

YINGLI GREEN ENERGY HOLDING CO LTD  
Form 20-F  
April 26, 2012  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2011**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-33469

**Yingli Green Energy Holding Company Limited**  
(Exact Name of Registrant as Specified in Its Charter)

**Cayman Islands**  
(Jurisdiction of Incorporation or Organization)

**No. 3055 Middle Fuxing Road, Baoding 071051, People's Republic of China**  
(Address of Principal Executive Offices)

**Zongwei Li, Chief Financial Officer**

**Telephone: (86 312) 8929-700**

**Facsimile: (86 312) 8929-800**

**No. 3055 Middle Fuxing Road**

**Baoding 071051, People's Republic of China**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares, par value US\$0.01 per share American Depositary Shares, each representing one Ordinary Share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report: 152,633,366 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

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**YINGLI GREEN ENERGY HOLDING COMPANY LIMITED**

**ANNUAL REPORT ON FORM 20-F**

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**CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F**

Unless otherwise indicated, references in this annual report to:

- Euro and Euro are to the legal currency of the member states of the European Union that adopted such currency as their single currency in accordance with the Treaty Establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992);
- US\$ and U.S. dollars are to the legal currency of the United States;
- ADRs are to the American depositary receipts, which, if issued, evidence our ADSs;
- ADSs are to the American depositary shares, each representing one ordinary share, par value US\$0.01 per share, of our company;
- China and the PRC are to the People's Republic of China, excluding, for the purpose of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;
- convertible senior notes are to our zero coupon convertible senior notes due 2012;
- RMB and Renminbi are to the legal currency of the PRC;
- shares and ordinary shares are to our ordinary shares, par value US\$0.01 per share; and
- we, us our and our company refer to Yingli Green Energy Holding Company Limited, a company incorporated in the Cayman Islands, all direct and indirect consolidated subsidiaries of Yingli Green Energy Holding Company Limited, and our predecessor, Baoding Tianwei Yingli New Energy Resources Co., Ltd., or Tianwei Yingli, and its consolidated subsidiary, unless the context otherwise requires or as otherwise indicates.

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3. KEY INFORMATION**

**A. Selected Financial Data**

The following tables present our selected consolidated financial information. You should read this information together with the consolidated financial statements and related notes and information under Item 5. Operating and Financial Review and Prospects included elsewhere in this annual report. The historical results are not necessarily indicative of results to be expected in any future periods.

The selected consolidated statement of operations data (other than ADS data) and other consolidated financial data for the years ended December 31, 2009, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this annual report.

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The selected consolidated statement of operations data (other than ADS data) and other consolidated financial data for the years ended December 31, 2007 and 2008 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 have been derived from our audited consolidated financial statements not included in this annual report.

The consolidated financial statements of Yingli Green Energy have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

	<b>Yingli Green Energy</b>					
	<b>For the Year Ended December 31,</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	
	<b>(In thousands, except share, ADS, per share and per ADS data)</b>					
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
<b>Consolidated Statement of Operations Data</b>						
Net revenues	4,059,323	7,553,015	7,254,869	12,499,987	14,667,965	2,332,094
Gross profit	1,040,604	1,767,216	1,714,373	4,152,785	2,449,679	389,215
Impairment of goodwill					273,382	43,436
Impairment of long-lived assets			131,177		2,275,024	361,465
Provision for inventory purchase commitments					851,694	135,321
Income (loss) from operations	679,543	1,153,300	318,550	2,780,598	(2,695,068)	(428,203)
Interest expense	(65,945)	(162,131)	(376,336)	(438,011)	(626,737)	(99,578)
Foreign currency exchange gains (losses)	(32,662)	(66,286)	38,389	(338,216)	(190,475)	(30,264)
Loss on debt extinguishment			(244,744)			
Loss from revaluation of embedded derivative			(231,345)			
Income tax benefit (expense)	(12,928)	5,588	31,831	(333,466)	133,413	21,197
Loss (earnings) attributable to the noncontrolling interests	(192,612)	(293,300)	(78,865)	(311,257)	56,866	9,035
Net income (loss) attributable to Yingli Green Energy(1)	387,909	653,826	(531,595)	1,386,776	(3,208,911)	(509,845)
Net income (loss) applicable to Yingli Green Energy's ordinary shareholders	334,758	653,826	(531,595)	1,386,776	(3,208,911)	(509,845)
Basic earnings (loss) per ordinary share and per ADS(1)	2.99	5.13	(3.83)	9.15	(20.46)	(3.25)
Diluted earnings (loss) per ordinary share and per ADS(1)	2.88	5.05	(3.83)	8.86	(20.46)	(3.25)
<b>Weighted average ordinary shares and ADSs outstanding</b>						
Basic	97,444,766	127,419,040	138,759,177	151,542,518	156,805,040	156,805,040
Diluted	101,023,067	129,494,385	138,759,177	156,558,197	156,805,040	156,805,040



	<b>Yingli Green Energy</b>				
	<b>For the Year Ended December 31,</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>(In percentages)</b>				
<b>Other Consolidated Financial Data</b>					
Gross profit margin(2)	25.6%	23.4%	23.6%	33.2%	16.7%
Operating profit (loss) margin(2)	16.7%	15.3%	4.4%	22.2%	(18.4)%
Net profit (loss) margin(2)	9.6%	8.7%	(7.3)%	11.1%	(21.9)%

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	As of December 31,					
	2007	2008	2009	2010	2011	
	RMB	RMB	RMB	RMB	RMB	US\$
<b>Consolidated Balance Sheet Data</b>						
Cash	961,077	1,108,914	3,248,086	5,856,132	4,181,038	664,300
Accounts receivable, net	1,240,844	1,441,949	1,750,898	1,909,319	2,130,377	338,483
Inventories	1,261,207	2,040,731	1,665,021	2,524,956	2,670,919	424,366
Prepayments to suppliers	1,056,776	774,014	329,457	573,937	386,939	61,478
Total current assets	5,072,908	6,061,133	7,956,475	12,907,061	12,738,295	2,023,911
Long-term prepayments to suppliers	637,270	674,164	678,311	504,326	1,322,714	210,158
Property, plant and equipment, net	1,479,829	3,385,682	6,573,851	9,933,956	12,389,184	1,968,443
Total assets	7,657,579	11,067,796	16,257,105	24,188,494	27,483,413	4,366,674
Short-term borrowings, including current portion of long-term debt(3)	1,261,275	2,044,200	3,501,027	5,857,878	8,225,076	1,306,833
Convertible senior notes			1,291,843		9,218	1,465
Total current liabilities	1,519,577	2,829,419	6,939,388	9,782,978	12,949,612	2,057,486
Senior secured convertible notes			100,139	83,213		
Long-term debt, excluding current portion		662,956	752,809	2,496,482	3,451,899	548,451
Total liabilities	2,859,346	4,895,526	8,071,246	13,914,878	20,429,752	3,245,960
Shareholders' equity: ordinary shares	9,884	9,922	11,363	11,881	12,011	1,908
Noncontrolling interests	754,799	1,395,151	1,550,785	1,922,744	1,892,464	300,682
Total shareholders' equity	4,798,233	6,172,270	8,185,859	10,273,616	7,053,661	1,120,714

	For the Year Ended December 31,				
	2007	2008	2009	2010	2011
<b>Consolidated Operating Data</b>					
PV modules sold (in megawatts)(4)	142.5	281.5	525.3	1,061.6	1,603.8

(1) Commencing January 1, 2007, one of our principal operating subsidiaries, Tianwei Yingli, began enjoying certain exemptions from income tax. From 2011 Yingli Hainan began enjoying certain exemptions from income tax.

The decrease (increase) in net income (loss) attributable to Yingli Green Energy effects and decrease (increase) in basic and diluted earnings (loss) per share effects without the tax holidays for the years ended December 31, 2007, 2008, 2009, 2010 and 2011 are as follows:

	For the Year Ended December 31,					
	2007	2008	2009	2010	2011	
	RMB	RMB	RMB	RMB	RMB	US\$
Net income (loss) attributable to Yingli Green Energy	78,357	196,873	(51,226)	94,632	(52,951)	(8,413)
Basic earnings (loss) per share	0.80	1.55	(0.37)	0.62	(0.34)	(0.05)
	0.78	1.52	(0.37)	0.59	(0.34)	(0.05)

Diluted earnings (loss) per  
share

(2) Gross profit margin, operating profit (loss) margin and net profit (loss) margin represent gross profit, operating profit (loss) and net profit or loss attributable to Yingli Green Energy, respectively, divided by net revenues.

(3) Includes loans guaranteed or entrusted by related parties, which amounted to RMB470.2 million, nil, RMB370.0 million, RMB1,647.2 million and RMB3,197.8 million (US\$508.1 million), as of December 31, 2007, 2008, 2009, 2010 and 2011, respectively.

(4) PV modules sold for a given period represents the total PV modules, as measured in megawatts, delivered to customers under the then effective supply contracts during such period.

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The conversion of Renminbi into U.S. dollars in this annual report is based on the noon buying rate in The City of New York for cable transfers of Renminbi per U.S. dollar as set forth in the H.10 weekly statistical release of the Federal Reserve Board. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at a rate of RMB6.2939 to US\$1.00, the noon buying rate in effect as of December 31, 2011. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On April 20, 2012, the noon buying rate as set forth in the H.10 weekly statistical release of the Federal Reserve Board was RMB6.3080 to US\$1.00.

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

Period	Period End	Noon Buying Rate(1)		
		Average(2) (RMB per US\$1.00)	High	Low
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9192	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011				
October	6.3547	6.3710	6.3534	6.3825
November	6.3765	6.3564	6.3400	6.3839
December	6.2939	6.3482	6.2939	6.3733
2012				
January	6.3080	6.3119	6.2940	6.3330
February	6.2935	6.2997	6.2935	6.3120
March	6.2975	6.3125	6.2975	6.3315
April (through April 20, 2012)	6.3080	6.3052	6.3150	6.2975

(1) Source: Federal Reserve Bank of New York for 2008 and prior periods and H.10 weekly statistical release of the Federal Reserve Board for January 2009 and later periods.

(2) Annual averages are calculated by averaging exchange rate on the last business day of each month or the elapsed portion thereof during the relevant period. Monthly averages are calculated using the average of the daily rates during the relevant period.

**B. Capitalization and Indebtedness**

Not Applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

**D. Risk Factors**

**Risks Related to Us and the PV Industry**

*Adverse economic conditions in our target markets as well as an increased supply of PV modules has had and may continue to have a material adverse effect on our profitability and results of operations.*

Demand for our products substantially depends on the general economic conditions in our target markets. The economies of many countries around the world, including those in our target markets, experienced a period of slow economic growth and adverse credit market conditions as a result of the global financial crisis in 2008 and 2009 and the recent sovereign debt crisis in Europe. As PV system projects generally require significant upfront capital expenditures, our customers have historically relied on financing for the purchase of our products. As a result

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of weakened macroeconomic conditions and in particular the adverse credit market conditions, our customers experienced difficulty in obtaining financing on attractive terms or at all. As a result, the growth in demand for PV modules has declined significantly since the fourth quarter of 2008. Although the credit market conditions improved since the second quarter of 2009, which contributed to an increase in the demand for our products, the demand for our products slowed down again in the first quarter and the fourth quarter of 2011, primarily caused by the adjustment of subsidies and economic incentives for PV installations as part of the government austerity measures. The negative effect from the adjustment of government subsidies and economic incentives is partially offset by the significantly reduced PV system cost since the third quarter of 2011.

In addition, the supply of PV modules has increased due to production capacity expansion by PV module manufacturers worldwide in recent years which, together with weakened demand for PV modules, resulted in a decline of prices of PV modules beginning in the fourth quarter of 2008. The average selling price of our PV modules decreased significantly since the fourth quarter of 2008. While we have achieved cost savings through vertical integration, economies of scale and technological improvements, the decrease in the average selling price of our PV modules primarily caused our gross profit margin to decrease significantly from 33.2% for 2010 to 16.7% for 2011.

There can be no assurance that the demand for our products will increase or remain at the current level or such demand will not decline again in the near future, or our cost saving efforts will improve our profitability or prevent our profit margin from further declining under the current macroeconomic conditions. If we experience further declines in demand for our products or decreases in the average selling price of our PV modules in the future, our financial condition and results of operation could be materially and adversely affected.

***The high cost or inaccessibility of financing for solar energy projects has adversely affected and may continue to adversely affect demand for our products and materially reduce our revenue and profits.***

If financing for solar energy projects continues to become more costly or inaccessible, the growth of the market for solar energy applications may be materially and adversely affected, which could adversely affect demand for our products and materially reduce our revenue and profits. The average selling price of our PV modules decreased significantly since the fourth quarter of 2008, partly due to the tightened credit for PV system project financing as the result of the global financial crisis in 2008 and 2009 and the recent sovereign debt crisis in Europe. In addition, rising interest rates could render existing financings more expensive, as well as present an obstacle for potential financings that would otherwise spur the growth of the PV industry. Furthermore, some countries, government agencies and the private sector have, from time to time, provided subsidies or financing on preferred terms for rural electrification programs. Some of our products are used in off-grid solar energy applications, where solar energy is provided to end users independent of an electricity transmission grid. We believe that the availability of financing could have a significant effect on the level of sales of off-grid solar energy applications, particularly in developing countries where users may not have sufficient resources or credit to otherwise acquire PV systems. If these existing financing programs are reduced or eliminated or if financings for solar energy projects continue to be tight or become more expensive, demand for our products would be adversely affected and our revenue and profits could decline.

***A significant reduction in or discontinuation of government subsidies and economic incentives may have a material adverse effect on our results of operations.***

Demand for our products substantially depends on government incentives aimed to promote greater use of solar power. In many countries in which we are currently or intend to become active, the PV markets, particularly the market for on-grid PV systems, would not be commercially viable without government incentives. This is because the cost of generating electricity from solar power currently exceeds the cost of generating electricity from conventional or non-solar renewable energy sources.

The scope of the government incentives for solar power depends, to a large extent, on political and policy developments in a given country related to environmental, economic or other concerns, which could lead to a significant reduction in or a discontinuation of the support for renewable energy sources in such country. For example, in January 2012, Spain announced that it will suspend the subsidized electricity prices paid to new photovoltaic power plants. The German government reduced solar feed-in tariffs for roof-top systems and ground-

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based systems several times in 2009, 2010 and 2011. The German government has also recently proposed significant and accelerated feed-in tariffs reductions for projects up to ten megawatts and an elimination of feed-in tariffs for projects over ten megawatts. In 2010 and May 2011, the Italian government announced annual reductions to feed-in tariffs in an effort to impede its overheating solar market. In addition, in certain countries, including countries to which we export PV products, government financial support of PV products has been, and may continue to be, challenged as being unconstitutional or otherwise unlawful. A significant reduction in the scope or discontinuation of government incentive programs, especially in our target markets, would have a material adverse effect on the demand for our PV modules as well as our results of operations.

***Our failure to obtain polysilicon in sufficient quantities, of appropriate quality and in a timely manner could disrupt our operations, prevent us from operating at full capacity or limit our ability to expand as planned, which will reduce, and limit the growth of, our manufacturing output and revenue.***

Polysilicon is the most important raw material used in the production of our PV products. To maintain competitive manufacturing operations, we depend on timely delivery by our suppliers of polysilicon in sufficient quantities and of appropriate quality. Until the fourth quarter of 2008, there had been an industry-wide shortage of polysilicon. As a result, we had historically faced the prospect of a shortage of polysilicon and late or failed delivery of polysilicon from suppliers. We may experience actual shortage of polysilicon or late or failed delivery in the future for various reasons. For example, the terms of our polysilicon contracts with, or purchase orders to, our suppliers may be altered or cancelled by the suppliers with limited or no penalty to them, in which case we may not be able to recover damages fully or at all.

If we fail to obtain delivery of polysilicon in amounts and according to time schedules as agreed with our suppliers, or at all, we may be forced to reduce production or secure alternative sources of polysilicon in the spot market, which may not provide polysilicon in amounts or quality required by us or at comparable or affordable prices, or at all. Our failure to obtain the required amount and quality of polysilicon on time and at affordable prices can seriously hamper our ability to meet our contractual obligations to deliver PV products to our customers. Any failure by us to meet such obligations could have a material adverse effect on our reputation, retention of customers, market share, business and results of operations and may subject us to claims from our customers and other disputes. In addition, our failure to obtain sufficient amounts of polysilicon of the appropriate quality could result in underutilization of our existing and new production facilities and an increase of our marginal production cost, and may prevent us from implementing capacity expansion as currently planned. Any of the above events could have a material adverse effect on our business, financial condition and results of operations.

***Volatility in polysilicon prices may adversely affect our results of operations.***

Until the fourth quarter of 2008, there had been an industry-wide shortage of polysilicon, primarily due to the growing demand for PV products and limited supply of polysilicon, which resulted in increasing prices of polysilicon under both long-term supply contracts and on the spot market. From the fourth quarter of 2008 to the second quarter of 2009, as the result of increased polysilicon manufacturing capacity and the decrease in the demand for polysilicon due to the global financial crisis in 2008 and 2009, the price of polysilicon has decreased significantly. Although the polysilicon price rebounded between the third quarter of 2010 and the first quarter of 2011 due to the recovery of demand for PV products in certain markets, the polysilicon price has decreased significantly again starting from the second quarter of 2011 as the result of increased polysilicon manufacturing capacity for polysilicon and the pressure from the decreasing average selling price of PV modules. However, there is no assurance that the polysilicon price will not increase in the future. To the extent we are not able to pass any increased costs on to our customers, we may be placed at a competitive disadvantage vis-à-vis our competitors, and our business, cash flows, financial condition and results of operations may be materially and adversely affected.



*Our polysilicon cost may be higher than the market level as a result of our long-term polysilicon purchase commitment with fixed prices, and our in-house polysilicon production may not be cost-effective, both of which may materially and adversely affect our results of operations.*

In response to the industry-wide shortage of polysilicon supply in recent years until the fourth quarter of 2008, we had entered into short-term, medium-term and long-term supply contracts with fixed prices or prices adjustable with set formulas to secure our polysilicon supply. Since the fourth quarter of 2008, the price of

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polysilicon has decreased significantly as the result of increased polysilicon manufacturing capacity and the pressure from decreasing average selling price of PV modules. To address the significant decrease in polysilicon price, we had renegotiated with our suppliers to reduce the purchase price for a substantial amount of polysilicon supplied under certain of our prior polysilicon supply contracts. However, the purchase price under certain of our long-term polysilicon purchase contracts were higher than the continuously declining market price of polysilicon. In 2011, we recognized a total of non-cash provision of RMB851.7 million (US\$135.3 million) on our inventory purchase commitment under long-term polysilicon supply contracts as a result of the continuing decline in the polysilicon price. If the price under our current contracts remains to be higher than the market price of polysilicon, we will have higher cost of polysilicon compared with other competitors who purchase their polysilicon from the spot market.

In order to address the then shortage of polysilicon and supplement our purchase from third-party polysilicon suppliers, we acquired Fine Silicon Co., Ltd., or Fine Silicon, in January 2009 and have developed it into our in-house polysilicon production subsidiary. We initially expected Fine Silicon to reach its full production capacity of 3,000 tons of polysilicon per year by the end of 2011. As of the date of this annual report, we are still in the process of ramping up Fine Silicon's production. We cannot assure you that the polysilicon production at Fine Silicon will be cost-effective. If the market price of polysilicon decreases below the cost of polysilicon produced by Fine Silicon, our use of polysilicon produced by Fine Silicon will increase our cost of revenues. Such increased cost of revenues, combined with the costs and expenses for operating Fine Silicon, will materially and adversely affect our results of operations. As the result of the continuing decline in the polysilicon price in the fourth quarter of 2011, we recognized a non-cash impairment of long-lived assets of Fine Silicon in an amount of RMB 2,275.0 million (US\$361.5 million) to reflect the less than expected profit generating ability.

***Our dependence on a limited number of suppliers for a substantial majority of polysilicon could prevent us from delivering our products in a timely manner to our customers in the required quantities, which could result in order cancellations, decreased revenue and loss of market share.***

In 2009, 2010 and 2011, our five largest suppliers supplied in the aggregate approximately 84.5%, 93.1% and 82.6%, respectively, of our total polysilicon purchases. If we fail to develop or maintain our relationships with these or our other suppliers, we may be unable to manufacture our products, our products may only be available at a higher cost or after a long delay, or we could be prevented from delivering our products to our customers in the required quantities, at competitive prices and on acceptable terms of delivery. Problems of this kind could cause us to experience order cancellations, decreased revenue and loss of market share. In general, the failure of a supplier to supply materials and components that meet our quality, quantity and cost requirements in a timely manner due to lack of supplies or other reasons could impair our ability to manufacture our products or could increase our costs, particularly if we are unable to obtain these materials and components from alternative sources in a timely manner or on commercially reasonable terms. Some of our suppliers have a limited operating history and limited financial resources, and some contracts we entered into with these suppliers do not clearly provide for remedies to us in the event any of these suppliers is not able to, or otherwise does not, deliver, in a timely manner or at all, any materials it is contractually obligated to deliver. We do not expect the production of Fine Silicon, our wholly owned polysilicon production subsidiary, to meet our entire polysilicon needs in the near future. As a result, we expect to continue to rely on third-party polysilicon suppliers for a significant portion of our polysilicon needs and any disruption in their supply of polysilicon to us may adversely affect our business, financial condition and results of operations.

Historically, due to a shortage of raw materials for the production of PV modules, increased market demand for polysilicon raw materials, the failure by some polysilicon suppliers to achieve expected production volumes and certain other factors, a few of our polysilicon suppliers failed to fully perform on their polysilicon supply contractual commitments to us, and we consequently did not receive part of the contractually agreed quantities of polysilicon raw materials from these suppliers. While we were able to replace such expected deliveries of polysilicon through purchases from the spot market and new supply contracts, we cannot assure you that any future failure of our suppliers to deliver agreed quantities of polysilicon could be substantially replaced in a timely manner or at all or that the price of such purchases or terms of such contracts will be favorable to us.



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***We depend, and expect to continue to depend, on a limited number of customers for a significant percentage of our revenues. As a result, the loss of, or a significant reduction in orders from, any of these customers would significantly reduce our revenues and harm our results of operations. In addition, a significant portion of our outstanding accounts receivable is derived from sales to a limited number of customers. Failure of any of these customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.***

We currently expect that our results of operations will, for the foreseeable future, continue to depend on the sale of our PV modules to a relatively small number of customers until we become successful in significantly expanding our customer base or diversifying product offerings. In 2009, 2010 and 2011, sales to our five largest customers accounted for approximately 38.8%, 30.8% and 27.7% respectively, of our net revenues. Our relationships with such key customers have been developed over a short period of time and are generally in their early stages. We cannot assure you that we will continue to generate significant revenues from these customers or that we will be able to maintain these customer relationships. In addition, our business is affected by competition in the market for the products that many of our major customers sell, and any decline in the businesses of our customers could reduce the purchase of our products by these customers. The loss of sales to any of these customers could also have a material adverse effect on our business, prospects and results of operations.

In addition, a significant portion of our outstanding accounts receivable were derived from sales to a limited number of customers. As of December 31, 2009, 2010 and 2011, our five largest outstanding accounts receivable balance (net of provisions) accounted for approximately 38.9%, 33.3% and 33.8%, respectively, of our total outstanding accounts receivable. We are exposed to the credit risk of these customers, some of which are new customers with whom we have not had extensive business dealings historically. The failure of any of these customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

***We face intense competition in the PV modules and PV system markets and our PV products compete with different solar energy systems as well as other renewable energy sources in the alternative energy market. If we fail to adapt to changing market conditions and to compete successfully with existing or new competitors, our business prospects and results of operations would be materially and adversely affected.***

The PV market is intensely competitive and rapidly evolving. The number of PV product manufacturers had rapidly increased due to the growth of actual and forecasted demand for PV products and the relatively low barriers to entry. If we fail to attract and retain customers in our target markets for our current and future core products, namely PV modules and PV systems, we will be unable to increase our revenues and market share.

We compete with both local and international producers of solar products, including the solar energy divisions of large conglomerates such as Sharp Corporation, PV module manufacturers such as SunPower Corporation, thin film solar module manufacturers such as First Solar, Inc. and integrated PV product manufacturers such as SolarWorld AG, Renewable Energy Corporation, Suntech Power Holdings Co. Ltd. and Trina Solar Limited.

We may also face competition from new entrants to the PV market, including those that offer more advanced technological solutions or that have greater financial resources, such as semiconductor manufacturers, several of which have announced their intention to start production of PV cells and PV modules. A significant number of our competitors are developing or currently producing products based on technologies believed to be more advanced, including amorphous silicon, string ribbon and nano technologies, some or all of which may eventually offer cost advantages over the crystalline polysilicon technologies we currently use. A widespread adoption of any of these technologies could result in a rapid decline in demand for our products and a resulting decrease in our revenues if we fail to adopt such technologies. In addition, like us, some of our competitors have become, or are becoming, vertically integrated in the PV industry value chain, from silicon ingot manufacturing to PV

system sales and installation. This could further erode our competitive advantage as a vertically integrated PV product manufacturer. In addition, our competitors may also enter into the polysilicon manufacturing business, which may provide them with cost advantages. Furthermore, the entire PV industry also faces competition from conventional energy and non-solar renewable energy providers.

