

89,378

Operating expenses:

Product development

(64,099)

(78,622)

(76,514)

(12,639)

(172,885)

(278,015)

(45,925)

Sales and marketing

(107,787)

(171,763)

(216,444)

(35,754)

(363,707)

(681,008)

(112,494)

General and administrative

(73,084)

(62,458)

(40,393)

(6,672)

(238,112)

(261,770)

(43,241)

Total operating expenses

(244,970)

(312,843)

(333,351)

(55,065)

(774,704)

(1,220,793)

(201,660)

Loss from operations

(128,683)

(230,536)

(79,002)

(13,050)

(478,665)

(679,730)

(112,282)

Interest income

9,988

7,284

8,419

1,391

45,478

29,972

4,950

Interest expenses

(830)

-

-

-

(3,989)

(545)

(90)

Other, net

1,043

4,694

46,878

7,744

9,757

70,573

11,658

Total other income, net

10,201

11,978

55,297

9,135

51,246

100,000

16,518

Loss before income taxes

(118,482)

(218,558)

(23,705)

(3,915)

(427,419)

(579,730)

(95,764)

Income taxes

4,912

(80)

(876)

(145)

3,416

(1,014)

(168)

Net loss

(113,570)

(218,638)

(24,581)

(4,060)

(424,003)

(580,744)

(95,932)

Other comprehensive loss, before tax

Foreign currency translation adjustments

(20,647)

(10,547)

(33,201)

(5,484)

(7,304)

(83,171)

(13,739)

Other comprehensive loss, before tax

(20,647)

(10,547)

(33,201)

(5,484)

(7,304)

(83,171)

(13,739)

Income tax expense related to components of other comprehensive loss

-

-

-

-

-

-

-

Other comprehensive loss, net of tax

(20,647)

(10,547)

(33,201)

(5,484)

(7,304)

(83,171)

(13,739)

0

0

Net loss per share, basic and diluted

(0.04)

(0.07)

(0.01)

(0.00)

(0.18)

(0.19)

(0.03)

Net loss per ADS (each ADS represents 18 class A ordinary shares), basic and diluted

(0.69)

(1.31)

(0.15)

(0.02)

(3.20)

(3.50)

(0.58)

Shares used in computation, basic and diluted

2,944,902,156

2,995,701,280

3,010,627,513

3,010,627,513

2,386,474,188

2,986,223,088

2,986,223,088

ADSs used in computation, basic and diluted

163,605,675

166,427,848

167,257,084

167,257,084

132,581,899

165,901,282

165,901,282

The accompanying notes are an integral part of the press release.

Note 1. Cost of Revenues

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

(Amounts in thousands)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

Cost of revenues:

Value added, business taxes and surcharges

59,337

75,480

77,758

12,845

169,283

276,497

45,674

Bandwidth costs

162,959

181,670

178,824

29,540

524,623

685,650

113,261

Depreciation of servers and other equipment

26,303

21,827

36,686

6,060

68,569

102,367

16,910

Content costs

270,945

496,459

353,670

58,422

737,061

1,422,907

235,048

Total Cost of Revenues

519,544

775,436

646,938

106,867

1,499,536

2,487,421

410,893

YOUKU TUDOU INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended

For the Twelve Months Ended

(Amounts in thousands)

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

(Unaudited)

Cash flows from operating activities:

Net loss

(113,570)

(218,638)

(24,581)

(4,060)

(424,003)

(580,744)

(95,932)

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:

Depreciation and impairment of fixed assets

31,249

30,342

46,972

7,759

81,609

131,611

21,741

Bad debt expense

(1,828)

19,945

25,547

4,220

9,887

62,603

10,341

Amortisation and impairment of intangible assets and capitalized content production costs

135,508

327,334

225,109

37,185

416,396

867,957

143,376

Amortization of long-term debt discounts

336

-

-

-

1,928

313

52

Gain on disposal of property and equipment

-

788

(353)

(58)

52

485

80

Foreign exchange loss (gain)

826

2,540

(15,336)

(2,533)

469

(13,318)

(2,200)

Share-based compensation

38,779

48,918

53,061

8,764

118,218

188,358

31,114

Gain form remeasurement of previously held investment in acquired subsidiary

-

-

-

-

(3,344)

-

-

Deferred income tax benefits

(7,675)

-

(4,414)

(729)

(9,953)

(4,414)

(729)

Write-off of prepayment

8,510

-

-

-

-

-

-

Gain from de-recognition of off-market liabilities

-

-

(16,540)