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Many of our existing and potential competitors have substantially greater financial, technical, manufacturing and other resources than we do. The greater size of some of our competitors provides them with cost advantages as a result of their economies of scale and their ability to obtain volume discounts and purchase raw materials at lower prices. Some of our competitors also have better brand name recognition, more established distribution networks, larger customer bases or more in-depth knowledge of the target markets. As a result, they may be able to devote greater resources to the research and development, promotion and sale of their products and respond more quickly to evolving industry standards and changes in market conditions as compared to us. Our failure to adapt to changing market conditions and to compete successfully with existing or future competitors would have a material adverse effect on our business, prospects and results of operations.

***If PV technology is not suitable for widespread adoption, or sufficient demand for PV products does not develop or takes longer to develop than we anticipated, our sales may not continue to increase or may even decline, and we may be unable to sustain profitability.***

The PV market is at a relatively early stage of development and the extent to which PV products will be widely adopted is uncertain. The PV industry may also be particularly susceptible to economic downturns. Market data in the PV industry are not as readily available as those in other more established industries where trends can be assessed more reliably from data gathered over a longer period of time. If PV technology proves unsuitable for widespread adoption or if demand for PV products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenues to sustain our profitability. In addition, demand for PV products in our targeted markets, including China, may not develop or may develop to a lesser extent than we anticipated. Many factors may affect the viability of widespread adoption of PV technology and demand for PV products, including (i) cost-effectiveness of PV products compared to conventional and other non-solar energy sources and products; (ii) performance and reliability of PV products compared to conventional and other non-solar energy sources and products; (iii) availability of government subsidies and incentives to support the development of the PV industry; (iv) success of other alternative energy generation technologies, such as fuel cells, wind power and biomass; (v) fluctuations in economic and market conditions that affect the viability of conventional and non-solar alternative energy sources, such as increases or decreases in the prices of oil and other fossil fuels; (vi) capital expenditures by end users of PV products, which tend to decrease when economy slows down; and (vii) deregulation of the electric utility industry and broader energy industry.

***Existing regulations and policies governing the electric utility industry, as well as changes to these regulations and policies, may adversely affect demand for our products and materially reduce our revenue and profits.***

The electric utility industry is subject to extensive regulation, and the market for PV products is heavily influenced by these regulations as well as the policies promulgated relating to electric utilities. These regulations and policies often affect electricity pricing and technical interconnection of end-user power generation. As the market for solar and other alternative energy sources continues to evolve, these regulations and policies are being modified and may continue to be modified. Customer purchases of, or further investment in research and development of, solar and other alternative energy sources may be significantly affected by these regulations and policies, which could significantly reduce demand for our products and materially reduce our revenue and profits.

Moreover, we expect that our PV products and their installation will be subject to oversight and regulation in accordance with international, national and local ordinances relating to building codes, safety, environmental protection, utility interconnection and metering and related matters in various countries or regions. We also have to comply with the requirements of individual localities and design equipment to comply with varying standards applicable in the jurisdictions where we conduct business. Any new government regulations or utility policies pertaining to our PV products may result in significant additional expenses to us, our distributors and end users and, as a result, could cause a significant reduction in demand for our PV products, as well as materially and adversely affect our financial condition and results of operations.

*Advance payment arrangements between us and some of our polysilicon suppliers and many of our equipment suppliers expose us to the credit risks of such suppliers and may increase our costs and expenses, which could in turn have a material adverse effect on our liquidity.*

We made advance payments to some of our polysilicon suppliers under long-term supply contracts we signed with them. As of December 31, 2011, we had long-term prepayment balances for polysilicon in a total amount of RMB1,322.7 million (US\$210.2 million) under such long-term contracts. In addition, under existing

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supply contracts with many of our equipment suppliers, consistent with the industry practice, we make advance payments to our suppliers prior to the scheduled delivery dates for equipment. In many such cases, we make the advance payments without receiving collateral for such payments. As a result, our claims for such payments would rank as unsecured claims, which would expose us to the credit risks of our suppliers in the event of their insolvency or bankruptcy. Under such circumstances, our claims against the defaulting suppliers would rank below those of secured creditors, which would undermine our chances of obtaining the return of our advance payments. Accordingly, any of the above scenarios may have a material adverse effect on our financial condition, results of operations and liquidity.

***Our growth strategy requires substantial capital expenditures, significant engineering efforts, timely delivery of manufacturing equipment and dedicated management attention, and our failure to complete our expansion plans or otherwise effectively manage our growth could have a material adverse effect on the growth of our sales and earnings.***

Our future success depends on our ability to expand our manufacturing capacity. If we are unable to do so, we will not be able to attain the desired level of economies of scale in our operations or lower our marginal production costs to the level necessary to effectively maintain our pricing and other competitive advantages. We have made substantial capital expenditures for our growth in the past and future expansions. For example, we completed an aggregate of 700 megawatts capacity expansion projects in the second quarter of 2011, bringing our total annual production capacity to 1,700 megawatts. In addition, production capacity expansion projects of another 750 megawatts in total are under construction in Haikou, Tianjin, Hengshui and Baoding, which are expected to start initial production in 2012 and are expected to increase our company's total nameplate production capacity to 2,450 megawatts by the end of 2012. Our growth strategy has required and may continue to require substantial capital expenditures, significant engineering efforts, timely delivery of manufacturing equipment, dedicated management attention and the recruitment and training of new employees and is subject to significant risks and uncertainties, including:

- we may need to continue to contribute significant additional capital to our subsidiaries through the issuance of equity or debt securities or entering into new credit facilities or other arrangements in order to finance the costs of developing the new facilities, which may not be conducted on reasonable terms or at all, and which could be dilutive to our existing shareholders; such capital contributions, if contributed from outside of PRC, also require PRC regulatory approvals in order for such funds to be transferred to our subsidiaries within PRC, which approvals may not be granted in a timely manner or at all;
- we will be required to obtain governmental approvals, permits or documents of similar nature with respect to any new expansion projects, but it is uncertain whether such approvals, permits or documents will be obtained in a timely manner or at all;
- we may experience cost overruns, construction delays, equipment problems, including delays in manufacturing equipment deliveries or deliveries of equipment that is damaged or does not meet our specifications, and other operating difficulties;
- we are using new equipment and technology to lower our unit capital and operating costs, but we cannot assure you that such efforts will be successful; and
- we may not have sufficient management resources to properly oversee capacity expansion as currently planned.



Any of these or similar difficulties could adversely affect our ability to manage the growth of our operations. Any significant delays or constraints to our manufacturing capacity expansion as currently planned could limit our ability to increase sales, reduce marginal manufacturing costs or otherwise improve our prospects and profitability. In addition, we may have over-capacity as a result of our manufacturing capacity expansion if we do not sufficiently increase sales.

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*We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material adverse effect on our ability to manage our business, and such undertakings may be unsuccessful.*

Our strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances with suppliers or other companies in China and overseas along the PV industry value chain. For example, in January 2009, we completed the acquisition of Cyber Power and its principal operating subsidiary, Fine Silicon, to establish our own in-house polysilicon production capacity.

Acquisitions, investments, joint ventures and other strategic alliances may expose us to new operational, regulatory, market and geographic risks as well as risks associated with additional capital requirements, including:

- our inability to integrate new business, operations, personnel, products, services and technologies;
- unforeseen or hidden liabilities, including exposure to administrative or legal proceedings associated with newly acquired companies;
- the diversion of resources from our existing businesses;
- disagreement with joint venture or strategic alliance partners;
- contravention of regulations governing cross-border investment;
- failure to comply with laws and regulations as well as industry or technical standards of the overseas markets into which we expand;
- our inability to generate sufficient revenues to offset the costs and expenses of acquisitions, strategic investments, joint venture formations or other strategic alliances; and
- potential loss of, or harm to, employees or customer relationships.

Any of these events could disrupt our ability to manage our business, which in turn could have a material adverse effect on our financial condition and results of operations. Such risks could also result in our failure to derive the intended benefits of the acquisitions, strategic investments, joint ventures or other strategic alliances and we may be unable to recover our investment in such initiatives.

*We may not be able to ramp up our in-house polysilicon manufacturing capacity as cost-effective as expected or at all.*

Fine Silicon, our wholly owned polysilicon production subsidiary, started trial production in late 2009 and was initially expected to reach its full production volume of 3,000 tons of polysilicon per year by the end of 2011. As of the date of this annual report, we are still in the process of ramping up Fine Silicon's production. To fully ramp up Fine Silicon's production capacity, we will need to continue to integrate the personnel we have hired and build an effective team and infrastructure to oversee the operation of the facilities and to achieve cost-effective production. We cannot assure you that we will be able to fully ramp up our polysilicon production capacity as expected or at all. Our ability to successfully ramp up polysilicon manufacturing capacity is subject to various risks and uncertainties, including:

- the need to procure supplies of consumables and other materials at reasonable costs and on a timely basis;
- equipment testing delays and cost overruns;
- difficulties in recruitment and training of additional skilled employees, including technicians and managers at different levels;
- diversion of significant management attention and other resources; and
- delays or denials of renewing required permits and approvals for our plant operations, including but not limited to environmental approvals, by relevant government authorities.

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***We only have very limited experience in polysilicon production and may not be successful in producing polysilicon cost-effectively.***

We started trial production of polysilicon through Fine Silicon in late 2009. Prior to that, we had no experience in polysilicon production. The technology used to manufacture polysilicon is complex, requires costly equipment and is continuously being modified in an effort to improve yields and product performance. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials and tools used to manufacture polysilicon could interrupt manufacturing, reduce yields or cause a portion of the polysilicon to be difficult or costly to use in wafer production, which would negatively affect our profitability. In the process of ramping up our polysilicon production capacity, if we are unable to overcome technological difficulties, we may be unable to achieve cost-effective production of polysilicon, which could prevent us from successfully implementing our business plans.

Our effective capacity and ability to produce high volumes of polysilicon will depend on the cycle times for each batch of polysilicon. We may encounter problems in our manufacturing process or facility construction process as a result of, among other things, production failures, construction delays, human error, equipment malfunction or process contamination, all of which could seriously harm our operations. We may experience production delays if any modifications we make in the manufacturing process to shorten production cycles are unsuccessful. Moreover, the failure to achieve acceptable manufacturing levels cost-effectively at our own polysilicon production facility would result in the need to source a larger portion of our polysilicon requirements from third parties and therefore may cause our polysilicon costs not to be competitive, which could adversely affect our business, financial condition and results of operations.

***If we are unable to operate our polysilicon production facilities effectively or natural disasters or other operational disruptions occur, our business, financial condition and results of operations could be adversely affected.***

Production of polysilicon requires the use of volatile materials and chemical reactions sensitive to temperature and pressure and requires the use of external controls to maintain safety and provide commercial production yields. The occurrence of a catastrophic event as a result of a natural disaster or human error or otherwise at our polysilicon production facilities could threaten, disrupt or destroy a significant portion or all of our polysilicon production capacity at such facility for a significant period of time. Furthermore, our polysilicon production facilities will be highly reliant on our ability to maintain temperatures and pressure at appropriate levels, the supply of steam at a consistent pressure, the availability of adequate electricity and our ability to control the application of such electricity. Accordingly, mistakes in operating our equipment or an interruption in the supply of electricity at our production facilities could result in the production of substandard polysilicon or substantial shortfalls in production and could reduce our production capacity for a significant period of time. Damage or loss of revenue from any such event or disruption may not be adequately covered by insurance, could also damage our reputation, and any of which could have a material adverse effect on our business, financial condition and results of operations.

***Polysilicon and ingot production is energy-intensive and if our energy costs rise or if our energy supplies are disrupted, our results of operations may be materially and adversely affected.***

The polysilicon and ingot production process is highly dependent on a constant supply of electricity to maintain the optimal conditions for production. If these levels are not maintained, we may experience significant delays in the production of polysilicon and ingots. With the rapid development of the Chinese economy, demand for electricity has continued to increase. There have been shortages in electricity supply in various regions across China, especially during peak seasons such as summer. In the event that electricity and other energy supplies to our manufacturing facilities are disrupted, our business, results of operations and financial condition could be materially and adversely affected. In addition to shortages, we are subject to potential risks of interruptions in energy supply due to equipment failure, weather events or other causes. There can be no assurance that we will not face power related problems in the future.

Even if we had access to sufficient sources of electricity, as we consume substantial amounts of electricity in our manufacturing process, any significant increase in the costs of electricity could adversely affect our profitability. The electricity price in China will also be largely dependent on the price for coal, which has been increasing. If electricity and other energy costs were to increase, our business, financial condition, results of operations or liquidity position could be adversely affected.

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***Fluctuations in exchange rates have in the past and may continue to adversely affect our results of operations.***

Most of our sales are currently denominated in Euros or U.S. dollars, while a substantial portion of our costs and expenses is denominated in Renminbi, Euros and U.S. dollars. In addition, we must constantly convert one currency into another to make payments. Therefore, fluctuations in currency exchange rates could have a significant effect on our results of operations due to mismatches among various foreign currency-denominated transactions, including sales of PV modules in overseas markets and purchases of silicon raw materials and equipment in China, and the time gap between the signing of the related contracts and cash receipts and disbursements related to such contracts.

In 2011, we recognized a net foreign currency exchange loss of RMB190.5 million (US\$30.3 million) primarily due to the depreciation of the Euro and the U.S. dollar against the Renminbi. We have entered into hedging and foreign currency forward arrangements to limit our exposure to foreign currency exchange risk. However, we will continue to be exposed to foreign currency exchange risk to the extent that our hedging and foreign currency forward arrangements do not cover all of our expected revenues denominated in foreign currencies. We cannot predict the effect of exchange rate fluctuations on our foreign currency exchange gains or losses in the future. We may continue to reduce the effect of such exposure through hedging or other similar arrangements, but because of the limited availability of such instruments in China, we cannot assure you that we will always find a hedging arrangement suitable to us, or that such derivative activities will be effective in managing our foreign exchange risk.

In addition, our functional currency for our PRC subsidiaries is Renminbi. Our sales generated by our PRC subsidiaries which are denominated in foreign currencies need to be translated into Renminbi when they are recorded as our revenues. Therefore, depreciation of foreign currencies in which our sales are denominated, such as the Euro and the U.S. dollar, against the Renminbi will cause our reported revenues to decline. In 2010 and 2011, the depreciation of the Euro and U.S. dollar against the Renminbi adversely affected our total net revenues, as a majority of our PV module shipments were under contracts denominated in the Euro and the U.S. dollar. Any further depreciation of foreign currencies in which our sales are denominated against the Renminbi will continue to adversely affect our revenues and results of operations.

***Our product development initiatives and other research and development efforts may fail to improve manufacturing efficiency or yield commercially viable new products.***

We are making efforts to improve our manufacturing processes and improve the quality of our PV products. We believe that the efficient use of polysilicon is essential to reducing our manufacturing costs. We have been exploring several measures to improve the efficient use of polysilicon in our manufacturing process, including reducing the thickness of silicon wafers. However, the use of thinner silicon wafers may have unforeseen negative consequences, such as increased breakage and reduced reliability and conversion efficiency of our PV cells and modules. As a result, reducing the thickness of silicon wafers may not lead to the cost reductions we expect to achieve, while at the same time it may reduce customer satisfaction with our products, which in turn could have a material adverse effect on our customer relationships, reputation and results of operations.

We are also exploring ways to improve our PV module products. Additional research and development efforts will be required before our products in development may be manufactured and sold at a commercially viable level. We cannot assure you that such efforts will improve the efficiency of manufacturing processes or yield new products that are commercially viable. In addition, the failure to realize the intended benefits from our product development initiatives could limit our ability to keep pace with the rapid technological changes, which in turn would hurt our business and prospects.

For example, in order to meet the increasing demand for our products and further drive down costs through increased cell conversion efficiency and the larger scale of manufacturing, we started to implement Project PANDA, a research and development project for next-generation high efficiency monocrystalline PV cells, in June 2009. In

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2011, we achieved an average efficiency rate of 19.0% on the PANDA commercial production lines and a record cell conversion efficiency rate of 20.0% on the PANDA trial production line. However, as we are new to the monocrystalline technology, we may not be able to overcome all technical challenges in the process of commercializing new technology developed from Project PANDA and maintain or further improve the cell conversion efficiency rate we have achieved. In addition, we only have limited experience with customer demands in the monocrystalline PV market and may not be able to adapt to the monocrystalline PV market conditions. The established and more experienced competitors in the monocrystalline PV market may possess superior technology and have better known brand names than us. If we fail to successfully continue commercializing our monocrystalline PV technology or are unable to operate competitively in the monocrystalline market, we may not be able to recover the cost of our investments, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

***Our operating results may fluctuate from period to period.***

Our results of operations are subject to many factors out of our control, which include, among others, changes in costs of raw materials, delays in equipment delivery, suppliers' failure to perform their delivery obligations, cancellation or delay of customers' orders, interruptions in utilities supply and other key production inputs, general economic conditions and changes in government policies or incentive schemes, and uncertainties relating to or accounting charges caused by any of these factors. Any one or combination of these factors may cause our results of operations to fluctuate significantly from period to period or deviate from the expectations of the investment community or our own projections. For example, in the first quarter of 2011, due to the uncertainties relating to the timing of a proposed reduction in feed-in tariffs for solar power in Italy, certain orders we expected to deliver to customers in Italy in that quarter were delayed to the subsequent quarters or cancelled, which caused a decrease in our PV module shipments for the first quarter 2011 from the previous quarter. In the same quarter, increases in polysilicon cost and auxiliary raw materials had a negative impact on our gross margin. For these reasons, our results of operations for the first quarter 2011 were lower than the guidance we previously provided to the investment community. In addition, in the fourth quarter of 2011, due to the challenging solar market conditions and the significant reduction of our market capitalization since the second quarter of 2011, we recognized an impairment of long-lived assets of Fine Silicon in an amount RMB 2,275.0 million (US\$361.5 million) to reflect its less than expected profit-generating ability due to the continuing decline in the spot market price of polysilicon, and an impairment of goodwill of RMB 273.4 million (US\$43.4 million) originated from the historical acquisitions of equity interests in 2006, 2007 and 2008 in Tianwei Yingli, an operating subsidiary of our company. In the same quarter, we also recognized a provision on our inventory purchase commitment under long-term polysilicon supply contracts in an amount of RMB 851.7 million (US\$135.3 million) as a result of continuing decline in the polysilicon purchase price. These non-cash charges significantly and adversely affected our results of operations in the fourth quarter and full year 2011. As a result, comparing our results of operations on a period-to-period basis may not be meaningful, and you should not rely on our past results or projections as an indication of our future performance.

***Failure to achieve satisfactory output of our PV modules and PV systems could result in a decline in sales.***

The manufacture of PV modules and PV systems is a highly complex process. Disruptions or deviations in one or more components of the manufacturing process can cause a substantial decrease in output and, in some cases, disrupt production significantly or result in no output. Historically, we had from time to time experienced lower-than-anticipated manufacturing output during the ramp-up period of production lines. This often occurred during the production of new products, the installation of new equipment or the implementation of new process technologies. As we bring additional lines or facilities into production, we may operate at less than intended capacity during the ramp-up period and produce less output than expected. This would result in higher marginal production costs which could have a material adverse effect on our profitability.



*Unsatisfactory performance of or defects in our products may cause us to incur additional warranty expenses, damage our reputation and cause our sales to decline.*

Before September 30, 2011, our PV modules are typically sold with a two- or five-year limited warranty for defects in materials and workmanship, and a 10-year and 25-year warranty guaranteeing 90% and 80% of initial power generation capacity, respectively. From October 1, 2011, we implemented a new and improved warranty term that guarantees 91.2% of nameplate power for 10 years, and 80.7% of nameplate power for a period

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of 25 years for multicrystalline PV modules and 98.0% of nameplate power for the first year, 92.0% of nameplate power for 10 years, and 82.0% of nameplate power for a period of 25 years for monocrystalline Panda PV modules. In addition, based on customers' specific requirements, we also provide our multicrystalline PV modules with linear-based warranty which guarantees each year's power output during the twenty-five-year warranty period. As a result, we bear the risk of warranty claims long after we have sold our products and recognized revenues. We have sold PV modules only since January 2003, and none of our PV modules has been in use for the entire warranty periods. In connection with our PV system sales in the PRC, we provide a one- to five- year warranty against defects in our modules, storage batteries, controllers and inverters. As of December 31, 2009, 2010 and 2011, our accrued warranty costs amounted to RMB189.2 million, RMB303.6 million and RMB457.7 million (US\$72.7 million), respectively. Moreover, because our products have only been in use for a relatively short period of time, our assumptions regarding the durability and reliability of our products may not be accurate, and because our products have relatively long warranty periods, we cannot assure you that the amount of accrued warranty by us for our products will be adequate in light of the actual performance of our products. If we experience a significant increase in warranty claims, we may incur significant repair and replacement costs associated with such claims. Furthermore, widespread product underperformances or failures will damage our reputation and customer relationships and may cause our sales to decline, which in turn could have a material adverse effect on our financial condition and results of operations.

***Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect our business, results of operations and financial condition.***

Natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the regions where we, our suppliers or our customers operate. For example, in March 2011, Japan experienced a strong earthquake, measuring approximately 9.0 on the Richter magnitude scale, and severe tsunami created by the earthquake, causing widespread damage and casualties. These natural disasters could cause a material economic downturn in the affected area or internationally. Although we have limited exposure to this catastrophic event, any future disasters in areas where we, our suppliers or our customers operate could have a material adverse effect on our business prospects, financial condition and results of operations.

Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest as well as geopolitical uncertainty and international conflict and tension, for example, the armed conflicts in Libya which started in 2011 could affect international economic development. In turn, there could be a material adverse effect on our business, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be adversely and materially affected.

***We have limited insurance coverage and may incur uncovered losses resulting from business interruption or natural disasters.***

We have limited insurance coverage and we do not maintain any business interruption insurance coverage. As a result, we may have to pay, out of our own funds, for financial and other losses, damages and liabilities, including those in connection with or resulting from natural disasters and other events beyond our control, which could have a material adverse effect on our financial condition and results of operations.

***We obtain some of the equipment used in our manufacturing process from a small number of selected suppliers and if our equipment is damaged or new or replacement equipment is not delivered to us in a timely manner or is otherwise unavailable, our ability to deliver products timely will suffer, which in turn could result in cancellations of orders and loss of revenue for us.***

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Some of the equipment used in our production of polysilicon ingots, wafers, PV cells and PV modules, such as ingot casting furnaces, diffusion furnaces and wire saws, have been customized to our specifications, are not readily available from multiple vendors and would be difficult to repair or replace. There are also limited sources of supply for the principal polysilicon manufacturing equipment we use and we may not be able to replace such sources at reasonable costs and on a timely basis or at all. If any of our key equipment suppliers were to experience financial difficulties or go out of business, we may have difficulties with repairing or replacing our key equipment in the event of any damage to or a breakdown of such equipment. Furthermore, new or replacement equipment may not

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be delivered to us in a timely manner. In such cases, our ability to deliver products in a timely manner would suffer, which in turn could result in cancellations of orders from our customers and loss of revenue for us. In addition, the equipment we need for our expansion is in high demand. A supplier's failure to deliver the equipment in a timely manner, in sufficient quantity and on terms acceptable to us could delay our capacity expansion and otherwise disrupt our production schedule or increase our production costs.

***If the practice of requiring many of our customers to make advance payments when they place orders with us ceases, we may experience increased needs to finance our working capital requirements and may be exposed to increased credit risk, which may materially and adversely affect our financial position and results of operations.***

We require many of our customers to make an advance payment representing a small percentage of their orders, which is a business practice that helps us manage our accounts receivable, prepay our suppliers and reduce the amount of funds that we needed to finance our working capital requirements. However, this practice had historically ceased for a certain period of time, which in turn had increased our need to obtain additional short-term borrowings to fund our cash requirements. We cannot assure you that this practice will not cease again in the future. If this practice ceases, we may not be able to secure additional financing on a timely basis or on terms acceptable to us or at all. Currently, a significant portion of our revenue is derived from credit sales to our customers, generally with payments due within three months after shipment. As a result, any future decrease in the use of cash advance payments by our customers may negatively impact our short-term liquidity and, coupled with increased credit sales to a small number of major customers, expose us to additional and more concentrated credit risk since a significant portion of our outstanding accounts receivable is derived from sales to a limited number of customers. As of December 31, 2009, 2010 and 2011, our five largest outstanding accounts receivable balance accounted for approximately 38.9%, 33.3% and 33.8%, respectively, of our total outstanding accounts receivable. The failure of any of these or other customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations. For example, as the result of two customers' prolonged failure to settle accounts receivable and the continuing deterioration of their financial condition and creditworthiness, we made a total provision of RMB315.5 million in 2009 for the doubtful accounts receivable related to these two customers. Although we have been able to maintain adequate working capital primarily through short-term borrowing, our convertible senior notes offering, the follow-on offering, other debt issuances and long-term bank borrowings, any failure by our customers to settle outstanding accounts receivable in the future could materially and adversely affect our cash flow, financial condition and results of operations.

***We face risks associated with the marketing and sale of our PV products internationally, and if we are unable to effectively manage these risks, our ability to expand our business abroad will be limited.***

In 2009, 2010 and 2011, we sold 95.5%, 94.0% and 77.8%, respectively, of our products to customers outside of China, including customers in Germany, the United States, Italy, Spain, the Netherlands, France, the United Kingdom, Japan, Israel and Slovenia. We intend to further grow our business activities in China's domestic market and the various international markets, in particular in the United States, South Africa and selected countries in southern Europe and Southeast Asia where we believe the PV market is likely to grow significantly in the near term. The marketing and sale of our PV products to international markets expose us to a number of risks, including, but not limited, to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and follow their trends, as well as develop and maintain effective marketing and distributing presence in various countries;

- the availability of advance payments made by our customers;
- difficulty in providing customer service and support in these markets;
- difficulty in staffing and managing overseas operations;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;

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- difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets;
- failure to obtain or maintain certifications for our products or services in these markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

We export a substantial amount of our products to Europe. In 2009 and 2011, there were discussions which indicated that the European Union might seek to start anti-dumping and countervailing duty investigations on PV products imported from China. If such investigations are started against Chinese exporters or if the European Union imposes anti-dumping or other trade protection measures, including increase tariffs on PV products imported from China, our export to Europe may be materially and adversely affected.

In recent years, we also export an increasing amount of our products to the United States. On September 9, 2010, the United Steel Workers filed a petition with the United States Trade Representative, or USTR, alleging the PRC government has engaged in unfair trade policies and practices with respect to certain domestic industries, including the solar power industry. The petition alleges that China employs a wide range of World Trade Organization-inconsistent policies that protect and unfairly support its domestic producers of wind and PV energy products, advanced batteries and energy-efficient vehicles. According to the petition, these policies include export restraints, prohibited subsidies, discrimination against foreign companies and imported goods, technology transfer requirements, and domestic subsidies causing serious prejudice to U.S. interests. Subsequently, USTR initiated an investigation under Section 301 of the 1974 Trade Act, which is ongoing as of the date of this annual report. If as the result of such investigation the United States imposes anti-subsidies or other trade protection measures, our exports to the United States may be materially and adversely affected.

On January 7, 2011, the U.S. President Barack Obama signed into law the Military Authorization Law, which contains a Buy American provision that prohibits the United States Defense Department from purchasing Chinese-made solar panels. On October 19, 2011, SolarWorld and six other companies filed a petition with the U.S. government, claiming that Chinese companies dump (i.e., sell at unfairly low prices) crystalline silicon photovoltaic, or CSPV cells into the U.S., and have received improper subsidies from the Chinese government. On December 5, 2011, the U.S. International Trade Commission, or the ITC preliminarily determined that there is a reasonable indication that imports of Chinese CSPV cells are causing material injury to the U.S. industry. The U.S. Department of Commerce, or the DOC has issued its preliminary determination for the countervailing investigation on March 19, 2012, determining a preliminary subsidy rate of 3.61% applicable to Yingli solar cells produced in China that are imported, including as part of solar modules, into the U.S. The DOC is expected to issue its preliminary determination for the antidumping investigation in May 2012. After the DOC preliminary determinations, imports of the subject merchandise are subject to the antidumping and countervailing duties, and importers are required to post bonds or cash deposits at the time of entry of the goods. The DOC and the ITC will issue final determinations as early as May and July 2012, respectively, but more likely the dates

will be extended until September and October 2012. Such investigations have brought significant uncertainties to our business in the U.S. market, and if as the result of such investigations the United States imposes antidumping and countervailing tariffs or other trade protection measures, our exports to the United States may be materially and adversely affected.

Since early 2012, there have been discussions that an antidumping investigation may be launched in India. These discussions are that the case will cover both CSPV and thin-film cells, originated from not only Mainland China, but also from Taiwan, Malaysia and the United States. Although we historically have limited shipment to India, if such investigation is initiated, and as the result of such investigation the Indian government imposes anti-dumping or other trade protection measures, our prospect to explore the Indian market may be materially and adversely affected.

There can be no assurance that any government or international trade body will not institute adverse trade policies or remedies against exports from China in the future. Any significant changes in international trade policies, practices or trade remedies, especially those instituted in our target markets or markets where our major customers are located, could increase the price of our products compared to our competitors or decrease our customers' demand for our products, which may adversely affect our business prospects and results of operations.

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Our business in foreign markets requires us to respond timely and effectively to rapid changes in market conditions in the relevant countries. Our overall success as a global business depends, in part, on our ability to succeed in different legal, regulatory, economic, social and political conditions. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. To the extent that we conduct business in foreign countries by means of participations or joint ventures, there are additional risks. See We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material adverse effect on our ability to manage our business, and such undertakings may be unsuccessful. A change in one or more of the factors described above may have a material adverse effect on our business, prospects, financial condition and results of operations.

***We require a significant amount of cash to fund our operations as well as meet future capital requirements. If we cannot obtain additional capital when we need it, our growth prospects and future profitability may be materially and adversely affected.***

We require a significant amount of cash to fund our operations. We will also require cash to meet future capital requirements, which are difficult to predict in the rapidly changing PV industry. In particular, we will need substantial capital to fund the further expansion of our production capacity, the ramp-up of our in-house polysilicon production capacity, as well as research and development activities in order to remain competitive.

Our ability to obtain additional financing in the future is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by manufacturers of PV and related products; and
- economic, political and other conditions in China and elsewhere.

In particular, as a result of weakened macroeconomic conditions including continuing adverse credit market conditions, we have experienced and may continue to experience increasing difficulty in obtaining financing on acceptable terms or at all. We cannot assure you that financing will be available in amounts or on terms acceptable to us, or at all. If we are unable to obtain sufficient funding in a timely manner or on commercially acceptable terms or at all, our growth prospects and future profitability may be materially and adversely affected. Furthermore, the sale of additional equity or equity-linked securities would result in further dilution to our shareholders and the incurrence of indebtedness has and may continue to result in increased fixed obligations and has and could continue to lead to the imposition of financial or other restrictive covenants that would restrict our operations.

***We have issued, and may issue in the future, equity securities or securities convertible into or exchangeable for our ordinary shares, which may cause our existing shareholders to incur further dilution upon conversion of such securities.***



We have issued, and may issue in the future, equity securities or securities convertible into our ordinary shares. In the event that the securities convertible into our ordinary shares are converted, our existing shareholders may incur further dilution. For example, in June 2009, we offered 18,390,000 ADSs, representing 18,390,000 of our ordinary shares, to the public and raised approximately US\$227.3 million in net proceeds. In January 2009, we issued an aggregate amount of US\$49.4 million of senior secured convertible notes due 2012, or senior secured convertible notes, to Trustbridge Partners II, L.P., or Trustbridge, or its affiliates. See Item 7.B. Major Shareholders and Related Party Transactions Related Party Transactions Cyber Power Acquisition and Issuance of Senior Secured Convertible Notes for additional information. From June 2009 to January 2012, we issued an aggregate of 11,588,713 ordinary shares to Trustbridge as a result of the conversion of the full amount of the senior secured convertible notes. In addition, in connection with a credit agreement between Yingli China and a fund managed by Asia Debt Management Hong Kong Limited, or ADM Capital, entered into in January 2009, we issued 4,125,000 warrants to ADM Capital under the terms of a warrant agreement entered into in April 2009. From May 2010 to May 2011, a total of 2,454,271 ordinary shares in the form of ADSs were issued to ADM Capital in connection with its exercise of the total 4,125,000 warrants. Any future issuance of equity securities or securities convertible into or exchangeable for our equity securities may cause further dilution to our existing shareholders.

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*If our future acquisitions, expansions, or market changes or other developments cause us to require additional funds, we may issue additional securities convertible into our ordinary shares, and our existing shareholders could incur substantial dilution.*

Our substantial indebtedness could adversely affect our business, financial condition and results of operations, as well as our ability to meet any of our payment obligations under the debentures and our other debt.

We currently have a significant amount of debt and debt service requirements. As of December 31, 2011, we had RMB8,225.1 million (US\$1,306.8 million) in outstanding short-term borrowings (including the current portion of long-term debt), RMB2,406.4 million (US\$382.3 million) in outstanding medium-term notes and RMB3,451.9 million (US\$548.5 million) in outstanding long-term debt (excluding the current portion). This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the debentures and our other outstanding debt;
  
- resulting in an event of default if we fail to comply with any of the financial and other restrictive covenants contained in our debt agreements, which event of default could result in cross-defaults in all of our other debt obligations which would lead to all of our debt becoming immediately due and payable;
  
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of interest payments, and limiting our ability to obtain additional financing for these purposes;
  
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates;
  
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
  
- placing us at a competitive disadvantage compared to our competitors that have less debt or are otherwise less leveraged.

Any of these factors could have an adverse effect on our business, financial condition and results of operations as well as our ability to meet our payment obligations under the debentures and our other debt.

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Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate adequate cash flow from operations to support our operations and service our debt obligations, or that future debt or equity will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our outstanding debt while continuing to fund our other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment and other obligations under our outstanding debt.

*If we fail to comply with financial covenants under our loan agreements, our financial condition, results of operations and business prospects may be materially and adversely affected.*

We have entered into and may in the future enter into loan agreements containing financial covenants that require us to maintain certain financial ratios, including debt to EBITDA ratios. We may not be able to comply with some of those financial covenants from time to time. For example, the worsening operating environment that had

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generally affected companies operating in our industry since the fourth quarter of 2008 had led to potential breaches of certain financial covenants under some of our loan agreements. In response to such potential breaches, we had to negotiate with the relevant lenders terms of prepayment or to amend those financial covenants to prevent actual breaches from occurring, for example, by resetting the financial covenants for the relevant periods in the relevant loan agreements or beginning testing for compliance with financial covenants at a later date. However, if we need to negotiate with lenders again in the future with respect to prepayment or to amend financial covenants or other relevant provisions under such loan agreements to address potential breaches, we cannot assure you that we would be able to reach agreements with the lenders to avoid a breach. Furthermore, in connection with any future amendments to such covenants, our lenders may impose additional operating and financial restrictions on us and otherwise seek to modify the terms of our existing loan agreements in ways that are adverse to us. As a result, we cannot assure you that we will be able to continue to comply with the financial covenants under our loan agreements in the future. If the operating environment deteriorates, we may not be able to comply with some of the financial covenants under some of our loan agreements in future periods. If we are in breach of one or more financial covenants under any of our loan agreements and are not able to obtain waivers from the lenders or prepay such loan, such breach would constitute an event of default under the loan agreement. As a result, repayment of the indebtedness under the relevant loan agreement may be accelerated, which may in turn require us to repay the entire principal amount including interest accrued, if any, of certain of our other existing indebtedness prior to their maturity under cross-default provisions in our existing loan agreements. If we are required to repay a significant portion or all of our existing indebtedness prior to their maturity, we may lack sufficient financial resources to do so. Furthermore, a breach of those financial covenants will also restrict our ability to pay dividends. Any of those events could have a material adverse effect on our financial condition, results of operations and business prospects.

***We have significant short-term borrowings outstanding, and we may not be able to obtain extensions when they mature.***

As of December 31, 2009, 2010 and 2011, our outstanding short-term borrowings (including the current portion of long-term debt) were RMB3,501.0 million, RMB5,857.9 million, and RMB8,225.1 million (US\$1,306.8 million), respectively, and bore a weighted average interest rate of 5.1%, 4.9% and 6.2%, respectively, of which RMB370.0 million, RMB1,647.2 million and RMB3,197.8 million (US\$508.1 million), respectively, were arranged or guaranteed by related parties.

Generally, these loans contain no specific renewal terms, although we had traditionally negotiated renewal of certain of the loans shortly before they would mature. However, we cannot assure you that we will be able to renew similar loans in the future as they mature. If we are unable to obtain renewals of any future loans or sufficient alternative funding on reasonable terms, we will have to repay these borrowings with cash generated by our future operations, if any. We cannot assure you that our business will generate sufficient cash flow from operations to repay our future borrowings.

***A majority of our production, storage, administrative and research and development facilities are located in close proximity to one another in an industrial park in China. Any damage or disruption at these facilities would have a material adverse effect on our business, financial condition and results of operations.***

A majority of our production, storage, administrative, research and development facilities are located in close proximity to one another in an industrial park in Baoding, Hebei Province, China. A natural disaster or other unanticipated catastrophic event, including power interruption, and war, could significantly disrupt our ability to manufacture our products and operate our business. If any of our production facilities or material equipment were to experience any significant damage or downtime, we would be unable to meet our production targets and our business would suffer.

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Our manufacturing processes generate noise, waste water, gaseous and other industrial wastes. This creates a risk of work-related accidents and places high demands on work safety measures. No major injuries have occurred at our facilities in connection with work-related accidents to date. Nonetheless, we cannot assure you that accidents involving serious or fatal injuries will not occur at our facilities. Furthermore, there is a risk of contamination and environmental damage associated with hazardous substances used in our production processes. The materialization of any of the above risks could have a material adverse effect on our business, financial condition and results of operations.

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***Our principal shareholder has significant influence over our management and their interests may not be aligned with our interests or the interests of our other shareholders, including holders of our ADSs.***

Yingli Power, which is 100% beneficially owned by the family trust of and controlled by Liansheng Miao, the chairperson of our board of directors and our chief executive officer, currently beneficially owns approximately 31.8% of our outstanding ordinary shares. Yingli Power has significant influence over us, including on matters relating to mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. The interests of this shareholder may conflict with our interests or the interests of our other shareholders.

***Tianwei Baobian has significant influence over Tianwei Yingli, one of our principal operating entities, and Tianwei Baobian may influence Tianwei Yingli from taking actions that are in the best interest of us or Tianwei Yingli. In addition, Tianwei Baobian will have significant influence over us if it exercises the subscription right, and Tianwei Baobian's interests may not be aligned with our interests or the interests of our shareholders.***

Tianwei Baobian currently owns a 25.99% equity interest in Tianwei Yingli, one of our principal operating entities. Tianwei Baobian has significant influence over Tianwei Yingli through its board representation in Tianwei Yingli and other rights in accordance with the joint venture contract with us and the articles of association of Tianwei Yingli.

Tianwei Baobian is entitled to appoint three of the nine directors of Tianwei Yingli. Tianwei Baobian is also entitled to appoint a director to serve as the chairperson of the board of Tianwei Yingli. Tianwei Baobian may have different views and approaches with respect to the management and operation of Tianwei Yingli from those of us. Tianwei Baobian may disagree with us in the management and operation of Tianwei Yingli and may vote against actions that we believe are in the best interest of Tianwei Yingli or us. For example, directors appointed by Tianwei Baobian may vote against matters that require unanimous approval of all directors. Directors appointed by Tianwei Baobian may also hinder or delay adoption of relevant resolutions by not attending a board meeting, thereby preventing achievement of a quorum and forcing the meeting to be postponed for no more than seven days. See Item 4.A. History and Development of the Company Restructuring Joint Venture Contract Tianwei Yingli's Management Structure Board of Directors. Due to Tianwei Baobian's ability to exercise influence over Tianwei Yingli through its appointed directors, and through its other rights under the joint venture contract, any significant deterioration of our relationship or our disagreement with Tianwei Baobian may cause disruption to Tianwei Yingli's business, which could in turn result in a material adverse effect on our business prospects, financial condition and results of operations.

Tianwei Baobian may also have disagreement or dispute with us with respect to our respective rights and obligations on matters such as the exercise of Tianwei Baobian's right to subscribe for ordinary shares newly issued by us in exchange for its equity interest in Tianwei Yingli. Except in limited circumstances, we may not be able to unilaterally terminate the joint venture contract in the event of such disagreement or dispute even if such termination would be in our best interest. See Item 4.A. History and Development of the Company Restructuring Joint Venture Contract Tianwei Yingli's Management Structure Unilateral Termination of the Joint Venture Contract. Any such disputes may result in costly and time-consuming litigations or other dispute resolution proceedings which may significantly divert the efforts and resources of our management and disrupt our business operations.

Furthermore, Tianwei Baobian may transfer all or a part of its equity interest in Tianwei Yingli pursuant to the joint venture contract entered into between Tianwei Baobian and us. If we fail to exercise our right of first refusal in accordance with the procedures set forth in the joint venture contract and are thus deemed to have consented to any such proposed transfer by Tianwei Baobian to a third party or if Tianwei Baobian transfers its equity interest in Tianwei Yingli to its affiliates, such third party or such Tianwei Baobian's affiliate will become a holder of Tianwei

Yingli's equity interest. The interests of such third party or such Tianwei Baobian's affiliate may not be aligned with our interests or the interest of Tianwei Yingli. See Item 4.A. History and Development of the Company Restructuring Joint Venture Contract Tianwei Yingli's Management Structure Right of First Refusal.

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In addition, the Baoding State-Owned Assets Supervision and Administration Commission completed the transfer of all of its equity interest in Tianwei Group, Tianwei Baobian's controlling shareholder, to China South Industries Group Corporation, or China South. It is unclear how Tianwei Baobian's business strategy with respect to its shareholding in Tianwei Yingli will change subsequent to the acquisition by China South of Tianwei Group and how such change, if any, will affect the management and operation of Tianwei Yingli.

Furthermore, Tianwei Baobian may exercise the subscription right, and if it exercises the subscription right, it will become a significant shareholder of us. If Tianwei Baobian becomes our shareholder, it will have significant influence over our and Tianwei Yingli's business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our or Tianwei Yingli's assets, election of directors and other significant corporate actions. If Tianwei Baobian becomes our shareholder, its interests may not be aligned with ours or our shareholders.

***We may not be able to obtain adequate funding to acquire the equity interest in Tianwei Yingli held by Tianwei Baobian.***

Under the joint venture contract entered into between Tianwei Baobian and us, Tianwei Baobian may request us to make best efforts to purchase from Tianwei Baobian all but not part of its equity interest in Tianwei Yingli. Upon such request by Tianwei Baobian, we will undertake to use our best efforts to assist Tianwei Baobian in completing the transfer of such equity interest held by Tianwei Baobian. The manner and the price at which Tianwei Baobian sells its equity interest in Tianwei Yingli will be decided by mutual agreement between Tianwei Baobian and us based on the fair market value of its and our equity interest in Tianwei Yingli, respectively, and in accordance with relevant PRC laws and regulations. If the purchase of Tianwei Baobian's equity interest in Tianwei Yingli is required to be paid in cash, we may not be able to obtain adequate funding in time and on terms acceptable to us, if at all, to pay for such purchase price.

***Negative rumors or media coverage of Tianwei Baobian, our affiliates or business partners, could materially and adversely affect our reputation, business and financial condition.***

Since all of Tianwei Yingli's equity interests are held together by us and Tianwei Baobian, negative rumors or media coverage of Tianwei Baobian, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation, business and financial condition. For example, in October 2006, there were news articles containing allegations, among others, that Tianwei Baobian had materially overstated its results of operations related to the export sales of Tianwei Yingli's PV product components and its local tax rates in its published financial statements. We cannot assure you that there will not be similar or other negative rumors or media coverage related to Tianwei Baobian, our affiliates or business partners in the future.

***If the parent company of our minority partner in Tianwei Yingli or any affiliate of such parent company engages in sanctioned activities inconsistent with the laws and policies of other countries, the reputation of Tianwei Yingli and us may be negatively affected. As a result, some of our shareholders may divest our shares and prospective investors may decide not to invest in our shares, which may cause the price of our ADSs to decline.***

The United States and other countries maintain economic and other sanctions against several countries, or the sanctioned countries, and persons engaged in specified activities, such as support of the proliferation of weapons of mass destruction and of terrorism. Baoding Tianwei Group Corporation, or Tianwei Group, the parent company of Tianwei Baobian, our minority joint venture partner which owns 25.99% in one of our



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operating subsidiaries, Tianwei Yingli, was acquired by China South in March 2008. There have been news reports that China South, Tianwei Group and Tianwei Baobian conducted construction activities in or exported transformers to some sanctioned countries, including Iran and Sudan, in recent years. China North Industries Corporation, or Norinco, an affiliate of China South, was designated by the U.S. State Department under the Iran Nonproliferation Act of 2000 as engaged in the transfer to Iran of equipment and technology having the potential to make a material contribution to the development of weapons of mass destruction. Norinco was also reported to have had activities in and exported products to some sanctioned countries, including Iran, Sudan and Syria, some of which include military products and applications. In addition, Norinco is listed as one of the prohibited companies by some state and municipal governments, universities and investors due to its business relationships with the sanctioned countries. Certain of the sanctioned countries in which China South, Tianwei Group, Tianwei Baobian and Norinco have been reported to have had activities, such as Iran, Syria and Sudan, are identified by the U.S. State Department as state sponsors of terrorism and are subject to U.S. economic sanctions and export controls.

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We have no control over Tianwei Baobian, Tianwei Group, China South, Norinco or other affiliated entities resulted from China South's acquisition of Tianwei Group, nor has any of such entities requested Tianwei Yingli or us to have contacts with or otherwise conduct any sanctioned activity in any of the sanctioned countries. However, to the extent such affiliated entities are involved in activities that, if performed by a U.S. person, would be illegal under U.S. sanctions, or if any of such affiliated entities becomes subject of any economic sanctions maintained by the United States or other countries or entities, reputational issues relating to Tianwei Yingli or us may arise, and the investor sentiment with respect to our ADSs may be affected. Investors in the United States may believe that the value of their investment in us may be adversely affected due to our affiliation with such entities, or they may choose not to invest in, and to divest any investments in, issuers that are associated even indirectly with sanctioned activities or sanctioned countries. Any negative investor sentiment as the result of such reputational issues may cause the price of our ADSs to decline and adversely affect the value or your investment in us.

***Our joint venture partner, Tianwei Baobian, has entered into competing businesses with us, which may adversely affect our business, prospects, financial condition and results of operations.***

Our joint venture contract with Tianwei Baobian and Tianwei Yingli's articles of association does not impose non-competition restrictions upon Tianwei Baobian. While Tianwei Baobian's current principal business is the manufacture of large electricity transformers, Tianwei Baobian has entered into the PV business through investments in various companies that are engaged in the manufacture of polysilicon, ingots, wafers, PV cells or PV modules and thin film modules. As these companies continue to expand their business, they may compete with us for both supply of raw materials and customers, and we may not have any legal right to prevent them from doing so. In addition, the parent of Tianwei Baobian has also made investments in the PV business. Because of Tianwei Baobian's familiarity with and its ability to influence Tianwei Yingli's business, competition from Tianwei Baobian or its affiliates could have a material adverse effect on our business, prospects, financial condition and results of operations.

***The grant of employee share options and other share-based compensation could adversely affect our net income.***

We adopted our 2006 stock incentive plan in December 2006. Our board of directors approved in April 2007 and our shareholders approved in May 2007 amendment No. 1 to the 2006 stock incentive plan to increase the number of ordinary shares we are authorized to issue under the 2006 stock incentive plan. Our board of directors approved in July 2009 and our shareholders approved in August 2009 amendment No. 2 to the 2006 stock incentive plan to increase the number of ordinary shares we are authorized to issue under the 2006 stock incentive plan. Under the 2006 stock incentive plan, as amended, we may grant to our directors, employees and consultants up to 2,715,243 restricted shares and options to purchase up to 10,030,195 of our ordinary shares. As of the date of this annual report, we have granted to eight executive officers, 393 employees, six non-employee and four independent directors options to purchase 6,032,965 ordinary shares in the aggregate (excluding forfeited options) and an aggregate of 10,000 restricted but unvested shares (excluding forfeited restricted shares) to DBS Trustee Limited, or the trustee, for the benefit of one executive officers and 12 employees and one non-employee. See Item 6.B. Directors, Senior Management and Employees Compensation of Directors and Executive Officers' 2006 Stock Incentive Plan. We account for compensation costs for all share-based awards including share options granted to our directors and employees using a fair-value based method, which may have a material and adverse effect on our reported earnings. Moreover, the additional expenses associated with share-based compensation may reduce the attractiveness of such incentive plan to us. However, if we reduce the scope of our stock incentive plan, we may not be able to attract and retain key personnel, as share options are an important tool to recruit and retain qualified and desirable employees.

***Our results of operations are difficult to predict, and if we do not meet the market expectations, the price of our ADSs or our convertible notes will likely decline.***

Our results of operations are difficult to predict and have fluctuated from time to time in the past. We expect that our results of operations may continue to fluctuate from time to time in the future. It is possible that our

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results of operations in some reporting periods will be below market expectations. Our results of operations will be affected by a number of factors as set forth in Item 5 Operating and Financial Review and Prospects. If our results of operations for a particular reporting period are lower than the market expectations for such reporting period, investors may react negatively, and as a result, the price of our ADSs or our convertible notes may materially decline.

***Evaluating our business and prospects may be difficult because of our limited operating history.***

There is limited historical information available about us upon which you can base your evaluation of our business and prospects. We started selling PV modules in January 2003 and have experienced a high growth rate since then. As a result, our historical results of operations may not provide a meaningful basis for evaluating our business, financial performance and prospects. We may not be able to achieve a similar growth rate in future periods and at higher volumes. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. You should consider our business and prospects in light of the risks, expenses and challenges that we will face as an early-stage company seeking to develop and manufacture new products in a rapidly developing market.