(2,732)

-

(16,540)

(2,732)

Changes in operating assets and liabilities:

Restricted cash

-

6,759

(1,129)

(186)

(9,003)

6,324

1,045

Accounts receivable

73,149

(161,184)

(10,312)

(1,703)

(223,772)

(499,838)

(82,567)

Prepayments and other assets

(20,831)

37,051

(58,751)

(9,705)

20,182

1,441

238

Capitalized content production costs

5,761

(3,004)

22,687

3,748

(9,891)

(6,738)

(1,113)

Accounts payable

(22,506)

702

(15,572)

(2,572)

(39,023)

(13,555)

(2,239)

Advances from customers

(23,022)

9,918

(40,717)

(6,726)

(7,244)

3,478

576

Accrued expenses and other liabilities

53,987

20,027

21,519

3,553

214,912

142,060

23,464

Net cash provided by operating activities

158,673

121,498

207,190

34,225

137,420

269,483

44,515

Cash flows from investing activities:

Acquisition of property and equipment

(24,364)

(67,252)

(14,955)

(2,470)

(90,204)

(144,120)

(23,807)

Proceeds received from maturity of short-term investments

1,170,519

1,358,761

1,018,628

168,265

2,826,023

2,989,628

493,851

Short-term investments placed with financial institutions

(2,113,464)

(1,405,173)

-

-

(3,536,711)

(2,283,410)

(377,192)

Proceeds from disposal of property and equipment

1

-

(824)

(136)

9

458

76

Cash acquired, net of cash paid for acquired subsidiaries

-

-

(6,999)

(1,156)

378,666

(6,999)

(1,156)

Acquisition of intangible assets from related party

7,200

-

-

-

-

-

-

Acquisition of intangible assets

(118,256)

(171,620)

(227,540)

(37,587)

(361,976)

(740,581)

(122,335)

Net cash (used in) provided by investing activities

(1,078,364)

(285,284)

768,310

126,916

(784,193)

(185,024)

(30,563)

Cash flows from financing activities:

Exercise of employee stock options

3,561

27,676

9,084

1,501

22,485

101,435

16,756

Proceeds from restricted cash

25,364

-

-

-

38,069

-

-

Principal repayments on long-term debt

(23,685)

(1,111)

-

-

(11,145)

(7,677)

(1,268)

Principal repayments on short-term loan

-

-

-

-

(31,544)

-

-

Net cash provided by financing activities

5,240

26,565

9,084

1,501

17,865

93,758

15,488

Effect of exchange rate changes on cash and cash equivalents

(21,474)

(13,087)

(17,865)

(2,951)

(7,773)

(69,853)

(11,539)

Net (decrease) increase in cash and cash equivalents

(935,925)

(150,308)

966,719

159,691

(636,681)

108,364

17,901

Cash and cash equivalents at the beginning of the period

2,591,782

947,810

797,502

131,738

2,292,538

1,655,857

273,528

Cash and cash equivalents at the end of the period

1,655,857

797,502

1,764,221

291,429

1,655,857

1,764,221

291,429

Reconciliations of Non-GAAP results of operations measures to the nearest comparable GAAP financial [1]

(Amounts in thousands of Renminbi ("RMB") and U.S. d

1. Non-GAAP Content Costs

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Content costs

270,945

496,459

353,670

58,422

737,061

1,422,907

235,048

Deduct: share-based compensation

4,536

12,136

7,846

1,296

12,751

32,110

5,304

Deduct: amortization of intangible assets from business combination

8,235

5,984

6,100

1,008

26,472

28,156

4,651

Non-GAAP content costs

258,174

478,339

339,724

56,118

697,838

1,362,641

225,093

2. Non-GAAP Gross Profit

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Gross profit

116,287

82,307

254,349

42,015

296,039

541,063

89,378

Add back: share-based compensation

4,536

12,136

7,846

1,296

12,751

32,110

5,304

Add back: amortization of intangible assets from business combination

8,235

5,984

6,100

1,008

26,472

28,156

4,651

Non-GAAP gross profit

129,058

100,427

268,295

44,319

335,262

601,329

99,333

3. Non-GAAP Operating Expenses

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Operating expenses

244,970

312,843

333,351

55,065

774,704

1,220,793

201,660

Deduct: share-based compensation

34,243

36,782

45,215

7,468

105,467

156,248

25,810

Deduct: business combination related expenses

127

-

-

-

28,754

-

-

Deduct: amortization of intangible assets from business combination

4,176

4,155

9,623

1,589

5,885

22,088

3,648

Non-GAAP operating expenses

206,424

271,906

278,513

46,008

634,598

1,042,457

172,202

4. Non-GAAP Sales and Marketing Expenses

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Sales and marketing expenses