***Our limited intellectual property protection inside and outside of China may undermine our competitive position and subject us to intellectual property disputes with third parties, both of which may have a material adverse effect on our business, results of operations and financial condition.***

As of the date of this annual report, we had a total of 103 issued patents in China and had made 177 patent applications. Other than the know-how available in the public domain, we have developed in-house unpatented technical know-how that we use to manufacture our products. Many elements of our manufacturing processes involve proprietary know-how, technology or data, either developed by us in-house or transferred to us by our equipment suppliers, which are not covered by patents or patent applications, including manufacturing technologies and processes and production line and equipment designs. We rely on a combination of patent, trademark, anti-unfair competition and trade secret laws, as well as nondisclosure agreements and other methods to protect our intellectual property rights. Nevertheless, these measures provide only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary technologies or our other intellectual property rights, which could have a material adverse effect on our business, financial condition or results of operations. Policing the unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and may divert management attention as well as our other resources away from our business. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. An adverse determination in any such litigation could result in the loss of our intellectual property rights and may harm our business, prospects and reputation.

We have exported, and expect to continue to export, a substantial portion of our PV products outside of China. Because we do not have, and have not applied for, any patents for our proprietary technologies outside of China, it is possible that others may independently develop substantially equivalent technologies or otherwise gain access to our proprietary technologies and obtain patents for such intellectual properties in other jurisdictions, including the countries to which we export our PV modules. If any third parties are successful in obtaining patents for technologies that are substantially equivalent to or the same as our proprietary technologies in any of our markets before we are and enforce their intellectual property rights against us, our ability to sell products containing the allegedly infringing intellectual property in those markets will be materially and adversely affected. If we are required to stop selling such allegedly infringing products, seek license and pay royalties for the relevant intellectual properties or redesign such products with non-infringing technologies, our business, results of operations and financial condition will be materially and adversely affected.



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***We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.***

Our success depends, in large part, on our ability to use and develop technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to PV technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain.

The steps we take in our product development to ensure that we are not infringing the existing intellectual property rights of others, such as review of related patents and patent applications prior to our product developments, may not be adequate. While we are not currently aware of any action pending or threatened against us, we may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. The defense and prosecution of intellectual property suits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our PV modules or subject us to injunctions prohibiting the manufacture and sale of our PV modules or the use of our technologies. Protracted litigation could also cause our customers or potential customers to defer or limit their purchase or use of our PV modules until the resolution of such litigation.

***Our business depends substantially on the continuing efforts of our executive officers and key technical personnel, and our ability to maintain a skilled labor force. Our business may be materially and adversely affected if we lose their services.***

Our future success depends substantially on the continued services of our executive officers, in particular Liansheng Miao, our chief executive officer, Xiangdong Wang, our vice president, Zhiheng Zhao, our vice president, Zongwei Li, our chief financial officer, Xiaoqiang Zheng, our chief operating officer, Dengyuan Song, our chief technology officer and Jingfeng Xiong, our vice president. We do not maintain key employee life insurance on any of our executive officers. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. In addition, if any of our executive officers join a competitor or forms a competing company, we may lose some of our customers. Each of our executive officers has entered into an employment agreement with us, which contains confidentiality and non-competition provisions. However, if any disputes were to arise between one of our executive officers and us, we cannot assure you of the extent to which such officer's employment agreement could be enforced in China.

Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our PV products manufacturing processes, is vital to maintaining the quality of our PV products and to continuously improving our production methods. There is substantial competition for qualified technical personnel, and we cannot assure you that we will be able to attract or retain qualified technical personnel. If we are unable to attract and retain qualified employees, key technical personnel and our executive officers, our business may be materially and adversely affected.

***Failure to manage our growth, or otherwise develop appropriate internal organizational structures, internal control environment and risk monitoring and management systems in line with our fast growth could result in a material adverse effect on our business, prospects, financial condition and results of operations.***

Our business and operations have been expanding rapidly. Significant management resources must be expended to develop and implement appropriate structures for internal organization and information flow, an effective internal control environment and risk monitoring and management systems in line with our fast growth as well as to hire and integrate qualified employees into our organization. It is challenging for us to hire, integrate and retain qualified employees in key areas of operations, such as engineers and technicians who are familiar with the PV industry. In addition, disclosure and other ongoing obligations associated with being a public company further increase the challenges to our finance, legal and accounting team. It is possible that our existing risk monitoring and management system could prove to be inadequate. If we fail to appropriately develop and implement structures for internal organization and information flow, an effective internal control environment and a risk monitoring and management system, we may not be able to identify unfavorable business trends, administrative oversights or other risks that could materially and adversely affect our business, prospects, financial condition and results of operations.

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***Compliance with construction and environmental regulations can be expensive, and noncompliance with present or future construction and environment regulations may result in adverse publicity, potentially significant monetary damages and fines and supervision of our business operations.***

Historically, we had started construction and operation of certain of our facilities without having obtained all of the necessary construction permits as required under the relevant regulations. We are also constructing certain facilities as part of our capacity expansion projects while applying for the relevant construction permits. Both our prior and current failure to obtain the relevant construction permits before the commencement of construction of our facilities may subject us to fines or penalties, which may adversely affect our construction process, business operations and results of operations.

In addition, the failure by us to control the use of, or to adequately restrict the discharge of, hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations. Our manufacturing processes generate noise, waste water, gaseous and other industrial wastes and are required to comply with national and local regulations regarding environmental protection. We believe we are currently in compliance with present environmental protection requirements in all material respects, and have obtained all necessary environmental permits. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with any future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations. See Item 4.B. Business Overview PRC Government Regulations Environmental Regulations .

***Negative publicity of us, or our affiliates, could materially and adversely affect our reputation, business and operating results.***

Negative publicity of us, or our affiliates, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation, business and financial condition. In addition, historically there has been negative publicity of us, and our affiliates. We cannot assure you that there will not be additional negative publicity of the similar nature in the future. Any such negative publicity, regardless of its veracity, could harm our reputation and in turn adversely affect our business and results of operations.

***Our independent registered public accounting firm s audit documentation related to their audit reports included in this annual report may include audit documentation located in the Peoples Republic of China. The Public Company Accounting Oversight Board currently cannot inspect audit documentation located in China and, as such, you may be deprived of the benefits of such inspection.***

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the U.S. Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Our operations are conducted in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities. Accordingly, no audit documentation located in China related to our independent registered public accounting firm s reports included in our filings with the U.S. Securities and Exchange Commission is currently inspected by the PCAOB.

Inspections conducted by the PCAOB outside of China have identified deficiencies in those firms audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China



prevents the PCAOB from regularly evaluating audit documentation located in China and its related quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

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The inability of the PCAOB to conduct inspections in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to audits outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

***The ordinary shares underlying our ADSs purchased or received upon the conversion of the convertible notes could become redeemable by us without your approval.***

Under the express terms of our ordinary shares, the ordinary shares underlying the ADSs in our issued and outstanding share capital are not, and the ordinary shares receivable upon the conversion of the convertible notes will not be, redeemable. However, our board of directors may pass resolutions to allow us to redeem the ordinary shares from the holders and two-thirds of the votes cast by the holders of the ordinary shares may approve such variation of share rights. The minority shareholders will not be able to prevent their share rights being varied in such a way and their ordinary shares could become redeemable by us as a result.

***We have adopted a shareholders rights plan, which, together with the other anti-takeover provisions of our articles of association, could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including ordinary shares represented by our ADSs, at a premium.***

Our current articles of association contain provisions that limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. On October 17, 2007, our board of directors adopted a shareholders rights plan, which was amended on June 2, 2008. Under this rights plan, one right was distributed with respect to each of our ordinary shares outstanding at the closing of business on October 26, 2007. These rights entitle the holders to purchase ordinary shares from us at half of the market price at the time of purchase in the event that a person or group obtains ownership of 15% or more of our ordinary shares (including by acquisition of the ADSs representing an ownership interest in the ordinary shares) or enters into an acquisition transaction without the approval of our board of directors.

This rights plan and the other anti-takeover provisions of our articles of association could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our existing authorized ordinary shares confer on the holders of our ordinary shares equal rights, privileges and restrictions. The shareholders have, by virtue of adoption of our third amended and restated articles of association, authorized the issuance of shares of par value of US\$0.01 each without specifying any special rights, privileges and restrictions. Therefore, our board of directors may, without further action by our shareholders, issue our ordinary shares, or issue shares of such class and attach to such shares special rights, privileges or restrictions, which may be different from those associated with our ordinary shares. Preferred shares could also be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue ordinary shares or issue preferred shares, the price of our ADSs and the notes may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

***A simple majority of the holders of our shares who vote at a general meeting may sub-divide any of our shares into shares of a smaller par value and may determine that, among the shares so sub-divided, some of such shares may have preferred or other rights or restrictions that are different from those applicable to other such shares.***

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Under our articles of association, a simple majority of the holders of our shares who vote at a general meeting may sub-divide any of our shares into shares of a smaller par value than is fixed by our articles of association, subject to the Companies Law of the Cayman Islands, and may by such resolution determine that, among the shares so sub-divided, some of such shares may have preferred or other rights or restrictions that are different from those applicable to the other such shares resulting from the sub-division. Any sub-divided shares will be allocated on a pro-rated basis among the holders of our shares, and a two-thirds vote of any class of shares having special rights or restrictions as a result of such sub-division will be required to further vary the special rights or restrictions attached to such shares. The purpose of this provision is to give flexibility to the shareholders to vary the share capital by effecting a sub-division and alter the rights attaching to the sub-divided shares in order to facilitate

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transactions where shareholders provide benefits or contribute assets to our company in consideration of an enhancement of the rights of their shares rather than an issue of new shares. However, as the minority shareholders will not be able to prevent the majority shareholders from effecting such sub-division and designation of special rights or restrictions, such rights of our majority shareholders may discourage investors making an investment in us, which may have a material adverse effect on the price of our ADSs and the notes.

***The quorum for the general meeting of our shareholders is one-third of our issued voting shares. Accordingly, shareholder resolutions may be passed without the presence of the majority of our shareholders in person or by proxy.***

The quorum required for the general meeting of our shareholders is two shareholders entitled to vote and present in person or by proxy or, if the shareholder is a corporation, by its duly authorized representative representing not less than one-third in nominal value of our total issued voting shares. Therefore, subject to obtaining the requisite approval from a majority of the shareholders so present, a shareholder resolution may be passed at our shareholder meetings without the presence of the majority of our shareholders present in person or by proxy. Such rights by the holders of the minority of our shares may discourage investors from making an investment in us, which may have a material adverse effect on the price of our ADSs and the notes.

***If a poll is not demanded at our shareholder meetings, voting will be by show of hands and shares will not be proportionately represented.***

Voting at any of our shareholder meetings is by show of hands unless a poll is demanded. A poll may be demanded by the chairperson of the meeting, or by at least three shareholders present in person or by proxy, or by any shareholder or shareholders present in person or by proxy holding at least 10% of the total voting rights of all shareholders having the right to vote at the meeting, or by a shareholder or shareholders present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on the shares conferring that right. If a poll is demanded, each shareholder present in person or by proxy will have one vote for each ordinary share registered in his name. If a poll is not demanded, voting will be by show of hands and each shareholder present in person or by proxy will have one vote regardless of the number of shares registered in his name. In the absence of a poll, shares will therefore not be proportionately represented.

***If we are or become a passive foreign investment company, or a PFIC, it could result in adverse United States federal income tax consequences to U.S. investors.***

We believe that we were not a PFIC for our taxable year ended on December 31, 2011, and we do not expect to become one for our current taxable year or in the future, although there can be no assurance in this regard. If, however, we are or become a PFIC, U.S. investors could be subject to additional United States federal income taxes on gain recognized with respect to the ADSs or ordinary shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate U.S. investors will not be eligible for reduced rates of taxation on any dividends received from us, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. U.S. investors are urged to consult their tax advisors concerning the United States federal income tax consequences of holding ADSs or ordinary shares if we are considered a PFIC in any taxable year.

**Risks Related to Doing Business in China**

*Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and materially and adversely affect our competitive position.*

Our business is based in China and some of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China.

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The Chinese economy differs from the economies of most developed countries in many respects, including:

- the level of government involvement;
  
- the level of development;
  
- the growth rate;
  
- the control of foreign exchange; and
  
- the allocation of resources.

While the Chinese economy has grown significantly in the past 20 years, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us.

In addition, we cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business. For example, the growth rate of China's gross domestic product has slowed down in recent years, from 10.3% in 2010 to 9.2% in 2011. The Chinese government has set the gross domestic product growth rate at 7.5% for 2012. We cannot assure you that the various macroeconomic measures, monetary policies and economic stimulus package adopted by the PRC government to guide economic growth and the allocation of resources will be effective in sustaining the fast growth rate of the Chinese economy.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of renewable energy investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our businesses.

*Uncertainties with respect to the PRC legal system could have a material adverse effect on us.*

We are incorporated in Cayman Islands and are subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to Sino-foreign equity joint venture companies and wholly foreign owned companies. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

*The PRC rule on mergers and acquisitions may subject us to sanctions, fines and other penalties and affect our future business growth through acquisition of complementary business.*

On August 8, 2006, six PRC government and regulatory authorities, including the PRC Ministry of Commerce, or the MOFCOM, and the Chinese Securities Regulatory Commission, or the CSRC, promulgated a rule

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entitled Provisions regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rule, as amended, among other things, established procedures and requirements that could make merger and acquisition activities by foreign investors time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Furthermore, MOFCOM promulgated the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisition of Domestic Enterprises by Foreign Investors in August 2011, or the MOFCOM Security Review Rules, which came into effect on September 1, 2011, to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated on February 3, 2011, or Circular No. 6. According to the MOFCOM Security Review Rules, a security review is required for mergers and acquisitions by foreign investors of PRC domestic enterprises (i) having national defense and security concerns, and (ii) where the foreign investors may acquire the de facto control of the PRC domestic enterprises having national security concerns such as key farm products, key energy and resources, and key infrastructure, transportation, technology and major equipment manufacturing industries. Circular No. 6, however, does not define the term of key or major, nor has it exhausted all the industries that may be deemed as sensitive industries subject to the security review. When deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review by MOFCOM, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through nominee holding structure, trusts, indirect investments, leases, loans, control through contractual arrangements, offshore transactions, or other means. We believe that our current business is not in an industry related to national security. However, we cannot preclude the possibility that MOFCOM or other government agencies may release interpretations or new rules contrary to our understanding or broaden the scope of such security review in the future. In the future, we may grow our business in part by acquiring complementary businesses, although we do not have any plans to do so at this time. Complying with the requirements of these regulations in order to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit the completion of such transactions, which could affect our ability to expand our business or maintain our market share.

***PRC regulations relating to overseas investment by PRC residents may restrict our overseas and cross-border investment activities and adversely affect the implementation of our strategy as well as our business and prospects.***

In 2005, the PRC State Administration of Foreign Exchange, or SAFE, issued a number of rules regarding offshore investments by PRC residents. The rule currently in effect, the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Return Investment Activities of Domestic Residents Conducted Via Offshore Special Purpose Companies, known as SAFE Notice 75, was issued in October 2005. SAFE Notice 75 requires PRC residents to register with and/or receive approvals from SAFE in connection with certain offshore investment activities. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore special purpose company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore special purpose company. Moreover, to further clarify the implementation of SAFE Notice 75, since May 2007, SAFE has issued guidance to its local branches regarding the operational procedures for such registration, which provides more specific and stringent requirements on the registration relating to SAFE Notice 75, including the most recent Notice of SAFE on Printing and Distributing the Implementing Rules for the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Circular 19, which came into effect as of July, 2011. The guidance imposes obligations on PRC subsidiaries of the offshore special purpose company to coordinate with and supervise the beneficial owners of the offshore entity who are PRC citizens or residents to complete the SAFE registration process. If the shareholders or beneficial owners fail to comply, the PRC subsidiaries are required to report the noncompliance to the local branches of SAFE. Since we are a Cayman Islands company with a substantial portion of shares held by Yingli Power Holding Company Ltd., a British Virgin Islands company controlled by Mr. Liansheng Miao, our chairperson and chief executive officer and a PRC resident, Mr. Miao is subject to the registration requirements under SAFE Notice 75 and Circular 19.



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Mr. Miao made the requisite SAFE registration with respect to his investment in Yingli Power Holding Company Ltd. and us in August 2006. Mr. Miao amended his SAFE registration in June 2007, January 2008 and October 2009, in connection with our initial public offering in June 2007, the secondary and convertible senior notes offerings in December 2007, the issuance of senior secured convertible notes and the follow-on offering in 2009, respectively. We have requested our other beneficial owners who are PRC residents to make the necessary applications and filings in connection with our offshore financing transactions as required under SAFE Notice 75 and Circular 19. However, we cannot assure you that all of our beneficial owners who are PRC residents have complied with our request to apply for or obtain any registrations or approvals required under these or other regulations or legislation, such as any amendment registrations with local SAFE in relation to their ownership changes in us.

The failure or inability of Mr. Miao or any of our other beneficial owners who are PRC residents to comply with the registration procedures set forth in SAFE Notice 75 and Circular 19 may subject Mr. Miao or such beneficial owner who is a PRC resident to fines and legal penalties, result in potential liability for our PRC subsidiaries, such as Tianwei Yingli, and in some instances, for their legal representatives and other liable individuals, limit our ability to contribute additional capital into or provide loans to our PRC subsidiaries, such as Tianwei Yingli, and may also limit their ability to pay dividends or otherwise distribute profits to us, or otherwise adversely affect us. See Item 4.B. Business Overview PRC Government Regulations Regulation of Foreign Exchange in Certain Onshore and Offshore Transactions .

***Dividends we may receive from our operating subsidiaries located in the PRC may be subject to PRC withholding tax.***

The Enterprise Income Tax Law, or the EIT Law, and its implementation rules provide that an income tax rate of 10% may be applicable to dividends payable to non-PRC investors that are non-resident enterprises , to the extent such dividends are derived from sources within the PRC, unless any such non-PRC investor s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Furthermore, a circular issued by the Ministry of Finance and the State Administration of Taxation on February 22, 2008 stipulates that undistributed earnings generated prior to January 1, 2008 are exempt from enterprise income tax. We are a Cayman Islands holding company, Yingli International is a British Virgin Islands intermediate holding company and Cyber Lighting is a Hong Kong intermediate holding company. The Cayman Islands and the British Virgin Islands where such holding companies are incorporated do not have a tax treaty with China. According to the Arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income entered into in August 2006, or the Mainland and the Hong Kong Taxation Arrangement, subject to the confirmation of the in-charge local tax authority, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5%, the foreign investor is the beneficial owner and owns directly at least 25% the equity interest of the foreign-invested enterprise. Furthermore, the State Administration of Taxation promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement in October 2009, or Circular 601, which provides guidance for determining whether a resident of a contracting state is the beneficial owner of an item of income under China s tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Substantially all of our income may be derived from dividends we receive from our operating subsidiaries located in the PRC. Thus, dividends for earnings accumulated beginning on January 1, 2008 payable to us by our subsidiaries in China, if any, will be subject to a 10% income tax or, in the case of the dividends paid to Cyber Lighting, 5% income tax (subject to the confirmation of the local tax authority), if we are considered as non-resident enterprises under the EIT Law. We intend to reinvest indefinitely undistributed earnings generated in 2010 and therefore have not recognized a deferred tax liability for those earnings. If we are subject under the EIT Law to such income tax for any dividends we may receive from our subsidiaries, it will materially and adversely increase our income tax expense.

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***We and some of our subsidiaries may be deemed resident enterprises under the EIT Law and be subject to PRC taxation as to our worldwide income.***

The EIT Law also provides that enterprises established outside of China whose de facto management bodies are located in China are considered resident enterprises and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation rules for the EIT Law issued by the State Council, a de facto management body is defined as a body that has substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other factors of an enterprise. On April 22, 2009, the State Administration of Taxation promulgated 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 which sets out criteria for determining whether de facto management bodies are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises incorporated under laws of foreign countries or regions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of de facto management bodies for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. If the PRC tax authorities determine that Yingli Green Energy and some of our subsidiaries, such as Yingli International, Yingli Capital, Yingli Hong Kong, Cyber Power and Cyber Lighting, are PRC resident enterprises, we and such subsidiaries may be subject to the enterprise income tax at the rate of 25% as to our global income, which could have an impact on our effective tax rate and an adverse effect on our net income and results of operations, although dividends distributed from our PRC subsidiaries to us would be exempt from the PRC dividend withholding tax, since such income distribution is exempted under the EIT Law if paid to PRC resident recipients.

***Dividends payable by us to non-PRC holders of our ordinary shares or ADS and gains on the sale of our ordinary shares or ADSs may become subject to taxes under PRC tax laws.***

Under the EIT Law and implementation rules issued by the State Council, PRC income tax at the rate of 10% is applicable to payments of dividends to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such payments of dividends have their sources within the PRC. Similarly, any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to the 10% PRC income tax if such gain constitutes income derived from sources within the PRC. It is currently unclear what constitutes income derived from sources within the PRC. Therefore, it is unclear whether dividends we may pay with respect to our ordinary shares or ADSs, or the gain you may realize from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and be subject to PRC tax. Furthermore, the State Administration of Taxation promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement in October 2009, or Circular 601, which provides guidance for determining whether a resident of a contracting state is the beneficial owner of an item of income under China's tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. A conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. We cannot assure you that any dividends to be distributed by us to our non-PRC shareholders and ADS holders whose jurisdiction of incorporation has a tax treaty with China providing for a different withholding arrangement will be entitled to the benefits under the relevant withholding arrangement.

If we are required under the EIT Law to withhold PRC income tax on dividends payable to non-PRC holders of our ordinary shares or ADSs, or if you are required to pay PRC income tax on the transfer of our ordinary shares or ADSs, the value of your investment in our ordinary shares or ADSs may be materially and adversely affected.



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***The strengthened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our acquisition strategy.***

In order to strengthen their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-resident enterprise, the PRC State Administration of Taxation issued, on December 10, 2009, the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer, or Circular 698, which became effective retroactively on January 1, 2008. Under Circular 698, the PRC State Administration of Taxation has the authority to redefine the nature of an equity transfer where offshore vehicles are interposed for tax-avoidance purposes and without reasonable commercial purpose. Since we consistently pursue acquisitions as one of our growth strategies, and have conducted and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains or request us to submit additional documentation for their review in connection with any of our acquisitions, thus causing us to incur additional acquisition costs.

***Restrictions on currency exchange may limit our ability to receive dividends from our PRC subsidiaries and their ability to obtain overseas financing.***

Under the Foreign Currency Administration Rules, the foreign exchange incomes of domestic entities and individuals can be remitted into China or deposited abroad, subject to the terms and conditions to be issued by SAFE. Our PRC subsidiaries are able to pay dividends to their shareholders, including us, in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take measures in the future to restrict access to foreign currencies for current account transactions, including payment of such dividends.

Foreign exchange transactions for capital account items, such as direct equity investments, loans and repatriation of investments, by our PRC subsidiaries continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities, including SAFE. In particular, if our PRC subsidiaries borrow foreign currency-denominated loans from us or other foreign lenders, these loans must be registered with the local offices of SAFE. These limitations could affect their ability to obtain additional equity or debt funding that is denominated in foreign currencies.

***PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from making additional capital contributions or loans to our PRC subsidiaries.***

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, are subject to PRC regulations. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under relevant PRC laws and the respective registered capital of our PRC subsidiaries, and must be registered with the local branch of SAFE as a procedural matter. In addition, our capital contributions to our PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which could adversely affect their liquidity and its ability to fund its working capital and expansion projects and meet its obligations and commitments.

In addition, our capital contributions and, in limited circumstances, loans, to Tianwei Yingli are also subject to approvals by Tianwei Baobian, the holder of the minority equity interest in Tianwei Yingli. See Item 4.A. History and Development of the Company Joint Venture Contract

Increase or Reduction of Tianwei Yingli's Registered Capital.

*We rely principally on dividends and other distributions on equity paid by our PRC operating subsidiaries and limitations on their ability to pay dividends to us could have a material adverse effect on our business and results of operations.*

We are a holding company and we rely principally on dividends and other distributions on equity paid by our PRC operating subsidiaries, including Tianwei Yingli, Yingli China, Fine Silicon and Hainan Yingli New

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Energy Resources Co., Ltd., or Hainan Yingli, a PRC limited liability company and a majority-owned subsidiary of Yingli China, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses. If Tianwei Yingli, Yingli China, Fine Silicon or Hainan Yingli incurs debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

As entities established in China, Tianwei Yingli, Yingli China, Fine Silicon and Hainan Yingli are subject to certain limitations with respect to dividend payments. PRC regulations currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. As a Sino-foreign equity joint venture, Tianwei Yingli is also required to set aside each year a percentage, as decided by its board of directors, of its after-tax profits based on PRC accounting standards to its reserve fund, enterprise development fund and employee bonus and welfare fund. As of December 31, 2011, such restricted reserves of Tianwei Yingli amounted to RMB243.0 million (US\$38.6 million) and its accumulated profits that were unrestricted and were available for distribution amounted to RMB2,817.3 million (US\$447.6 million).

As a foreign investment enterprise, each of Yingli China and Fine Silicon is required to allocate at least 10% of its after-tax profits to its reserve fund until the cumulative amount of such reserve fund reaches 50% of its registered capital, and to set aside a certain amount of its after-tax profits each year, if any, to its employee bonus and welfare fund. These reserves may not be distributed as cash dividends. As of December 31, 2011, such restricted reserves of Yingli China amounted to RMB130.1 million (US\$20.7 million), and its accumulated profits that was unrestricted and was available for distribution amounted to RMB1,526.0 million (US\$242.5 million).

As a PRC domestic company, Hainan Yingli is required to allocate at least 10% of its after-tax profits to its reserve fund until the cumulative amount of such reserve fund reaches 50% of its registered capital. These reserves may not be distributed as cash dividends. As of December 31, 2011, such restricted reserves of Hainan Yingli amounted to RMB27.9 million (US\$4.4 million) and its accumulated profits that were unrestricted and were available for distribution amounted to RMB313.3 million (US\$49.8 million).

In addition, if any of our PRC operating subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Limitations on the ability of our PRC operating subsidiaries to pay dividends to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business. Accordingly, if for any of the above or other reasons, we cannot receive dividends from our PRC operating subsidiaries, our liquidity, financial condition and ability to make dividend distributions to our shareholders will be materially and adversely affected.

***SAFE rules and regulations may limit our ability to convert and transfer the net proceeds from our financings to our PRC subsidiaries, which may adversely affect the business expansions of our PRC subsidiaries, and we may not be able to convert the net proceeds from our financings into Renminbi to invest in or acquire any other PRC companies.***

On August 29, 2008, SAFE promulgated Circular 142, or SAFE Notice 142, a notice regulating the conversion by a foreign invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The notice requires that the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Notice 142 may result in severe penalties, such as heavy fines. As SAFE Notice

142 may significantly limit our ability to transfer the net proceeds from our financings to our PRC subsidiaries, the business expansions of our PRC subsidiaries may be adversely affected. In addition, we may not be able to convert the net proceeds from our financings into Renminbi to invest in or acquire any other PRC companies.

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*All employee participants in our existing stock option plans who are PRC citizens may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law.*

Pursuant to the Implementation Rules of the Administrative Measures on Individual Foreign Exchange, or the Individual Foreign Exchange Rules, promulgated on January 5, 2007 by SAFE and the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas-listed Company, or the Share Option Rules, promulgated in February 2012 by SAFE, which terminated the Operating Procedures on Administration of Foreign Exchange for Domestic Individuals Participating in Employee Share Ownership Plans and Share Option Plans of Overseas-listed Company issued by SAFE in March 2007, PRC citizens or residents habitually residing in the PRC continuously for over one year, who are granted shares or share options by an overseas-listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas-listed company or qualified PRC agents, to register with SAFE and complete certain other procedures related to the share holding plan, share option plan or other similar share incentive plans. Concurrent with the registration with SAFE, the PRC subsidiary or qualified PRC agent shall obtain the approval for an annual allowance with respect to the foreign exchange in connection with the share holding or share option exercises as well as the approval of opening a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the share purchase or share option exercise, returned principal or profits upon sale of shares, dividends issued on the stock and any other income or expenditures approved by SAFE. Currently, the participating PRC residents' foreign exchange income received from the sale of share and dividends distributed by the overseas-listed company must be fully remitted into the domestic foreign currency account before distribution to such participants. In addition, the PRC agents are required to amend or deregister the registrations with SAFE in case of any material change in, or termination of, the share incentive plans, within the time periods provided by the Share Option Rules. The failure to comply with such provisions may subject us and the participants of our employee stock option plan who are PRC citizens to fines and legal sanctions and prevent us from further granting options under our employee stock option plan to our employees, which could adversely affect our business operations.

*We face risks related to health epidemics and other outbreaks of contagious diseases.*

Our business could be adversely affected by the effects of avian flu, SARS or another epidemic or outbreak. In 2005 and 2006, there were reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases. During 2007 and early 2008, there have been reports of outbreaks of a highly pathogenic avian flu, caused by the H5N1 virus, in certain regions of Asia and Europe. In 2009 and 2010, there have been reports on the occurrences of swine flu, caused by the H1N1 virus, in Mexico, the United States, China and certain other countries and regions around the world. An outbreak of avian flu or swine flu in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, any recurrence of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected China, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries, would also have similar adverse effects. These outbreaks of contagious diseases, and other adverse public health developments in China, would have a material adverse effect on our business operations. These could include restrictions on our ability to travel or to ship our products outside of China, as well as cause temporary closure of our manufacturing facilities. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, swine flu, SARS or any other epidemic.

**Risks Related to Our ADSs**

*The market price for our ADSs has been volatile.*



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The market price for our ADSs has been and will continue to be highly volatile. Since our ADSs became listed on the NYSE on June 8, 2007, the trading prices of our ADSs have ranged from US\$2.50 to US\$41.50 per ADS, and the last reported trading price on April 23, 2012 was US\$3.40 per ADS.

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The price of our ADSs may continue to fluctuate in response to factors including the following:

- announcements of technological or competitive developments;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- announcements regarding patent litigation or the issuance of patents to us or our competitors;
- announcements of studies and reports relating to the conversion efficiencies of our products or those of our competitors;
- actual or anticipated fluctuations in our quarterly results of operations;
- changes in financial projections or estimates about our financial or operational performance by securities research analysts;
- changes in the economic performance or market valuations of other PV technology companies;
- addition or departure of our executive officers and key research personnel;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and
- sales or perceived sales of additional ordinary shares or ADSs.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our ADSs.

***Substantial future sales or perceived sales of our ADSs in the public market could cause the price of our ADSs to decline.***

As of the date of this annual report, we had 156,575,020 ordinary shares outstanding, including 108,933,980 ordinary shares represented by ADSs. All ADSs sold in our public offerings are freely transferable without restriction or additional registration under the Securities Act of 1933, as amended, or the Securities Act. All of the remaining ordinary shares outstanding are, subject to the applicable requirements of Rule 144 under the Securities Act, available for sale. If our existing shareholders sell, or are perceived as intending to sell, substantial amounts of our ordinary shares or ADSs, including those issued upon the exercise of our outstanding stock options, the market price of our ADSs could fall. Such sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate.

***Holders of ADSs have fewer rights than shareholders and must act through the depository to exercise those rights.***

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. As a holder of ADSs, you will not be treated as one of our shareholders and you will not have shareholder rights. Instead, the depository will be treated as the holder of the shares underlying your ADSs. However, you may exercise some shareholders' rights through the depository, and you will have the right to withdraw the shares underlying your ADSs from the deposit facility.

Under our current articles of association, the minimum notice period required to convene a general meeting will be ten days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depository and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We plan to make all reasonable efforts to cause the depository to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your ADSs. Furthermore, the depository and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholder meeting.

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*The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders meetings, except in limited circumstances, which could adversely affect your interests.*

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote our ordinary shares underlying your ADSs at shareholders meetings if you do not vote, unless:

- we have failed to provide the depositary with the notice of meeting and related voting materials at least 30 days prior to the date of such shareholders meeting;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse effect on shareholders; or
- voting at the meeting is made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our ordinary shares underlying your ADSs from being voted, absent the situations described above, and it may make it more difficult for shareholders to influence our management. Holders of our ordinary shares are not subject to this discretionary proxy.

*You may not receive distributions on our ordinary shares or any value for them if it is illegal or impractical to make them available to you.*

The depositary of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for our ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of our ordinary shares your ADSs represent. However, the depositary is not responsible if it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed pursuant to an applicable exemption from registration. The depositary is not responsible for making a distribution available to any holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts are made by the depositary. We have no obligation to take any other action to permit the distribution of our ADSs, ordinary shares, rights or anything else to holders of our ADSs. This means that you may not receive the distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may have a material and adverse effect on the value of your ADSs.

*You may be subject to limitations on transfers of your ADSs.*

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deem it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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*As a holder of our ADSs, your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings and you may not receive cash dividends if it is impractical to make them available to you.*

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary bank will not make rights available to you unless the distribution to ADS holders of both the rights and any related securities are either registered under the Securities Act, or exempted 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 securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, as a holder of our ADSs, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

In addition, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property and you will not receive such distribution.

*We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than that under U.S. law, you may have less protection for your shareholder rights than you would under U.S. law.*

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands have a less developed body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands.

As a result of all of the above, shareholders of a Cayman Islands company may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a company incorporated in a jurisdiction in the United States. For example, contrary to the general practice in most corporations incorporated in the United States, Cayman Islands law does not require that shareholders approve sales of all or substantially all of a company's assets. The limitations described above will also apply to the depositary who is treated as the holder of the shares underlying your ADSs.

*You may have difficulty enforcing judgments obtained against us.*

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We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Substantially all of our current operations are conducted in the PRC. In addition, most of our directors and officers are nationals and residents of countries other than the United States and a substantial majority of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, most of whom are not residents in the United States and the substantial majority of whose assets are

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located outside of the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state. In addition, it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or the PRC against us or such persons predicated upon the securities laws of the United States or any state.

**ITEM 4. INFORMATION ON THE COMPANY**

**A. History and Development of the Company**

Our predecessor and one of our operating subsidiaries, Tianwei Yingli, was established as a PRC limited liability company in August 1998. Through a series of equity transfers among holders of Tianwei Yingli's equity interests and additional equity contributions into Tianwei Yingli from 1998 to 2006, Yingli Group, a PRC company controlled by Mr. Liansheng Miao, and Tianwei Baobian, a PRC listed company, became the only two holders of equity interests in Tianwei Yingli as of August 9, 2006 and held 51% and 49% equity interest in Tianwei Yingli, respectively.

Yingli Green Energy was incorporated on August 7, 2006 in the Cayman Islands as part of a restructuring of the equity interest in Tianwei Yingli to facilitate investments by foreign financial investors in Tianwei Yingli and the listing of our shares on an overseas stock market to achieve such investors' investment goal and exit and liquidity strategies. On August 25, 2006, Yingli Green Energy entered into a Sino-foreign equity joint venture company contract with Tianwei Baobian under which, among others, we granted to Tianwei Baobian a right to subscribe for newly issued ordinary shares of us in exchange for all but not part of Tianwei Baobian's equity interest in Tianwei Yingli. Tianwei Baobian may exercise this subscription right only after certain conditions (as described below) are satisfied. On September 5, 2006, Yingli Group transferred all of its 51% equity interest in Tianwei Yingli to us in a transaction between entities under common control. As a result of such transfer, Tianwei Yingli became our subsidiary. For financial statements reporting purposes, Tianwei Yingli is deemed to be our predecessor. Through a series of additional equity contributions into Tianwei Yingli, we have increased our equity interest in Tianwei Yingli to 74.01%.

In addition to Tianwei Yingli, we have also established or acquired subsidiaries in strategic locations in the PRC, including Haikou, Tianjin, Hengshui, Lhasa, Lanzhou, Kunming, Guangzhou, Beijing, Suzhou, Yantai and Shanghai, etc. to manufacture, assemble or sell PV modules and systems and ancillary materials.

In August 2007, we established Yingli Green Energy (International) Holding Company Limited, or Yingli International, a British Virgin Islands company limited by shares, as our wholly-owned subsidiary and the intermediate holding company primarily for expanding our international and domestic presence. Under Yingli International, we have established:

- Yingli Energy (China) Company Ltd., or Yingli China, a PRC limited liability company, as a wholly-owned subsidiary of Yingli International. Yingli China is primarily engaged in the research, manufacturing, sale and installation of renewable energy products.



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- Yingli Green Energy Europe GmbH, or Yingli Europe, a German limited liability company, as a wholly-owned subsidiary of Yingli International. Yingli Europe is primarily engaged in the sale and marketing of PV products and relevant accessories in Europe.
- Yingli Green Energy Greece Sales GmbH, or Yingli Greece, a German limited liability company, with Yingli International holding 60% equity interest in Yingli Greece. Yingli Greece is primarily engaged in the production, sale and marketing of PV products and relevant products in Greece, Cyprus, the Balkans and the Middle East.
- Yingli Green Energy Americas, Inc., or Yingli Americas, a Delaware limited liability company, as a wholly-owned subsidiary of Yingli International. Yingli Americas is principally engaged in the production, sale and marketing of PV products and relevant accessories and investments in renewable energy projects.

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- Yingli Green Energy International Trading Limited, or YGE International Trading, as a wholly-owned subsidiary of Yingli China. YGE International Trading is a Hong Kong limited liability company. The principal business of YGE International Trading is the sale of PV products and purchase of raw materials.
- Yingli Green Energy Italia S.R.L., or Yingli Italia, an Italian limited liability company, as a wholly-owned subsidiary of Yingli International. Yingli Italia is primarily engaged in the sale and marketing of PV products and relevant accessories in Italy.
- Yingli Energy (Beijing) Co. Ltd., or Yingli Beijing, a PRC limited liability company, with Yingli International holding 90% equity interest in Yingli Beijing. Yingli Beijing is primarily engaged in the sale and manufacture of PV modules and PV systems.
- Yingli Green Energy Spain, S.L.U., or Yingli Spain, a Spanish limited liability company, as a wholly-owned subsidiary of Yingli International. Yingli Spain is primarily engaged in the sale and marketing of PV products, relevant accessories and investments in renewable energy projects, as well as after sales services.
- Yingli Green Energy Singapore Company Pte. Limited, or Yingli Singapore, a Singapore limited liability company, as a wholly-owned subsidiary of Yingli International. Yingli Singapore is primarily engaged in the research and experimental development on electronics.
- Yingli Green Energy Chile SpA, or Yingli Chile, a Chile limited liability company, as a wholly-owned subsidiary of Yingli international. Yingli Chile is primarily engaged in the sale and marketing of PV products and relevant accessories in Chile.
- Yingli Green Energy Do Brasil S.A., or Yingli Brazil, a Brazil limited liability company, with Yingli international holding 99.9% equity interest in Yingli Brazil. Yingli Brazil is primarily engaged in the sale and marketing of PV products and relevant accessories in Brazil.

In January 2009, we completed the acquisition of Cyber Power Group Limited, or Cyber Power, which, through its principal operating subsidiary in China, Fine Silicon Co., Ltd., has started production of polysilicon with a designed annual production capacity of 3,000 tons.

Our principal executive offices are located at No. 3055 Middle Fuxing Road, Baoding, Hebei Province, People's Republic of China. Our telephone number at this address is (86 312) 8929-700 and our fax number is (86 312) 8929-800. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 400 Madison Avenue, New York, New York 10017. Our registered office in the Cayman Islands is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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Investor inquiries should be directed to us at the address and telephone number of our principal executive offices set forth above. Our website is [www.yinglisolar.com](http://www.yinglisolar.com). The information contained on our website is not part of this annual report.

### **Our Initial Public Offering**

On June 13, 2007, we completed our initial public offering, in which we offered and sold 26,550,000 ordinary shares in the form of ADSs, raising US\$274.5 million in proceeds before expenses to us, and Yingli Power sold 2,450,000 ordinary shares in the form of ADSs. Upon the exercise of the underwriters' option to purchase additional ADSs, certain of our Series A and Series B shareholders sold an aggregate of 500,000 ordinary shares in the form of ADSs.

### **Our Convertible Senior Notes Offering and Secondary Offering**

In December 2007, we completed our convertible senior notes offering and secondary offering, in which we offered and sold an aggregate principal amount of US\$172.5 million zero coupon convertible senior notes due

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2012 and raised an aggregate of US\$168.2 million in proceeds, before expenses, and several of our shareholders sold an aggregate of 6,440,000 ordinary shares in the form of ADSs. As of December 31, 2011, most of the convertible senior notes due 2012 have been repaid while principal amount of US\$1.2 million is still outstanding.

**Our Guaranteed Senior Secured Convertible Notes**

In January 2009, we entered into a note purchase agreement with Trustbridge, under the terms of which we have issued an aggregate amount of US\$49.4 million of senior secured convertible notes due 2012 to Trustbridge or its affiliate. In June 2009, we issued 2,000,000 ordinary shares to Trustbridge as a result of the conversion of US\$8.7 million of the senior secured convertible notes. In the third quarter of 2010, we issued 6,000,688 ordinary shares to Trustbridge as a result of the conversion of US\$26.2 million of the senior secured convertible notes. In January 2012, we issued 3,588,025 ordinary shares to Trustbridge as a result of the conversion of the remaining US\$14.6 million of the senior secured convertible notes. As a result, the senior secured convertible notes have been fully converted.

**ADM Capital Warrants**

In January 2009, Yingli China entered into a credit agreement with ADM Capital for a three-year loan facility of up to US\$80.0 million for Yingli China's production capacity expansion and general corporate uses. In April 2009, Yingli China drew down US\$50.0 million of the loan facility and we entered into a warrant agreement whereby we issued to ADM Capital 4,125,000 warrants. Each warrant provides for the right to acquire one ordinary share at an initial strike price of US\$5.64, which is based on the 20-trading day volume weighted average closing price per ADS on the New York Stock Exchange for the period prior to the issuance of the warrant, subject to customary anti-dilution and similar adjustments. In June 2009, we and ADM Capital revised the warrant agreement and modified the terms so that (i) the initial strike price decreased from US\$5.64 per share to US\$5.06 per share, (ii) upon the exercise of the put option by the warrant holders, we may, at our sole discretion, elect to settle the put price in (a) cash, (b) shares or (c) a combination of cash and shares and (iii) the number of ordinary shares we are obligated to issue upon the exercise of the put option by the warrant holders was capped. In May 2010, 498,612 ordinary shares in the form of ADSs were issued to ADM Capital in connection with its exercise of 825,000 warrants. In November 2010, 511,599 ordinary shares in the form of ADSs were issued to ADM Capital in connection with its exercise of 825,000 warrants. In May 2011, 1,444,060 ordinary shares in the form of ADSs were issued to ADM Capital in connection with its exercise of 2,475,000 warrants. As a result, nil warrants remain outstanding as of the date of this annual report. See Item 5.F. Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations.

**Follow-on Offering**

In June 2009, we completed a follow-on public offering, in which we offered and sold an aggregate of 18,390,000 ordinary shares in the form of ADS, raising a total of US\$227.3 million in net proceeds, and Yingli Power sold 3,000,000 ordinary shares of ADSs.

**Medium-Term Notes Offering**

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On October 13, 2010, one of our principal operating subsidiaries, Tianwei Yingli, registered its plan to issue up to 2.4 billion RMB-denominated unsecured five-year medium-term notes, or the Registered Issue, with the PRC National Association of Financial Market Institutional Investors, or NAFMII. Under the Registered Issue, Tianwei Yingli successfully completed the issuance of RMB1.0 billion unsecured medium-term notes on October 13, 2010, or the First Tranche Issue. The Registered Issue allows Tianwei Yingli to issue RMB-denominated unsecured five-year medium-term notes in two tranches on the PRC inter-bank debenture market. The First Tranche Issue was successfully completed on October 13, 2010 and will mature on October 13, 2015. Tianwei Yingli has an option to call the notes at the end of the third year from issuance. The First Tranche Issue bears a fixed annual interest rate of 4.3% in the first three years, which will increase to 5.7% in the remaining two years if Tianwei Yingli chooses not to call the notes on October 13, 2013. The second tranche with a principle amount of RMB1.4 billion (US\$222.4 million), or the Second Tranche Issue, was issued on May 10, 2011 and will mature on May 12, 2016. The Second Tranche Issue bears a fixed annual interest rate of 6.15%.

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**Joint Venture Contract**

Tianwei Baobian was established under the PRC law in September 1999 and its common shares have been listed on the Shanghai Stock Exchange since January 2001. The principal business of Tianwei Baobian is the manufacture of large electricity transformers. The controlling shareholder of Tianwei Baobian is Baoding Tianwei Group Co., Ltd., or Tianwei Group, a wholly state-owned limited liability company established in the PRC in January 1991. The controlling person of Tianwei Group is China South. Tianwei Baobian became a shareholder of Tianwei Yingli in April 2002.

We entered into a joint venture contract with Tianwei Baobian on August 25, 2006 and amended the joint venture contract on October 10, 2006, November 13, 2006, December 18, 2006 and September 28, 2007, respectively. The joint venture contract is governed by PRC law and sets forth the respective rights and obligations of us and Tianwei Baobian relating to Tianwei Yingli. The major provisions of this joint venture contract include the following:

***Tianwei Yingli's Management Structure Board of Directors***

*The board of directors of Tianwei Yingli, or the board, is its highest authority and has the power to decide all matters important to Tianwei Yingli.*

The board consists of nine directors, six of whom are appointed by us and three of whom are appointed by Tianwei Baobian. Each director is appointed for a term of three years and may serve consecutive terms if re-appointed by the party which originally appointed such director. Each director may be removed by its appointing party, at any time, with or without cause and may be replaced by a nominee appointed by such party before the expiration of such director's term of office.

The chairperson of the board is the legal representative of Tianwei Yingli. The chairperson has the right to vote as any other director and does not have a casting vote. Tianwei Baobian is entitled to appoint a director to serve as the chairperson of the board and we are entitled to appoint a director to serve as the vice chairperson of the board.

A unanimous approval of all directors present in person or by proxy at the meeting of the board or, in the event of a written resolution, a unanimous approval of all directors, is required for resolutions involving the following matters:

- amendment to the articles of association of Tianwei Yingli;
  
- merger of Tianwei Yingli with another entity;

- division of Tianwei Yingli;
- termination or dissolution of Tianwei Yingli; and
- increase, reduction or transfer of the registered capital of Tianwei Yingli.

Resolutions of the board involving any other matters may be adopted by the affirmative vote of a simple majority of all directors present in person or by proxy at a meeting of the board.

The board is required to meet at least once each quarter. In addition to the regular meetings, the board may hold interim meetings. Each director has one vote at a meeting of the board. Board meetings are convened and presided over by the chairperson or, in his or her absence, by the vice chairperson or, in the absence of the vice chairperson, by a director elected by the majority of the directors. The board may adopt written resolutions in lieu of a board meeting, as long as the resolutions to be adopted are delivered to all directors and affirmatively signed and adopted by each director. The board members are required to act in accordance with board resolutions and may not do anything to jeopardize the interests of Tianwei Yingli.

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A quorum for a meeting of the board is two thirds of the board members present, in person (including through telephone or video conference) or by proxy. If a meeting has been duly called and a quorum in person or by proxy is not present, no resolutions made at the meeting will be valid, and the director presiding over this meeting is required to postpone the meeting for no more than seven working days and send written notice of postponement to all directors. Any director who fails to attend the postponed meeting in person or by proxy will be deemed to be present at the meeting and be counted in the quorum, but such director will be deemed to have waived his or her voting rights.

***Supervisors***

Tianwei Yingli is required to have two supervisors. Tianwei Baobian and we each appoint one supervisor. Each supervisor is appointed for a term of three years and may serve consecutive terms if re-appointed by the party which originally appointed such supervisor. The supervisors may attend board meetings as non-voting members and make inquiries and suggestions as to matters submitted to board meetings for resolution. The major duties and powers of the supervisors are as follows:

- inspect financial affairs of Tianwei Yingli;
  
- monitor acts of directors and senior managers in the performance of their duties to Tianwei Yingli, and propose removal of directors or senior managers who have violated any laws, regulations, the articles of association of Tianwei Yingli or any board resolutions;
  
- demand directors and senior managers to correct any of their act that harms Tianwei Yingli's interests; and
  
- propose interim meetings of the board.

***Senior Management***

Tianwei Yingli is required to have one chief executive officer and one chief financial officer. We nominate the chief executive officer for appointment by the board. The chief executive officer serves a term of three years and may serve consecutive terms if re-nominated by us and re-appointed by the board. The chief executive officer has overall responsibilities for the daily operation and management of Tianwei Yingli and reports directly to the board. The chief executive officer nominates the chief financial officer for appointment by the board. The chief financial officer is responsible for financial matters of Tianwei Yingli and reports to the chief executive officer.

***Subscription Right***



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Under the joint venture contract, we granted to Tianwei Baobian a right to subscribe for ordinary shares newly issued by us in exchange for all but not part of Tianwei Baobian's equity interest in Tianwei Yingli. Tianwei Baobian may exercise the subscription right if, and only if, the following conditions are satisfied:

- we have completed our initial public offering;
- our ordinary shares are listed on a qualified securities exchange, which is defined under the joint venture contract to include, among others, the NYSE; and
- Tianwei Baobian or its affiliates obtains all necessary approvals from relevant PRC government authorities for acquiring our ordinary shares as a result of exercising the subscription right.

Subject to applicable laws in the PRC, the Cayman Islands, any jurisdiction in which our ordinary shares are listed and any jurisdiction in which a qualified securities exchange, including the NYSE, is located and further subject to the listing rules of such exchange, Tianwei Baobian may exercise the subscription right by sending a written notice to us within one month following the first date on which all conditions listed above are satisfied, accompanied by copies of related approvals and opinion of counsel.