107,787

171,763

216,444

35,754

363,707

681,008

112,494

Deduct: share-based compensation

10,606

12,366

15,577

2,573

28,741

50,712

8,377

Deduct: amortization of intangible assets from business combination

2,087

2,077

5,077

839

2,941

11,308

1,867

Non-GAAP sales and marketing expenses

95,094

157,320

195,790

32,342

332,025

618,988

102,250

5. Non-GAAP Product Development Expenses

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Product development expenses

64,099

78,622

76,514

12,639

172,885

278,015

45,925

Deduct: share-based compensation

8,408

9,748

11,795

1,948

26,157

38,400

6,343

Deduct: amortization of intangible assets from business combination

1,402

1,395

3,411

563

1,976

7,596

1,255

Non-GAAP product development expenses

54,289

67,479

61,308

10,128

144,752

232,019

38,327

6. Non-GAAP General and Administrative Expenses

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

General and administrative expenses

73,084

62,458

40,393

6,672

238,112

261,770

43,241

Deduct: share-based compensation

15,229

14,668

17,843

2,947

50,569

67,136

11,090

Deduct: business combination related expenses

127

-

-

-

28,754

-

-

Deduct: amortization of intangible assets from business combination

687

683

1,135

187

968

3,184

526

Non-GAAP general and administrative expenses

57,041

47,107

21,415

3,538

157,821

191,450

31,625

7. Non-GAAP Loss from Operations

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Loss from operations

(128,683)

(230,536)

(79,002)

(13,050)

(478,665)

(679,730)

(112,282)

Add back: share-based compensation

38,779

48,918

53,061

8,764

118,218

188,358

31,114

Add back: business combination related expenses

127

-

-

-

28,754

-

-

Add back: amortization of intangible assets from business combination

12,411

10,139

15,723

-

2,597

32,357

50,244

8,299

Non-GAAP loss from operations

(77,366)

(171,479)

(10,218)

(1,689)

(299,336)

(441,128)

(72,869)

8. Non-GAAP Net (Loss) Profit

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Net loss

(113,570)

(218,638)

(24,581)

(4,060)

(424,003)

(580,744)

(95,932)

Add back: share-based compensation

38,779

48,918

53,061

8,764

118,218

188,358

31,114

Add back: business combination related expenses

127

-

-

-

28,754

-

-

Add back: amortization of intangible assets from business combination

12,411

10,139

15,723

2,597

32,357

50,244

8,299

Non-GAAP net (loss) profit

(62,253)

(159,581)

44,203

7,301

(244,674)

(342,142)

(56,519)

9. Non-GAAP EBITDA (Loss) Profit

For the Three Months Ended

For the Twelve Months Ended

December 31, 2012

September 30, 2013

December 31, 2013

December 31, 2013

December 31, 2012

December 31, 2013

December 31, 2013

RMB

RMB

RMB

US$

RMB

RMB

US$

Net loss

(113,570)

(218,638)

(24,581)

(4,060)

(424,003)

(580,744)

(95,932)

Add back:

Depreciation and amortization (excluding amortization

of acquired content)[(2)]

31,263

30,356

46,986

7,762

81,667

131,668

21,750

Interest income

(9,988)

(7,284)

(8,419)

(1,391)

(45,478)

(29,972)

(4,950)

Interest expenses

830

-

-

-

3,989

545

90

Income taxes

(4,912)

80

876

145

(3,416)

1,014

168

EBITDA (loss) profit

(96,377)

(195,486)

14,862

2,456

(387,241)

(477,489)

(78,874)

Adjustments:

Share-based compensation

38,779

48,918

53,061

8,764

118,218

188,358

31,114

Business combination related expenses

127

-

-

-

28,754

-

-

Amortization of intangible assets from business combination

12,411

10,139

15,723

2,597

32,357

50,244

8,299

Others, net

(1,043)

(4,694)

(46,878)

(7,744)

(9,757)

(70,573)

(11,658)

Non-GAAP EBITDA (loss) profit

(46,103)

(141,123)

36,768

6,073

(217,669)

(309,460)

(51,119)

(1) For more information on the Non-GAAP financial measures, please see the section captioned "Ab

(2) The amortization expense was related to an advertising license acquired in April 2010. The amortiz

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