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Prior to exercising its subscription right, Tianwei Baobian is required to retain an asset valuation firm reasonably acceptable to us to obtain a valuation of Tianwei Baobian's equity interest in Tianwei Yingli in accordance with internationally accepted valuation methods and relevant PRC laws and regulations. The valuation report will need to be acknowledged by both Tianwei Baobian and us. Under relevant PRC laws and regulations, the value of Tianwei Baobian's equity interest in Tianwei Yingli agreed by Tianwei Baobian and us for the purpose of Tianwei Baobian's exercise of the subscription right shall not be lower than 90% of the value of such equity interest as indicated in the valuation report.

The number of our new ordinary shares that we are obligated to issue to Tianwei Baobian upon its exercise of the subscription right will be calculated according to the following formula:

$$\begin{array}{rcccl} \text{Number of new shares to be} & & & & \text{Percentage of Tianwei Baobian's} \\ \text{issued to Tianwei Baobian} & = & \text{Total number of our shares} & \times & \text{equity interest in Tianwei Yingli} \\ & & \text{immediately before the} & & \text{immediately before the exercise of the} \\ & & \text{exercise of the subscription} & & \text{subscription right} \\ & & \text{right} & & \text{Percentage of our equity interest in} \\ & & & & \text{Tianwei Yingli immediately before} \\ & & & & \text{the exercise of the subscription} \\ & & & & \text{right(1)} \end{array}$$

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(1) Tianwei Baobian and we have agreed that the effective equity interest percentage in Tianwei Yingli indirectly held by Tianwei Baobian by way of its ownership of the equity interest in us following its exercise of the subscription right must be equal to the equity interest percentage in Tianwei Yingli directly held by Tianwei Baobian immediately prior to the exercise of the subscription right.

In addition, Tianwei Baobian may request us to make best efforts to purchase from Tianwei Baobian all but not part of its equity interest in Tianwei Yingli. Upon such request by Tianwei Baobian, we will undertake to use our best efforts to assist Tianwei Baobian in completing the transfer of such equity interest held by Tianwei Baobian. The manner and the price at which Tianwei Baobian sells its equity interest in Tianwei Yingli will be decided by mutual agreement between Tianwei Baobian and us based on the fair market value of its and our equity interest in Tianwei Yingli, respectively, and in accordance with relevant PRC laws and regulations.

*Tianwei Yingli's Registered Capital*

Tianwei Yingli currently has a registered capital of RMB3,375.2 million. We currently hold 74.01% of Tianwei Yingli's equity interest, and Tianwei Baobian currently holds the remaining 25.99%. The registered capital of a company refers to the total amount of the capital subscribed by the equity interest holders of such company, as registered with relevant authorities. A shareholder of a company is entitled to the rights to and interests in such company in proportion to the fully paid amount of the registered capital of such company for which such shareholder subscribes or as otherwise agreed among the shareholders of such company. Such rights and interests include the rights to nominate directors to the board and receive dividends in proportion to the fully paid amount of the registered capital subscribed by such equity interest holders or as otherwise agreed among such equity interest holders. Under the PRC law, the rights and interests of a shareholder to a limited liability company are generally referred to as equity interest.

*Increase or Reduction of Tianwei Yingli's Registered Capital*

*Approval by the Board and the Relevant PRC Authority*

Any increase or reduction of Tianwei Yingli's registered capital is subject to unanimous approval of all directors present in person or by proxy at a meeting of the board or, in the event of a written resolution, the unanimous approval of all directors, as well as approval of the relevant PRC authority.

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*Preemptive Right*

If the board resolves to increase Tianwei Yingli's registered capital, both Tianwei Baobian and we have the preemptive right to make additional contributions to the registered capital in proportion to its and our respective equity interests in Tianwei Yingli as of the date of the board's resolution. If Tianwei Baobian and we choose to make such additional contributions, we are obligated to pay in full our respective additional contributions within 30 days after the relevant PRC authority approves the increase of Tianwei Yingli's registered capital.

If a party notifies the board in writing of its decision not to make all or part of the additional contribution that it is entitled to make, or fails to pay in full its additional contribution within 30 days after the approval by the relevant PRC authority (such party being the non-contributing party), the other party has the right, but not the obligation, to make an additional contribution to the extent that the first party fails or elects not to contribute (such other party, if it so contributes, being the contributing party). In this event, the board will retain an independent asset valuation firm to obtain a valuation of Tianwei Yingli in accordance with internationally accepted valuation methods and relevant PRC laws and regulations. If the non-contributing party does not make any additional contribution to Tianwei Yingli's registered capital while the contributing party does, the contributing party's shareholding percentage in Tianwei Yingli immediately after its contribution will be calculated as follows:

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(1) Fair market value means the expected value of Tianwei Yingli immediately following the contribution by the contributing party to Tianwei Yingli's registered capital.

*Our Additional Contribution to Tianwei Yingli's Registered Capital with Proceeds from our Public Offering or Private Placements*

Notwithstanding the above, if we intend to use proceeds from our public offering or any private placement transaction to make additional contributions to Tianwei Yingli's registered capital, Tianwei Baobian must cause all directors appointed by Tianwei Baobian to vote in favor of an increase of Tianwei Yingli's registered capital, and to take all actions necessary to obtain the approval of the relevant PRC authority. In such event, the board shall retain an independent asset valuation firm to obtain a valuation of Tianwei Yingli in accordance with internationally accepted valuation methods and relevant PRC laws and regulations. The percentage of our equity interest in Tianwei Yingli immediately after we make an additional contribution to Tianwei Yingli's registered capital with proceeds of our public offering or any private placement transaction will be calculated as follows:

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(1) Fair market value means the expected value of Tianwei Yingli immediately following our contribution to Tianwei Yingli's registered capital with proceeds from our public offering or from a private placement transaction, as the case may be. After our additional contribution as described above, Tianwei Baobian's equity interest in Tianwei Yingli will be diluted in the same proportion as our equity interest in Tianwei Yingli immediately prior to such additional contribution.

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*Transfer of Equity Interests in Tianwei Yingli*

All or part of the equity interests in Tianwei Yingli held by Tianwei Baobian and us may be transferred to third parties subject to the provisions described below.

*Right of First Refusal*

The party intending to transfer all or any part of its equity interest in Tianwei Yingli (such party being the transferring party) is required to send a written notice, or the offer notice, to the other party (such party being the non-transferring party) and the board of Tianwei Yingli, notifying them of the transferring party's intent to transfer such equity interest, or the offered interest, the terms and conditions of the proposed transfer and the identity of the proposed third-party transferee. The non-transferring party may exercise its right of first refusal by sending a written notice, or the acceptance notice, to the transferring party within 30 days after receipt of the offer notice, notifying the transferring party of the non-transferring party's intent to acquire all, but not less than all, of the offered interest.

The non-transferring party will be deemed to have consented to the proposed transfer if the transferring party has not received an acceptance notice within 30 days after the non-transferring party's receipt of the offer notice. In such an event, the transferring party may transfer the offered interest to the proposed third-party transferee within 60 days after expiration of the 30-day period as provided above and on terms no more favorable than specified in the offer notice, and the non-transferring party is obligated to sign a statement indicating its consent and waiver of its right of first refusal.

Notwithstanding the right of first refusal as described above, after completion of our initial public offering and listing of our ADSs on the NYSE, all or any part of the interest in Tianwei Yingli held by Tianwei Baobian or us may be transferred to its or our respective affiliates, and the other party is obligated to consent to such transfer.

*Approval by the Board and the Relevant PRC Authority*

Any transfer of an equity interest in Tianwei Yingli is subject to the unanimous approval of all directors present in person or by proxy at a meeting of the board or, in the event of a written resolution, the unanimous approval of all directors. Such transfer is also subject to the approval of relevant PRC authorities.

In the case of any transfer of an equity interest in Tianwei Yingli to a third party with a deemed consent of the non-transferring party or any affiliate transfer following the completion of our initial public offering and listing of our ADSs on the NYSE, each as described above, the non-transferring party is obligated to (i) cause each director appointed by it to consent to such transfer and approve related amendments to the articles of association of Tianwei Yingli at a board meeting and (ii) use its best efforts to obtain the approval of relevant PRC authorities.

*No Transfer to Tianwei Yingli's Competitors*

Under an amendment to the joint venture contract dated October 10, 2006, Tianwei Baobian and we may not transfer any of its or our equity interest, as applicable, in Tianwei Yingli to any third party that is engaged in a competing business with Tianwei Yingli.

***Encumbrance***

Neither Tianwei Baobian nor we may mortgage, pledge, charge or otherwise encumber all or any part of its or our respective equity interests, as applicable, in Tianwei Yingli without the prior written consent of the other party or the approval of relevant PRC authorities.

***Profit Distribution***

The maximum amount of dividend payable by Tianwei Yingli to its equity interest holders is calculated based on its retained earnings as calculated under PRC accounting regulations, and prior to the payment of

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dividends, Tianwei Yingli is required to pay income taxes according to PRC laws and make allocations of retained earnings to the reserve fund, enterprise development fund and employee bonus and bonus and welfare fund each at a percentage decided by the board each fiscal year. Any dividends paid by Tianwei Yingli are required to be distributed to Tianwei Baobian and us in proportion to its and our respective equity interests in Tianwei Yingli. Tianwei Yingli may not distribute any profit to its equity interest holders until all losses incurred in previous fiscal years are fully recovered. Undistributed profits accumulated in previous fiscal years may be distributed together with profits from the current fiscal year.

*Unilateral Termination of the Joint Venture Contract*

Either Tianwei Baobian or we may unilaterally terminate the joint venture contract if:

- Tianwei Yingli or the other equity interest holder is bankrupt, enters into a liquidation or dissolution proceeding, ceases business or becomes incapable of repaying debts that are due,
- an event of force majeure occurs and is continuing for over six months and the equity interest holders of Tianwei Yingli cannot find an equitable solution, or
- Tianwei Yingli's business license is terminated, cancelled or revoked.

Under the joint venture contract, force majeure is defined as any event which (i) is beyond the control of the parties thereto, (ii) is not foreseeable, or if foreseeable, unavoidable and (iii) prevents either party from performing all or a material part of its respective obligations.

Under the Company Law and other relevant PRC laws and regulations, the business license of a company may be terminated, cancelled or revoked by the relevant registration authority if such company:

- obtains its company registration by making false statement of registered capital, submitting false certificates or by concealing material facts through other fraudulent means, and the registration authority deems such activities to be a material noncompliance with applicable laws and regulations;
- fails to commence operation for more than six months without proper cause, or suspends operation on its own without proper cause for more than six consecutive months after commencement of operation;



- conducts illegal activities jeopardizing the national security and social public interests;
- engages in relevant business activities which require special permits or approval without obtaining such permits or approval, and the registration authority deems such activities to be a material noncompliance with applicable laws and regulations;
- refuses to accept the annual inspection within the time limit, or conceals facts or resorted to deception during the annual inspection, and the registration authority deems such activities to be a material noncompliance with applicable laws and regulations; or
- forges, alters, leases, lends or transfers its business license, and the registration authority deems such activities to be a material noncompliance with applicable laws and regulations.

Under relevant PRC laws and regulations, Tianwei Yingli's board of directors is required to establish a liquidation committee to carry out the liquidation of Tianwei Yingli upon the expiration or termination of the joint venture contract. The liquidation committee must conduct a thorough examination of Tianwei Yingli's assets and liabilities. During the course of the liquidation proceedings, Tianwei Yingli may continue its existence, but may not conduct any business activities unrelated to the liquidation process. The proceeds from the liquidation of Tianwei Yingli's assets must be used first to settle any and all of its outstanding debts, salaries, labor insurance and liquidation-related fees and taxes, and the balance of the proceeds must be distributed to Tianwei Yingli's shareholders in proportion to their respective contributions to Tianwei Yingli's registered capital. Upon completion

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of the liquidation, the liquidation committee must submit a liquidation report to relevant PRC authorities to effect deregistration and make a public announcement of the termination of the joint venture contract.

***Dispute Resolution***

All disputes arising from or in connection with the existence, interpretation, validity, termination or performance of the joint venture contract are required to be submitted to the Hong Kong International Arbitration Center for final and binding arbitration in accordance with the arbitration rules of the United Nations Commission on International Trade Law then prevailing. Before an arbitration proceeding may be commenced, (1) the party seeking arbitration must send a written notice to the other party requesting arbitration and describing the nature of the dispute and (2) within 90 days of such notice Tianwei Baobian and we must have engaged in efforts to resolve the dispute amicably, but such efforts have failed.

***Governing Law***

The execution, validity, interpretation and performance of the joint venture contract, as well as resolution of disputes under such contract, are governed by PRC law.

**B. Business Overview**

**Overview**

We are one of the leading vertically integrated photovoltaic, or PV, product manufacturers in the world. We design, manufacture and sell PV modules, and design, assemble, sell and install PV systems. With an overall annual manufacturing capacity of over 1,700 megawatts for each of crystalline polysilicon ingots and wafers, PV cells and PV modules as of the date of this annual report, we believe we are currently one of the largest manufacturers of PV products in the world as measured by annual manufacturing capacity. With our in-house polysilicon manufacturing capacity, which started trial production in late 2009, our current products and services substantially cover the entire PV industry value chain, ranging from the manufacture of polysilicon, crystalline polysilicon ingots and wafers, PV cells and PV modules to the manufacture of PV systems and the installation of PV systems. We believe we are one of the largest PV companies in the world to have adopted a vertically integrated business model. Our end-products include PV modules and PV systems in different sizes and power outputs. We sell PV modules under our own brand names, Yingli and Yingli Solar, to PV system integrators and distributors located in various markets around the world, including Germany, the United States, Italy, China, Spain, the Netherlands, France, the United Kingdom, Japan, Israel and Slovenia.

In 2002, we began producing PV modules with an initial annual manufacturing capacity of three megawatts and have significantly expanded production capacities of our PV products in the past to the current level. We currently plan to expand our overall annual manufacturing capacity of each of polysilicon ingots and wafers, PV cells and PV modules to 2,450 megawatts by the end of 2012 by building another 750 megawatts of manufacturing capacity in Haikou, Tianjin, Hengshui and Baoding. In addition, our in-house polysilicon production subsidiary, Fine Silicon, has

a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production.

### **Our Products and Services**

Our products and services include the manufacture of polysilicon ingots and wafers, PV cells, PV modules and integrated PV systems, which encompass substantially the entire PV industry value chain, with the manufacture of polysilicon feedstock being the only significant exception. In January 2009, we acquired Cyber Power, a development stage enterprise designed to produce polysilicon. Cyber Power, through its principal operating subsidiary, Fine Silicon, has a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production. However, we do not expect that our in-house polysilicon production capacity will meet our entire polysilicon needs in the near future.

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***Polysilicon***

Our polysilicon production process starts with the production of sodium aluminum hydrogen, or SAH, and silicon tetrafluoride, or STF. We produce SAH with sodium, aluminum and hydrogen through the SAH reactor. STF is produced from silica, sulfuric acid and sodium aluminum tetrafluoride, or SAF, through the STF reactor. SAH and STF are then fed into the silane reactor to produce silane. After purification, we transfer silane into the chemical vapor deposition, or CVD, reactor to produce polysilicon.

***Polysilicon Ingots and Blocks***

A polysilicon ingot is formed by melting, purifying and solidifying polysilicon feedstock into a brick-shaped ingot. Now we produce 400 kilogram with the size of 840 millimeters x 840 millimeters x 250 millimeters and 420 kilogram multicrystalline polysilicon ingots with the size of 840 millimeters x 840 millimeters x 262 millimeters, which accounts for a little more than half quantity of our ingots. The polysilicon ingots are then cut into blocks. Our polysilicon blocks are generally available in the size of 156 millimeters x 156 millimeters x 250 millimeters and 156 millimeters x 156 millimeters x 262 millimeters. We use our polysilicon blocks to produce polysilicon wafers.

***Polysilicon Wafers***

The polysilicon blocks are then sliced into wafers with wire saws. Thinner wafers enable a more efficient use of polysilicon, and thus lower the cost per watt of power produced. The thickness of our wafers was 180 microns as of December 31, 2011. The diameter of our wafers was 130 microns as of December 31, 2011. Our wafers are generally available in the size of 156 millimeters x 156 millimeters. At times historically when we had produced an excess amount of wafers as a result of the disparity in our wafer manufacturing capacity and the PV cell capacity, we provided the excess wafers to third-party toll manufacturers which processed wafers into PV cells and return the PV cells to us for a processing fee under toll manufacturing arrangements. In 2010 we entered into toll manufacturing arrangements with third-party toll manufacturers, which accounted for a very small percentage of our total production volume. For the year of 2009 and 2011 we did not have such toll manufacturing arrangements.

***PV Cells***

A PV cell is a device made from a polysilicon wafer that converts sunlight into electricity by a process known as the photovoltaic effect. The conversion efficiency of a PV cell is the ratio of electrical energy produced by the cell to the energy from sunlight that reaches the cell. The conversion efficiency of PV cells is determined to a large extent by the quality of wafers used to produce the PV cells, which is, in turn, determined by the mix of different types of polysilicon raw materials used in the ingot casting process. The annual average conversion efficiency for our multicrystalline cells was 16.2%, 16.5% and 17.0% in 2009, 2010 and 2011, respectively.

In addition, we have commercialized 600 megawatts of monocrystalline production capacity for each of monocrystalline ingots and wafers, cells and modules in Baoding, Hebei Province. These production lines are designed to produce next-generation high efficiency monocrystalline PV cells based on the technology developed through Project PANDA, a collaboration project among us, the Energy Research Centre of the

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Netherlands, a leading solar research center in Europe, and Tempres Systems, a wholly-owned subsidiary of Amtech Systems, Inc., a global supplier of production and automation systems and related supplies for the manufacture of PV cells. We achieved an average cell conversion efficiency rate of 19.0% on the PANDA commercial lines, and a record cell conversion efficiency rate of 20.0% on the PANDA trial production line in 2011.

We generally use all of our PV cells in the production of our PV modules. In 2011, as we were able to achieve a utilization rate of our PV module production capacity above 100% to meet strong market demand, we purchased PV cells from third parties to meet the excess PV module production capacity. We anticipate that we may continue to purchase PV cells from third parties from time to time in the future.

Table of Contents***PV Modules***

A PV module is an assembly of PV cells that are electrically interconnected, laminated and framed in a durable and weatherproof package. Currently, most of our PV modules are made with PV cells produced by us. Historically, we have used toll manufacturing arrangements on a limited scale, and most of our PV modules produced by third-party PV module manufacturers under such toll manufacturing arrangements used PV cells produced by us. As the result of a utilization rate of our PV module production capacity above 100%, which exceed the utilization rate of our PV cell production capacity, a small portion of our PV modules were made with PV cells provided by third-party suppliers. Our PV modules are made with a frame design that we believe enhances their ability to withstand strong wind and vibrations. A majority of PV modules produced by us have outputs ranging from 150 to 270 watts. The following table sets forth the major types of modules produced by us:

<b>Dimensions (mm x mm)</b>	<b>Weight (Kilograms)</b>	<b>Maximum Power (Watts)</b>		<b>Optimum Operating Voltage (Volts)</b>
1310 x 990	15.8	150	195	23
1650 x 990	19.5	200	245	29
1650 x 990	19.5	225	270	30

***Integrated PV Systems***

A PV system consists of one or more PV modules that are physically mounted and electrically interconnected with system components such as batteries and power electronics, to produce and store electricity. We produce PV systems and also design, assemble, sell and install stand-alone PV systems for lighting systems, mobile communication base stations and residential applications. In order to focus on our core PV products and their components, we no longer produce controllers, inverters and other components used in our PV systems but instead source them from third-party manufacturers and sell them to our customers as part of our PV systems. We typically install these systems on-site for our customers. For our larger PV systems, we work with the customers on-site to design, install, test and oversee the system start-up. Installation, testing and initial start-up of a PV system generally takes up to four months.

***Manufacturing***

We started producing PV modules in 2002 and started producing polysilicon ingots and wafers in October 2003 and PV cells in March 2004. As of the date of this annual report, we have the capacity to produce over 1,700 megawatts each of polysilicon ingots and wafers, PV cells and PV modules per year. We use our polysilicon wafers and PV cells as materials in the production of PV modules.

***Manufacturing Process***

**Polysilicon.** Fine Silicon produces high-quality solar-grade and electronic-grade polysilicon through an energy-efficient and environmentally sound manufacturing process. Unlike traditional trichlorosilane (TCS)-based polysilicon technology, Fine Silicon's approach eliminates the use of any chlorides or TCS and produces sulfate as the only by-product, which can be used as raw materials in the chemical industry, thereby

saving power and minimizing the environmental impact.

Our polysilicon production process starts with the production of sodium aluminum hydrogen, or SAH, and silicon tetrafluoride, or STF. We produce SAH with sodium, aluminum and hydrogen through the SAH reactor. STF is produced from silica, sulfuric acid and sodium aluminum tetrafluoride, or SAF, through the STF reactor. SAH and STF are then fed into the silane reactor to produce silane. After purification, we transfer silane into the CVD reactor to produce polysilicon.

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The following diagram illustrates our polysilicon production process:

*Polysilicon Ingots.* The quality of polysilicon ingots determines, to a large extent, the quality of our final PV products. To produce polysilicon ingots, polysilicon is melted in a quartz crucible within a furnace. The melted polysilicon then undergoes a crystal growing process, gradually anneals and forms an ingot. To reduce the cost of polysilicon, we use a mix of high-purity polysilicon and lower-purity polysilicon, including polysilicon scraps such as the discarded tops and tails of ingots, pot scraps and broken or unused silicon wafers. Our employees undertake the labor-intensive process of sorting through the polysilicon feedstock to separate polysilicon that meets our specified standards for the production of ingots. The polysilicon feedstock used in the production of multicrystalline polysilicon ingots is not required to have the same level of purity as that used to produce monocrystalline silicon ingots. Nonetheless, impurities in polysilicon feedstock present a challenge to the production of polysilicon ingots because impurities are difficult to separate in the casting process.

*Blocks and Wafers.* Polysilicon ingots are cut into polysilicon blocks, which are edge-ground to avoid breakage during the wafer-slicing process. Polysilicon blocks are then sliced into polysilicon wafers.

*PV Cells.* The silicon wafers undergo an ultrasonic cleaning process to remove oil and surface particles, followed by a chemical cleaning process to remove the impurity and create a suede-like structure on the wafer surface, which reduces the PV cell's reflection of sunlight and increases the PV cell's absorption of solar energy. Through a diffusion process, we then introduce certain impurities into the silicon wafers and form an electrical field within the PV cell. We achieve the electrical isolation between the front and back surfaces of the silicon wafer by edge isolation, or removing a very thin layer of silicon around the edge. We then apply an anti-reflection coating to the front surface of the wafer to enhance its absorption of sunlight. We screen-print negative and positive metal contacts, or electrodes, on the front and back surfaces of the PV cell, respectively, with the front contact in a grid pattern to collect the electrical current. Silicon and metal electrodes are then connected through an electrode firing process in a conveyor belt furnace at a high temperature. Testing and sorting complete the manufacturing process for PV cells.



The diagram below illustrates the PV cell manufacturing process:

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*PV Modules.* PV modules are formed by interconnecting multiple PV cells into desired electrical configurations through welding. The interconnected cells are laid out and laminated in a vacuum. Through these processes, the PV modules are weather-sealed, and thus are able to withstand high levels of ultraviolet radiation, moisture, wind and sand. Assembled PV modules are packaged in a protective aluminum frame prior to testing.

The following diagram illustrates the PV module manufacturing process:

*PV Systems.* PV system production involves the design, manufacturing, installation and testing of PV systems. We design PV systems according to our customers' requirements. We integrate PV modules and other system components into PV systems by electronically interconnecting PV modules with system components such as inverters, storage batteries and electronic circuitry to produce, store and deliver electricity. For small PV systems such as portable electricity supply systems used for transmitter-receivers, we complete the integration and testing procedures in our facilities in Baoding before such systems are sold to the end-customers. For mid-sized PV systems such as PV lighting systems, we complete the integration process in Baoding, but install and test for our customers on-site. For large PV systems, such as on-grid solar power stations and stand-alone PV systems, we work with the customers on-site to design, install, test and oversee the system startup.

***Manufacturing Capacity Expansion***

In 2002, we began producing PV modules with an initial annual manufacturing capacity of three megawatts and have significantly expanded production capacities of our PV products in the past to the current level. We currently plan to expand our overall annual manufacturing capacity of each of polysilicon ingots and wafers, PV cells and PV modules to 2,450 megawatts by the end of 2012 by building another 750 megawatts of manufacturing capacity in total in Haikou, Tianjin, Hengshui and Baoding. In addition, our in-house polysilicon manufacturing plant, Fine Silicon, has a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production.

The following table sets forth our production capacities for ingot and wafers, PV cells and PV modules at the end of each period indicated.

	2009	As of December 31, 2010 (Megawatts)	2011
Ingot and wafers	600	1,000	1,700
PV cells	600	1,000	1,700

PV modules	600	1,000	1,700
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***Raw Materials***

Raw materials required in our manufacturing process include aluminum, sodium, hydrogen, silica, sulfuric acid, polysilicon, polysilicon scraps crucibles, silicon carbides, cutting fluid, steel cutting wires, metallic pastes, laminate materials, tempered glass, aluminum frames, solder, batteries and other chemical agents and electronic components. We generally use vendors who have demonstrated quality control and reliability and maintain multiple supply sources for each of our key raw materials and other consumables so as to minimize any potential disruption of our operations from supply problems with any one vendor. We generally evaluate the quality and delivery performance of each vendor periodically and adjust quantity allocations accordingly. We maintain adequate supply of raw materials and other consumables based upon periodic estimates of our outstanding customer orders.

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In 2009, 2010 and 2011, we purchased the substantial majority of our raw materials and other consumables (other than polysilicon) from approximately 10 to 15 overseas suppliers and the rest from Chinese suppliers. Where possible, we seek to procure raw materials and other consumables from suppliers with proven quality and cost advantages.

Polysilicon is the most important raw material used in our production process. Due to growing global demand for polysilicon, prices for polysilicon had increased substantially in the past few years until the fourth quarter in 2008. From the fourth quarter of 2008 to the second quarter of 2009, as the result of increased polysilicon manufacturing capacity and the decrease in the demand for polysilicon due to the global financial crisis in 2008 and 2009, the price of polysilicon decreased significantly. Although the polysilicon price rebounded between the third quarter of 2010 and first quarter of 2011 due to the recovery of demand for PV products in certain markets, the polysilicon price has decreased significantly starting from the second quarter of 2011 as the result of increased polysilicon manufacturing capacity for polysilicon and the pressure from the decreasing average selling price of PV modules. Any significant increase of the price for polysilicon would materially and adversely affect our profitability and results of operations. Our average purchase price of polysilicon per kilogram decreased by 16.8% in 2011 compared to 2010.

Historically, we had relied on spot market purchase to meet a significant portion of our polysilicon needs. In order to secure adequate and timely supply of polysilicon, we are actively seeking to further strengthen our relationships with our polysilicon suppliers and establish strategic relationships with them. We have entered into various purchase agreements and memorandums of understanding with local and foreign suppliers, including some of the world's major polysilicon suppliers. Supplies under these purchase agreements started in early 2009. However, we cannot assure you that we will be able to secure sufficient quantities of polysilicon to support the expansion of our manufacturing capacity as currently planned.

From 2006 to 2010, we entered into seven long-term supply contracts with Wacker Chemie AG, or Wacker, a German polysilicon supplier, for supplies of polysilicon from 2009 through 2013, from 2009 through 2017, from 2010 through 2018, from 2009 through 2011, from 2010 through 2017, from 2011 through 2013 and from 2011 through 2018, respectively. In addition, we entered into one long-term supply agreements in February 2008 with OCI Company Ltd., or OCI, formerly known as DC Chemical, for supplies of polysilicon for the period from 2009 through 2013. From 2009 to the date of this annual report, we entered into another two long-term supply contracts with OCI, for supplies of polysilicon from 2011 through 2015 and from 2012 through 2018, respectively. We also entered into a polysilicon supply contract with Daqo New Energy Corp., or Daqo, formerly known as Sailing, for polysilicon to be delivered from the fourth quarter of 2008 through the end of 2010. In August, 2010, we entered into another polysilicon supply agreement with Daqo for supplies of polysilicon from 2011 through 2012. In March 2011, we entered into a long-term polysilicon supply agreement with Hemlock Semiconductor Pte. Ltd., or Hemlock, for supplies of polysilicon from 2013 through 2020. In November 2011, we entered into an amendment to this long-term supply agreement to purchase polysilicon starting from 2012 through 2020 instead of 2013 through 2020 and revised certain commercial terms such as total contract quantity, advance payment arrangement and unit prices.

In January 2009, we acquired Cyber Power, which was then a development stage enterprise designed to produce polysilicon. Fine Silicon, the principal operating subsidiary of Cyber Power, has a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production. However, we do not expect that our in-house polysilicon production capacity will meet our entire polysilicon needs in the near future.

*Quality Control*

We employ quality assurance procedures at key stages of our manufacturing process to identify and solve quality problems. Our quality assurance procedures start with raw material quality assurance, which includes annual evaluation of our major raw material suppliers and inspection of all raw materials upon their arrival at our factory. We also have quality control procedures in place at all key stages of our wafer, PV cell and PV module production processes. In addition, all of our wafers, PV cells and PV modules are tested before they are used in the next manufacturing step or sent to our warehouse for sale. If a problem is detected, a failure analysis is performed to determine the cause. To ensure the accuracy and effectiveness of our quality assurance procedures, we provide ongoing training to our production line employees. Our senior management team is actively involved in establishing quality assurance policies and managing quality assurance performance on a continuous basis.

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We have received many types of international certifications for our products and quality assurance programs, which we believe demonstrates our technological capabilities and foster customer confidence. The following table sets forth the major certifications we have received and major test standards our products have met as of the date of this annual report:

<b>Certification or Test Dates</b>	<b>Certification or Test Standard</b>	<b>Relevant Products</b>
February 2004, and renewed in February 2010	ISO 9001: 2000 (renewed as ISO 9001:2008) quality system certification, established by the International Organization for Standardization, an organization formed by delegates from member countries to establish international quality assurance standards for products and manufacturing processes.	The design and manufacturing of crystalline silicon solar modules, solar cells, multi-crystalline silicon wafers and multi-crystalline silicon ingots
April 2004, December 2010 and renewed in February 2012	UL certification, authorized by Underwriters Laboratories Inc., an independent, not-for-profit product-safety testing and certification organization in the United States; evaluated in accordance to USL (Standard for Safety, Flat-Plate Photovoltaic Modules and Panels, UL 1703) and CNL (Canadian Other Recognized Document, ULC/ORD-C1703-01, Flat-Plate Photovoltaic Modules and Panels).	Certain models of PV modules
August 2004, July 2005, January 2006, February 2007, May 2007, July 2007, June 2008, May 2009, November 2009, February 2010, August 2010, November 2010, April 2011, June 2011, November 2011 and December 2011	TÜV certification, conducted by TÜV Immissionsschutz und Energiesysteme GmbH, an independent approval agency in Germany, against the requirements of Safety Class II Test (Crystalline terrestrial Photovoltaic (PV) Modules Design qualification and type approval, IEC61215:2005, Photovoltaic (PV) module safety qualification, IEC61730 and ammonia corrosion testing, IEC 62716) on PV modules.	Certain models of PV modules
January 2007 and renewed in February 2010	ISO 14001: 2004 certification for environment management system.	The design and manufacturing of crystalline silicon solar modules, solar cells, multi-crystalline silicon wafers and multi-crystalline silicon ingots
July 2010	Golden Solar certification by CGC, against the requirement of IEC61215:2005.	Certain models of our PV modules
March 2011	Golden Solar certification by CGC, against the requirement of IEC61215:2005.	PANDA series modules
August 2011	JET certification, conducted by Japan Electrical Safety & Environment	Certain models of PV modules



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Certification or Test Dates	Certification or Test Standard	Relevant Products
	Technology Laboratories, an independent approval agency in Japan, against the requirement of IEC61215 and IEC61730.	
August 2011	MCS certification authorized by United Kingdom Accreditation Service (UKAS), a non-profit independent certification company, against the requirement of MSC 010-1.5 and MSC 005-2.3.	Certain models of PV modules
September 2011	KEMCO certification, conducted by Korea Energy Management Corporation in Korea, against the requirement of IEC61215 and IEC61730.	PANDA series modules

**Markets and Customers**

Our products are sold in China's domestic market and in various international markets, including Germany, the United States, Italy, Spain, France, the Netherlands, the United Kingdom, Japan, Israel and Slovenia. The following table sets forth the revenues generated from our major markets as percentages of our net revenues for the periods indicated.

	Year Ended December 31,		
	2009 %	2010 %	2011 %
Germany	63.1	56.6	44.9
PRC	4.5	6.0	22.2
United States	2.0	9.7	14.6

For a breakdown of our net revenue by geographic regions for 2009, 2010 and 2011, see Note 25 to our audited consolidated financial statements included elsewhere in this annual report. For the revenue contributions by our customers that individually accounted for greater than 10% of our net revenues for 2009, 2010 and 2011, see Note (2)(c) to our audited consolidated financial statements included elsewhere in this annual report.

The products that we sell are primarily PV modules. These modules are sold primarily to installers, PV system integrators, property developers and other value-added resellers, who incorporate our PV modules into large on-grid integrated PV systems with batteries, inverters, mounting structures and wiring systems.

We sell our PV modules typically through supply contracts with a term of less than one year and are obligated to deliver PV modules according to pre-agreed prices and schedules.



**Sales and Marketing**

We currently sell our PV modules primarily to distributors, wholesalers, power plant developers and operators and PV system integrators. Our focus on specific types of customers depends largely on the demand in the specific markets. Distributors and wholesalers tend to be large volume purchasers. We also work with solar power plant developers and operators by supplying solar modules for select downstream projects. PV system integrators typically design and sell integrated systems that include our branded PV modules along with other system components. Some of the PV system integrators also resell our modules to other system integrators.

We employ a total of approximately 300 marketing and sales personnel at our headquarters in Baoding and also in Haikou, Tianjin, Hengshui, Lhasa, Lanzhou, Kunming, Guangzhou, Beijing, Suzhou, Yantai and Shanghai. We believe the adoption of China's Renewable Energy Law and the PRC government's commitment to develop

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renewable energy sources will contribute to rapid growth of the PV market in China. We plan to leverage our existing relationships with end-users to increase our sales in China, especially our sales of PV systems. As part of our effort to expand overseas, we have built a sales team of 83 representatives located in Germany, Spain, Italy, Greece, France, Singapore, Chile, Brazil and the United States, and expect to further expand our overseas sales force.

In order to avoid brand confusion and build more direct relationships with our customers, we have actively promoted our brand name through participation in trade shows and exhibitions, advertisements on newspapers and trade magazines and various sponsorships. For example, to strengthen our leadership position in our existing markets and to establish our presence in emerging markets, we became an official sponsor of the 2014 FIFA World Cup Brazil™ in June 2011. Our sponsorship rights include ticketing and hospitality rights, perimeter-board advertising, as well as the right to use FIFA World Cup™ emblems and logo. We expect our sponsorship activities to increase business opportunities in Brazil and other regions in Latin America. We were also an official sponsor of the 2010 FIFA World Cup™ in South Africa. Our sponsorship agreement for the 2010 FIFA World Cup™ provided us with global marketing rights, including certain ticket, perimeter-board advertising, and media rights as well as the right to showcase our solar products at the fan zones in the FIFA World Cup™ stadiums. The agreement also gives us the right to place our company logo next to the FIFA World Cup™ Official Emblem and advertise or promote our products and services. In August 2011, we became the first official renewable energy partner of United States Soccer. Through 2014, we will support U.S. Soccer's ongoing efforts to develop the game at all levels, as well as working with U.S. Soccer to provide solar energy for local athletic centers in disadvantaged communities across the U.S. On January 22, 2011, we became an Official Premium Partner of FC Bayern München, or FCB, one of the most successful and popular football clubs in the world. Our sponsorship as an Official Premium Partner in the renewable energy business sector commences the second leg of season 2010/2011 and continues until the end of season 2013/2014. Under this sponsorship, we have a series of marketing rights, including ticketing and hospitality, advertising and media/public relations as well as the right to market and sell our solar products in the official FCB fan shops.

**Customer Support and Services**

We provide customer support and service in China through dedicated teams of technical service personnel located in Baoding, Haikou, Tianjin, Hengshui, Lhasa, Lanzhou, Kunming, Guangzhou, Beijing, Suzhou, Yantai and Shanghai. Our customer support and service teams coordinate their activities with the marketing, technology, quality and manufacturing departments.

We provide customer support and service to overseas customers through our overseas subsidiaries and regional headquarters located in our major markets, such as Germany, Spain, Italy, Greece, France, Singapore and the United States. Before September 30, 2011, our PV modules are typically sold with a two- or five-year limited warranty for defects in materials and workmanship, and a 10-year and 25-year warranty against declines of more than 10% and 20% of initial power generation capacity, respectively. From October 1, 2011, we implemented a new and improved warranty terms that guarantees 91.2% of nameplate power for 10 years, and 80.7% of nameplate power for a period of 25 years for multicrystalline PV modules and 98.0% of nameplate power for the first year, 92.0% of nameplate power for 10 years, and 82.0% of nameplate power for a period of 25 years for monocrystalline Panda PV modules. In addition, based on customers' specific requirements, we also provide our multicrystalline PV modules with linear-based warranty which guarantees each year's power output during the twenty-five-year warranty period. As a result, we bear the risk of warranty claims long after we have sold our products and recognized revenues. In connection with our PV system sales in the PRC, we provide a one- to five- year warranty against defects in our modules, storage batteries, controllers and inverters. Because our products have only been in use for a relatively short period of time, our assumptions regarding the durability and reliability of our products may not be accurate, and because our products have relatively long warranty periods, we cannot assure you that the amount of accrued warranty provided by us for our products will be adequate in light of the actual performance of our products. See Item 3.D. Risk Factors Risks Related to Us and the PV Industry Unsatisfactory performance of or defects in our products may cause us to incur additional warranty expenses, damage our reputation and cause our sales to decline.



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**Intellectual Property**

We have registered our trademarks Yingli and Yingli Solar in China. We have full rights to use Yingli Solar in a number of foreign jurisdictions where we sell or plan to sell our products, including all members of the European Union, the United States and Canada. As of the date of this annual report, we had a total of 103 issued patents in China and had made 177 patent applications. We rely on a combination of patent, trademark, anti-unfair competition and trade secret laws, as well as nondisclosure agreements and other methods to protect our intellectual property rights. Other than the know-how available in the public domain, we have developed in-house unpatented technical know-how that we use to manufacture our products. Many elements of our manufacturing processes involve proprietary know-how, technology or data, either developed by us in-house or transferred to us by our equipment suppliers, which are not covered by patents or patent applications, including manufacturing technologies and processes and production line and equipment designs. We have taken security measures to protect these elements. Substantially all of our research and development personnel are parties to confidentiality, non-competition and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies that they develop during their terms of employment with us. We also take other precautions, such as internal document and network assurance and using a separate dedicated server for technical data. We have not had any material intellectual property claims since our inception. See Item 3.D. Risk Factor Risks Related to Us and the PV Industry Our limited intellectual property protection inside and outside of China may undermine our competitive position and subject us to intellectual property disputes with third parties, both of which may have a material adverse effect on our business, results of operations and financial condition.

**Competition**

The PV market is intensely competitive and rapidly evolving. The number of PV product manufacturers had rapidly increased due to the growth of actual and forecasted demand for PV products and the relatively low barriers to entry. The weakened demand for PV modules due to weakened macroeconomic conditions and tightened credit for PV project financing, combined with the increased supply of PV modules due to production capacity expansion by PV module manufacturers worldwide in recent years, has caused the price of PV modules to decline beginning in the fourth quarter of 2008. We expect that the prices of PV products, including PV modules, may continue to decline over time due to increased supply of PV products, reduced manufacturing costs from economies of scale, advancement of manufacturing technologies and cyclical downturns in the price of polysilicon. If we fail to attract and retain customers in our target markets for our current and future core products, namely PV modules and PV systems, we will be unable to increase our revenues and market share.

In 2009, 2010 and 2011, a significant portion of our revenues have been derived from overseas markets, including Germany, the United States, Italy, Spain, France, the Netherlands, the United Kingdom, Japan, Israel and Slovenia. In these markets, we compete with both local and international producers of solar products, including the solar energy divisions of large conglomerates such as Sharp Corporation, PV module manufacturers such as SunPower Corporation, thin film solar module manufacturers such as First Solar, Inc., and integrated PV product manufacturers such as SolarWorld AG, Renewable Energy Corporation, Suntech Power Holdings Co., Ltd. and Trina Solar Limited. In 2011, sales to China accounted for approximately 22.2% of our total revenues, compared to approximately 6.0% in 2010. We expect more competition from China local PV module manufactures as we continue our expansion in China market.

We may also face competition from new entrants to the PV market, including those that offer more advanced technological solutions or that have greater financial resources, such as semiconductor manufacturers, several of which have announced their intention to start production of PV cells and PV modules. A significant number of our competitors are developing or currently producing products based on PV technologies which may be believed to be more advanced, including amorphous silicon, string ribbon and nano technologies, which eventually offer cost advantages over the crystalline polysilicon technologies currently used by us. A widespread adoption of any of these technologies could result in a rapid decline in demand for our products and a resulting decrease in our revenues if we fail to adopt such technologies. In addition, like us, some of our competitors have become, or are becoming, vertically integrated in the PV industry value chain, from silicon ingot manufacturing to

PV system sales and installation. This could further erode our competitive advantage as a vertically integrated PV product manufacturer. In addition, our competitors may also enter into the polysilicon manufacturing business, which may provide them with cost advantages. Furthermore, the entire PV industry also faces competition from conventional energy and non-solar renewable energy providers.

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With respect to PV modules, we compete primarily in terms of price, reliability of delivery, consistency in the average wattage of our PV modules, durability, appearance and the quality of after-sale services. We believe our highly bankable and cost-effective products, strong brand name, well-established reputation and integrated service model make our PV modules competitive. We sell small commercial, personal and home-use PV systems primarily in China where we have competitive advantages over our overseas competitors because of our closer proximity to customers in China and better understanding of their needs. We also have domestic competitors in China. With respect to large integrated PV system projects, we compete primarily in terms of price, design and construction experience, aesthetics and conversion efficiency. See Item 3.D. Risk Factors Risks Related to Us and the PV Industry We face intense competition in the PV modules and PV system markets and our PV products compete with different solar energy systems as well as other renewable energy sources in the alternative energy market. If we fail to adapt to changing market conditions and to compete successfully with existing or new competitors, our business prospects and results of operations would be materially and adversely affected.

## **Environmental Matters**

Our manufacturing processes generate noise, waste water, gaseous waste and other industrial waste. We have installed various types of anti-pollution equipment in our facilities to reduce, treat, and where feasible, recycle the wastes generated in our manufacturing process. The most significant environmental contaminant we generate is waste water. We have built special facilities to filter and treat waste water generated in our production process and recycle the water back into our production process. The other major environmental contaminant we generate is gaseous waste. We treat such gas in our special facilities to reduce the contaminant level to below the applicable environmental protection standard before discharging the gas into the atmosphere. Our operations are subject to regulation and periodic monitoring by local environmental protection authorities. The Chinese national and local environmental laws and regulations impose fees for the discharge of waste substances above prescribed levels, require the payment of fines for serious violations and provide that the Chinese national and local governments may at their own discretion close or suspend the operation of any facility that fails to comply with orders requiring it to cease or remedy operations causing environmental damage.

No such penalties have been imposed on us or our subsidiaries, and we believe we are currently in compliance with present environmental protection requirements in all material respects, and have obtained all necessary environmental permits for all of our production expansion projects. We are not aware of any other pending or threatened environmental investigation proceeding or action by any governmental agency or third party.

## **Insurance**

We maintain an insurance policy covering losses due to fire, earthquake, flood and a wide range of other natural disasters. Insurance coverage for our inventory, fixed assets and on-going projects amounted to approximately RMB13,003.4 million as of the date of this annual report. We also maintain insurance policies in respect of marine, air and inland transit risks of our products. In addition, we have obtained product liability insurance coverage. The insurance policy covers bodily injuries and property damages caused by the products we sold, supplied or distributed up to specified limits. We do not maintain any insurance coverage for business interruption or key-man life insurance on our executive officers. We consider our insurance coverage to be adequate. However, significant damage to any of our manufacturing facilities and buildings, whether as a result of fire or other causes, could have a material adverse effect on our results of operations. See Item 3.D. Risk Factors Risks Related to Us and the PV Industry We have limited insurance coverage and may incur uncovered losses resulting from business interruption or natural disasters.

## **PRC Governmental Regulations**

This section sets forth a summary of the most significant regulations or requirements that affect our business activities in China. Certain of these regulations and requirements, such as those relating to tax, equity joint ventures, foreign currency exchange, dividend distribution, regulation of foreign exchange in certain onshore and offshore transactions, and regulations of overseas listings, may affect our shareholders' right to receive dividends and other distributions from us.

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***Renewable Energy Law and Other Government Directives***

In February 2005, China enacted its Renewable Energy Law, which became effective on January 1, 2006, or the 2006 Renewable Energy Law. The 2006 Renewable Energy Law sets forth the national policy to encourage and support the use of solar and other renewable energy and the use of on-grid generation. On December 26, 2009, the Standing Committee of the National People's Congress adopted an amendment to the 2006 Renewable Energy Law, or the Amended Renewable Energy Law, which became effective on April 1, 2010. While the 2006 Renewable Energy Law has laid the legal foundation for developing renewable energy in China, the Amended Renewable Energy Law has introduced practical implementing measures to enhance such development.

The Amended Renewable Energy Law details the principles, main content and key issues of the renewable energy development and utilization plans, further elaborates the requirements for grid companies to purchase the full amount of electricity generated from renewable energy by setting out the responsibilities and obligations of the government, the power companies and the grid companies, respectively, and also clarifies that the state will set up a special fund, referred to as the renewable energy development fund, to compensate the difference between the tariff for electricity generated from renewable energy and that generated from conventional energy sources. The proceeds of the renewable energy development fund may also be used to support renewable energy scientific research, finance rural clean energy projects, build independent power systems in remote areas and islands, and build information networks to exploit renewable energy. It is anticipated that China will publish more detailed implementing rules for the Amended Renewable Energy Law and make corresponding changes to those existing implementing rules relating to renewable energy.

China's Ministry of Construction issued a directive in June of 2005, which seeks to expand the use of solar energy in residential and commercial buildings and encourages the increased application of solar energy in townships. In addition, China's State Council promulgated a directive in June of 2005, which sets forth specific measures to conserve energy resources and encourage exploration, development and use of solar energy in China's western areas, which are not fully connected to electricity transmission grids, and other rural areas.

On April 28, 2007, China's National Development and Reform Commission issued a Circular on the Eleventh Five-year Plan for the Development of High-Technology Industry, pursuant to which China encourages the production of energy materials, including the high-quality silicon materials for solar cell, in order to establish the independent research and production system of new energy materials.

In July 2007, the PRC State Electricity Regulatory Commission issued the Supervision Regulations on the Purchase of All Renewable Energy by Power Grid Enterprises which became effective on September 1, 2007. To promote the use of renewable energy for power generation, the regulations require that electricity grid enterprises must in a timely manner set up connections between the grids and renewable power generation systems and purchase all the electricity generated by renewable power generation systems. The regulations also provide that power dispatch institutions shall give priority to renewable power generation companies in respect of power dispatch services provision.

On August 31, 2007, the National Development and Reform Commission, or NDRC, implemented the National Medium- and Long-Term Programs for Renewable Energy, or MLPRE, aiming to raise consumption of renewable energy to 10% and 15% of total energy consumption by 2010 and 2020, up from 7.5% in 2005, which highlights the government's long-term commitment to the development of renewable energy.



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On October 28, 2007, the Standing Committee of the National People's Congress adopted amendments to the PRC Energy-saving Law, which sets forth policies to encourage the conservation of energy in manufacturing, civic buildings, transportation, government agents and utilities sectors. The amendments also seek to expand the use of the solar energy in construction areas.

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On March 23, 2009, the Ministry of Finance issued the Provisional Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Construction, which outline a subsidy program dedicated to rooftop PV systems with a minimum capacity of 50 kilowatt-peak.

In July 2009, the PRC government announced a new program of incentives for the development of 500 megawatts of large-scale PV projects throughout the country over two to three years. Under this program, on-grid PV projects of at least 300 kilowatts will be eligible for subsidies of 50%. Projects in remote areas with no access to the electricity grid will be eligible for subsidies of 70%.

In July 2010, the Ministry of Housing and Urban-Rural Development issued the City Illumination Administration Provisions or the Illumination Provision. The Illumination Provisions encourage the installation and use of renewable energy system such as PV systems in the process of construction and re-construction of city illumination projects.

On October 10, 2010, the State Council of China promulgated a decision to accelerate the development of seven strategic new industries. Pursuant to this decision, the PRC government will promote the popularization and application of solar thermal technologies by increasing tax and financial policy support, encouraging investment and providing other forms of beneficial support.

In March 2011, the National People's Congress approved the Outline of the Twelfth Five-Year Plan for National Economic and Social Development of the PRC, which includes a national commitment to promote the development of renewable energy and to enhance the competitiveness of the renewable energy industry.

On March 8, 2011, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development jointly promulgated the Notice on Further Application of Renewable Energy in Building Construction, which aims to raise the percentage of renewable energy used in buildings.

On July 24, 2011, the NDRC issued the Notice on Improving the On-grid Tariff Policy for Photovoltaic Generation. Under this Notice, it is required that a uniform national benchmark on-grid tariff for solar energy photovoltaic generation be formulated. Furthermore, for PV projects that had been approved before July 1, 2011 and would be completed by December 31, 2011, the feed-in tariff would be RMB1.15/kWh, including value-added tax, or VAT. Except for PV projects that are constructed in Tibet, for PV projects that are approved after July 1, 2011 and PV projects that had been approved before July 1, 2011 but would not be completed by December 31, 2011, the feed-in tariff including VAT would be RMB1/kWh.

On March 14, 2012, the Ministry of Finance, the NDRC and the National Energy Bureau jointly issued the the interim measures for the management of additional subsidies for renewable-energy power prices, according to which relevant renewable-energy power generation enterprises are entitled to apply for subsidies for their renewable power generation projects that satisfy relevant requirements set forth in the measures.

***Environmental Regulations***

Our manufacturing processes generate noise, waste water, gaseous waste and other industrial waste. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental regulations applicable to us include the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Water Pollution and its implementation rules, the Law of the PRC on the Prevention and Control of Air Pollution and its implementation rules, the Law of PRC on the Prevention and Control of Solid Waste Pollution and the Law of the PRC on the Prevention and Control of Noise Pollution.

In addition, under the Environmental Protection Law of the PRC, the Ministry of Environmental Protection sets national pollutant emission standards. However, provincial governments may set stricter local standards, which are required to be registered at the State Administration for Environmental Protection. Enterprises are required to comply with the stricter of the two standards.

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The relevant laws and regulations generally impose discharge fees based on the level of emission of pollutants. These laws and regulations also impose fines for violations of laws, regulations or decrees and provide for possible closure by the central or local government of any enterprise which fails to comply with orders requiring it to rectify the activities causing environmental damage.

***Equity Joint Ventures***

Tianwei Yingli, as a Sino-foreign equity joint venture enterprise, is an equity joint venture subject to certain PRC laws and regulations. Equity joint ventures, as a form of foreign investment permitted in China, are primarily governed by the following laws and regulations:

- the Company Law (1993), as amended;
  
- the Law on Sino-Foreign Equity Joint Venture Enterprises (1979), as amended; and
  
- Rules on Implementation of the Law on Sino-Foreign Equity Joint Venture Enterprises (1983), as amended.

An equity joint venture is a limited liability company under PRC law and its establishment is subject to the approval of MOFCOM or its authorized local counterpart where such equity joint venture is located. The board of directors is the highest authority of an equity joint venture and has the power to decide all matters important to the equity joint venture. Each director is appointed for a term of no more than four years and may serve consecutive terms if appointed by the party by which he or she was originally appointed. Each director may be removed by its appointing party, at any time, with or without cause and may be replaced by a nominee appointed by such party before the expiration of such director's term of office.

Resolutions of the board of directors of an equity joint venture involving any matters may be adopted by the affirmative vote of a simple majority of all directors present in person or by proxy at a meeting of the board, except that resolutions involving the following matters require a unanimous approval of all directors present in person or by proxy at the meeting of the board:

- amendment to the articles of association of the equity joint venture;
  
- merger of the equity joint venture with another entity;
  
- division of the equity joint venture;

- suspension or dissolution of the equity joint venture; and
- increase or reduction of the registered capital of the equity joint venture.

***Tax***

*Enterprise Income Tax*

PRC enterprise income tax is calculated based on taxable income determined under PRC GAAP and PRC tax laws and regulations.

On March 16, 2007, the National People's Congress passed the Enterprise Income Tax Law, or the EIT Law, and adopts a uniform income tax rate of 25% for most domestic enterprises and foreign investment enterprises. The EIT Law became effective on January 1, 2008. The EIT Law provides a five-year transition period from its effective date for enterprises established before the promulgation date of the EIT Law and which were entitled to preferential tax rates and treatments under the then effective tax laws or regulations. On December 26, 2007, the PRC government issued detailed implementation rules regarding the transitional preferential policies. Furthermore, under the EIT Law, entities that qualify as high and new technology enterprises strongly supported by the state are entitled to the preferential enterprise income tax rate of 15%. The Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation jointly issued the Administrative Regulations on the Recognition of High and New Technology Enterprises on April 14, 2008 and the Guidelines for Recognition of High and New Technology Enterprises on July 8, 2008.

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Under the effective tax laws and regulations, Tianwei Yingli, as a foreign invested enterprise primarily engaged in manufacturing and in operation for more than ten years, was entitled to a two-year exemption from the enterprise income tax from its first profit-making year following its conversion into a Sino-foreign equity joint venture company, specifically 2007 and 2008, and a 50% reduction in the subsequent three years, from 2009 to 2011. Accordingly, Tianwei Yingli was subject to enterprise income tax at 12.5% from 2009 to 2011. In August 2011, Tianwei Yingli renewed the certificate for High and New Technology Enterprise and extended the preferential income tax period for another 3 years starting from 2011. As a result, Tianwei Yingli is entitled to a preferential EIT rate of 15% for 2012 and 2013. Yingli China was established in October 2007 and was recognized by the Chinese government as a High and New Technology Enterprise under the new EIT law in December 2008. In August 2011, Yingli China renewed the certificate for High and New Technology Enterprise and extended the preferential income tax period for another 3 years starting from 2011. As a result, Yingli China is entitled to the preferential EIT rate of 15% from 2011 to 2013. Fine Silicon, which was acquired by us on January 7, 2009, was recognized by the Chinese government as a High and New Technology Enterprise under the new EIT law in November 2009. As a result, Fine Silicon is entitled to the preferential EIT rate of 15% from 2009 to 2011. Yingli Hainan, located in Hainan special economic zone, was established in September 2009 and recognized by the Chinese government as a High and New Technology Enterprise under new EIT law in September 2011. Therefore, Yingli Hainan was entitled to the tax exemption for the first two years and half EIT rate for the subsequent three years upon generating any operational revenues. Yingli Hainan elected to defer the commencement of the abovementioned tax holidays until January 1, 2011. Therefore, Yingli Hainan is entitled to EIT exemption from 2011 to 2012 and a preferential EIT rate of 12.5% from 2013 to 2015.

Furthermore, continued qualification as a high and new technology enterprise is subject to a review every three years by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification.

Moreover, the EIT Law and its implementation rules impose a 10% withholding tax, unless reduced by a tax treaty or agreement, for distributions of dividends in respect of earnings accumulated beginning on January 1, 2008 by a foreign investment enterprise to its immediate overseas holding company, insofar as the later is treated as a non-resident enterprise. See Item 3.D. Risk Factors Risks Related to Doing Business in China Dividends we may receive from our operating subsidiaries located in the PRC may be subject to PRC withholding tax.

The EIT Law also provides that enterprises established outside of China whose de facto management bodies are located in China are considered resident enterprises and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. Under the implementation rules for the EIT Law issued by the State Council, a de facto management body is defined as a body that has substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other factors of an enterprise. On April 22, 2009, the State Administration of Taxation promulgated the Notice Regarding Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, which sets out criteria for determining whether de facto management bodies are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises incorporated under laws of foreign countries or regions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of de facto management bodies for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. If the PRC tax authorities determine that Yingli Green Energy and some of our subsidiaries, such as Yingli International, Yingli Capital, Yingli Hong Kong, Cyber Power and Cyber Lighting, are PRC resident enterprises, we and such subsidiaries may be subject to the enterprise income tax at the rate of 25% as to our global income. See Item 3.D. Risk Factors Risks Related to Doing Business in China We and some of our subsidiaries may be deemed PRC resident enterprises under the EIT Law and be subject to PRC taxation as to our worldwide income.

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*Value Added Tax*

Pursuant to the Provisional Regulation of the PRC on Value Added Tax and its implementation rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay Value Added Tax at a rate of 17.0% of the gross sales proceeds received, less any creditable Value Added Tax already paid or borne by the taxpayer. In addition, when exporting goods, the exporter is entitled to a portion of or all the refund of value added tax that it has already paid or borne. Imported raw materials that are used by our operating subsidiaries for manufacturing export products and are deposited in bonded warehouses are exempt from import Value Added Tax.

*Foreign Currency Exchange*

Foreign currency exchange in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (1996), as amended; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996).

Under the Foreign Currency Administration Rules, the foreign exchange incomes of domestic entities and individuals can be remitted into China or deposited abroad, subject to the conditions and time limits to be issued by the PRC State Administration of Foreign Exchange, or SAFE. According to the Foreign Currency Administration Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment, derivative transactions and repatriation of investment, however, is still subject to the approval of, and/or the registration with, SAFE or its local branches.

Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local branches. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the National Reform and Development Commission or their local counterparts. Currently, the PRC laws and regulations do not provide clear criteria as to how to obtain SAFE approval. SAFE and its local branches have broad discretion as to whether to issue SAFE approval.

*Dividend Distribution*

The principal regulations governing distribution of dividends paid by foreign invested enterprises include:

- the Company Law (1993), as amended;
- the Law on Sino-Foreign Equity Joint Venture Enterprises (1979), as amended;
- the Rules on Implementation of the Law on Sino-Foreign Equity Joint Venture Enterprises (1983), as amended;
- the Enterprise Income Tax Law (2007);
- the Rules of Implementation of the Enterprise Income Tax Law (2007);
- the Wholly Foreign Owned Enterprise Law (1986), as amended; and
- the Administrative Rules under the Wholly Foreign Owned Enterprise Law (1990), as amended.

Under these regulations, Sino-foreign equity joint venture enterprises and wholly foreign owned enterprises in China may pay dividends only out of their retained earnings, if any, determined in accordance with PRC GAAP. The board of directors of a Sino-foreign equity joint venture enterprise has the discretion to allocate a portion of its after-tax profits to reserve funds, employee bonus and welfare funds and enterprise development funds, which may



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not be distributed to equity owners as dividends. Wholly foreign owned enterprises in China are required to allocate at least 10% of their after-tax profits each year, if any, to their reserve funds until the cumulative amounts in such reserve funds have reached 50% of the registered capital of such enterprises, and to set aside a certain amount of its after-tax profits each year, if any, to its employee bonus and welfare fund. These reserves may not be distributed as cash dividends.

The EIT Law and its implementation rules provide that enterprises established outside of China whose de facto management bodies are located in China are considered resident enterprises and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation rules for the EIT Law issued by the State Council, a de facto management body is defined as a body that has substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other factors of an enterprise. On April 22, 2009, the State Administration of Taxation promulgated SAT Circular 82 which sets out criteria for determining whether de facto management bodies are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises incorporated under laws of foreign countries or regions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of de facto management bodies for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries.

Furthermore, the State Administration of Taxation promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement in October 2009, or Circular 601, which provides guidance for determining whether a resident of a contracting state is the beneficial owner of an item of income under China's tax treaties and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. The conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. It remains unclear whether any dividends to be distributed by us to our non-PRC shareholders and ADS holders whose jurisdiction of incorporation has a tax treaty with China providing for a different withholding arrangement will be entitled to the benefits under the relevant withholding arrangement.

***Regulation of Foreign Exchange in Certain Onshore and Offshore Transactions***

In October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or SAFE Notice 75, which became effective as of November 1, 2005. SAFE Notice 75 suspends the implementation of two prior regulations promulgated in January and April of 2005 by SAFE. SAFE Notice 75 states that Chinese residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them. The term Chinese legal person residents as used in SAFE Notice 75 refers to those entities with legal person status or other economic organizations established within the territory of China. The term Chinese natural person residents as used in SAFE Notice 75 includes all Chinese citizens and all other natural persons, including foreigners, who habitually reside in China for economic benefit.

Chinese residents are required to complete amended registrations with the local SAFE branch upon (i) injection of equity interests or assets of an onshore enterprise to the offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. Chinese residents are also required to complete amended registrations or filing with the local SAFE branch within 30 days of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and providing security. Chinese residents who have already incorporated or gained control of offshore entities that have made onshore investment in China before SAFE Notice 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before March 31, 2006.

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Under SAFE Notice 75, Chinese residents are further required to repatriate back into China all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days of their receipt of such dividends, profits or capital gains. However, under the amended Foreign Currency Administration Rules, the foreign exchange incomes of domestic entities and individuals can be remitted into China or deposited

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abroad, subject to the conditions and time limits to be issued by SAFE. The registration and filing procedures under SAFE Notice 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholders loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

To further clarify the implementation of SAFE Notice 75, SAFE issued Circular 19, according to which the PRC subsidiaries of the offshore special purpose company are required to coordinate with and supervise the beneficial owners of the offshore entity who are PRC citizens or residents to complete the SAFE registration process. If the shareholders or beneficial owners fail to comply, the PRC subsidiaries are required to report the noncompliance to the local branches of SAFE. Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Notice 75 and Circular 19 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant Chinese residents to penalties under PRC foreign exchange administration regulations and result in potential liability for our PRC Subsidiaries, and in some instances, for their legal representatives and other liable individuals.

On August 29, 2008, SAFE promulgated Circular 142, or SAFE Notice 142, a notice regulating the conversion by a foreign invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The notice requires that the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Notice 142 will result in severe penalties, such as heavy fines. As a result, SAFE Notice 142 may significantly limit our ability to transfer the net proceeds from our financings to our PRC subsidiaries, which may adversely affect the business expansions of our PRC subsidiaries, and we may not be able to convert the net proceeds from our financings into Renminbi to invest in or acquire any other PRC companies.

***Regulations of Employee Share Options***

In December 2006, the People's Bank of China promulgated the Administrative Measures on Individual Person Foreign Exchange, or the PBOC Regulation, setting forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under the current account and the capital account. In January 2007, SAFE issued the implementation rules for the PBOC Regulation which, among others, specified the approval requirement for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plan or stock options plan of an overseas listed company. Consequently, in February 2012, SAFE promulgated the Share Option Rules, under which PRC citizens or residents habitually residing in the PRC continuously for over one year, who are granted shares or share options by an overseas-listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas-listed company or qualified PRC agents, to register with SAFE and complete certain other procedures related to the share holding plan, share option plan or other similar share incentive plans. Concurrent with the registration with SAFE, the PRC subsidiary or the qualified PRC agent shall obtain the approval for an annual allowance with respect to the foreign exchange in connection with the share holding or share option exercises as well as the approval of opening a special foreign exchange account at a PRC domestic bank to hold the funds required in connection with the share purchase or share option exercise, returned principal or profits upon sale of shares, dividends issued on the stock and any other income or expenditures approved by SAFE. Currently, the participating PRC residents' foreign exchange income received from the sale of share and dividends distributed by the overseas-listed company must be fully remitted into the domestic foreign currency account before distribution to such participants. In addition, the PRC agents are required to amend or deregister the registrations with SAFE in case of any material change in, or termination of, the share incentive plans, within the time periods provided by the Share Option Rules.



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**C. Organizational Structure**

The following diagram illustrates our company's organizational structure, and the place of formation, ownership interest and affiliation of each of our significant subsidiaries as of the date of this annual report.

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(1) Indicates jurisdiction of incorporation.

(2) The principal business of Tianwei Baobian is the manufacture of large electricity transformers. The common shares of Tianwei Baobian are listed on the Shanghai Stock Exchange. Tianwei Baobian is controlled and 51.1% owned by Baoding Tianwei Group Co., Ltd., or Tianwei Group, a wholly state-owned limited liability company established in the PRC, which is in turn controlled by China South Industries Group Corporation.

(3) Indicates the percentage as of the date of this annual report.

(4) The principal business of Cyber Power is the investment in polysilicon manufacturing, provision of financing services and execution of other commercial and financing activities.

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- (5) The principal business of Yingli International is the sale and marketing of PV products and relevant accessories and investments in renewable energy projects.
- (6) The principal business of Tianwei Yingli is the design, manufacture and sale of PV modules and the design, assembly, sale and installation of PV systems.
- (7) The principal business of Cyber Lighting is the investment in polysilicon manufacturing, provision of financing services and execution of other commercial and financing activities.
- (8) The principal business of Yingli Europe is the sale and marketing of PV products and relevant accessories in Europe.
- (9) The principal business of Yingli Chile is the sale and marketing of PV products and relevant accessories in Chile.
- (10) The principal business of Yingli Americas is the sale and marketing of PV products and relevant accessories and investments in renewable energy projects.
- (11) The principal business of Yingli Beijing is the sale and manufacture of PV modules and PV systems.

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(12) The principal business of Yingli Greece is the sale and marketing of PV products and relevant products in Greece, Cyprus, the Balkans and the Middle East.

(13) The principal business of Yingli Spain is the sale and marketing of PV products, relevant accessories and investments in renewable energy projects, as well as after sales services.

(14) The principal business of Yingli China is the research, manufacture, sale and installation of renewable energy products.

(15) The principal business of Fine Silicon is the manufacture of solar-grade and electronic-grade polysilicon.

(16) The principal business of Yingli France is the sale and marketing of PV products and relevant accessories in France and French overseas territories.

(17) The principal business of Yingli Singapore is the research and experimental development on electronics.

(18) The principal business of Yingli Italia is the sale and marketing of PV products and relevant accessories in Italy.

(19) The principal business of Yingli Brazil is the sale and marketing of PV products and relevant accessories in Brazil.

(20) The principal business of Yingli International Trading is import and export trading, investments holding.

(21) The principal business of Hainan Yingli is the research, manufacture, sale and installation of renewable energy products.

**D. Property, Plant and Equipment**

Our principle executive offices are located at No. 3055 Fuxing Middle Road in the National New and High-technology Industrial Development Zone in Baoding, China. We conduct our research, development, manufacturing and management in sites located in Baoding, Hebei Province

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and Haikou, Hainan Province:

Facility Number	Products	Location	Plant Size (Square Meters)	Duration of Land Use Right	Floor Area (Square Meters)	Major Equipment
1.	Ingots, wafers, cells, modules	No. 3055 Fuxing Middle Road, Baoding, Hebei Province	25,842	March 2006 to June 2050 (a plot of 24,579 square meters); December 2006 to November 2050 (a plot of 1,263 square meters)	18,197	Furnace, wire saw, wires quarter, diffusion furnace, sintering furnace, PECVD antireflection coatings manufacturing equipment, automatic printer, laminating machine, solar cell module production line before and after component lamination, automatic glue-spreads working station, solar cell module testing device
2.		No. 3399 North Chaoyang Avenue, Baoding, Hebei Province	232,158	December 2009 to December 2056 (a plot of 104,745 square meters); December 2009 to December 2056 (a plot of 102,886 square meters); and August 2010 to April 2060 (a plot of 24,527 square meters)	316,024	
3.		West Hengyuan Road, Baoding, Hebei Province	207,036	February 2010 to November 2059 (a plot of 163,579 square meters); December 2010 to December 2012 (a plot of 43,457 square meters)	168,849	
4.		No. 722 Cuiyuan Street, Baoding, Hebei Province	11,698	September 2006 to August 2056 (a plot of 5,807 square meters); September 2006 to December 2049 (a plot of 5,891 square meters)	6,216	
5.		No. 333 North Lekai Avenue, Baoding, Hebei Province	15,443	October 2008 to June 2049 (a plot of 6,746 square meters); October 2008 to December 2056 (a plot of 8,697 square meters)	10,691	
6		Tianjin Ninghe Modern Industry Area	272,164	August 2011 to July 2061(a plot of 233,296 square meters); August 2011 to June 2061 (a plot of 38,868 square meters)	102,653	
7			82,603		142,522	



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	North Part of Hengshui Economic Development Zone		February 2012 to December 2061	
8	North Yongsheng Avenue, Lixian,	113,333	June 2011 to December 2060	29,136

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Facility Number	Products	Location	Plant Size (Square Meters)	Duration of Land Use Right	Floor Area (Square Meters)	Major Equipment
		Baoding, Hebei Province				
9.		Shiziling Industrial Park, National Hi-Tech Development Zone, Haikou, Hainan Province	181,339	March 2010 to September 2057	266,452	
10	Polysilicon	No.2666 North Xiangyang Street, Baoding, Hebei Province	544,534	February 2009 to February 2059	51,944	SAH reactor, STF reactor, silane reactor, CVD reactor

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 3.D. Risk Factors or in other parts of this annual report.*

**A. Operating Results Overview**

We are one of the leading vertically integrated PV product manufacturers in the world. We design, manufacture and sell PV modules, and design, assemble, sell and install PV systems. We sell PV modules to PV system integrators and distributors located in various markets around the world, including Germany, the United States, Italy, China, Spain, the Netherlands, France, the United Kingdom, Japan, Israel and Slovenia. Currently, we also sell PV systems, primarily to customers in China.

Our manufacturing capacity and operations have grown significantly since we completed construction of our first manufacturing facilities for PV modules in 2002. We use most of the polysilicon, polysilicon ingots and wafers and PV cells we produce for the production of PV modules, which we sell to third-party customers. We sold 525.3 megawatts, 1,061.6 megawatts and 1,603.8 megawatts of PV modules in 2009, 2010 and 2011, respectively. In addition, in January 2009, we completed the acquisition of Cyber Power, which, through its principal operating subsidiary in China, Fine Silicon, has a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production. With our in-house polysilicon manufacturing capacity, our current products and services substantially cover the entire PV industry value chain, ranging from the manufacture of polysilicon, multicrystalline polysilicon ingots and wafers, PV cells and PV modules to the manufacture of PV systems and the installation of PV systems.

The most significant factors that affect our financial performance and results of operations are:

- industry demand;
- government subsidies and economic incentives;
- the availability and accessibility of financing to our customers;
- capacity
- competition and product pricing;
- price of polysilicon;
- vertically integrated manufacturing capabilities;
- manufacturing technologies; and
- foreign governments and international trade bodies trade protection measures.

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***Industry Demand***

Our business and revenue growth depend on the market demand for PV products. Although solar power technology has been used for several decades, the PV market grew significantly only in the past several years. According to PHOTON Consulting, the global PV market, as measured by annual PV system installation at end-user locations, increased from 1.6 gigawatts in 2005 to 26.8 gigawatts in 2011. In addition, as of January, 2012, PHOTON Consulting forecasted global PV industry revenues and PV system installations to be US\$154 billion (Total solar power installations revenue pool) and 54.5 gigawatts in 2016, respectively. However, demand for our PV products also depends on the general economic conditions in our target markets. Since the second half of 2008, economies around the world, including those in our target markets, have experienced a period of slow economic growth as compared to prior years. Partly as a result of these weakened worldwide macroeconomic conditions, the growth in demand for PV modules had declined significantly since the fourth quarter of 2008. Starting from the second quarter of 2009, the macroeconomic environment began to improve, which led to an increase of demand for our products. The growth of demand for our products from some of our target markets slowed down in the first quarter of 2011, primarily caused by the adjustment of subsidies and economic incentives for PV installations as part of the government austerity measures. The negative effect from the adjustment of government subsidies and economic incentives is partially offset by the significantly reduced PV system cost since the third quarter of 2011. However, we cannot assure you that the cost reduction of PV systems will continue or will ultimately have a positive effect on the general operating environment of our industry.

***Government Subsidies and Economic Incentives***

We believe that the near-term growth of the market for PV products depends in part on the availability and size of government subsidies and economic incentives. Today, the cost of solar power substantially exceeds the cost of electrical power generated from conventional fossil fuels such as coal and natural gas. As a result, governments in many countries, including Germany, Italy, France, South Korea, the United States, China, Greece, Israel, South Africa, the United Kingdom, India, Australia, Thailand, Singapore, Japan and Czech Republic have provided subsidies and economic incentives for the use of renewable energy such as solar power to reduce dependency on conventional fossil fuels as a source of energy. These subsidies and economic incentives have been in the form of capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end-users, distributors, system integrators and manufacturers of solar power products, including PV products.

The demand for our PV modules and PV systems in our current, targeted or potential markets is affected significantly by these government subsidies and economic incentives. See Item 3.D. Key Information Risk Factors Risks Related to Us and the PV Industry A significant reduction in or discontinuation of government subsidies and economic incentives may have a material adverse effect on our results of operations.

On March 23, 2009, the PRC Ministry of Finance issued the Provisional Measures for Administration of Government Subsidy Funds for Application of Solar Photovoltaic Technology in Building Construction, which outlined a subsidy program dedicated to rooftop PV systems with a minimum capacity of 50 kilowatt-peak. In July 2009, the PRC government announced the Golden Sun program, a program of incentives for the development of large-scale PV projects throughout the country. Under this program, on-grid PV projects of at least 300 kilowatts are eligible for subsidies of 50%. Projects in remote areas with no access to the electricity grid will be eligible for subsidies of 70%. On August 1, 2011, the NDRC announced the feed-in tariff policy for on-grid PV systems. For PV projects that had been approved before July 1, 2011 and would be completed by December 31, 2011, the feed-in tariff would be RMB1.15/kWh, including value-added tax, or VAT. Except for PV projects that are constructed in Tibet, for PV projects that are approved after July 1, 2011 and PV projects that had been approved before July 1, 2011 but would not be completed by December 31, 2011, the feed-in tariff including VAT would be RMB1/kWh.

***Availability and Accessibility of Financing for Solar Energy Applications***

PV systems projects generally require significant upfront expenditures, and as a result, our customers have historically relied on financing for the purchase of our products. If financing for solar applications becomes

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inaccessible, the growth of the market for solar energy applications may be adversely affected. For example, the average selling price of our PV modules decreased significantly from the fourth quarter of 2008 to the second quarter of 2009, partly due to tighter credit for PV system project financing as a result of the continuing adverse credit market conditions. In addition, rising interest rates could render existing financings more expensive, as well as serve as an obstacle for potential financings that would otherwise spur the growth of the PV industry.

***Capacity***

In order to take advantage of expected long-term market demand for PV products, we have been expanding our manufacturing capacity. We started producing PV modules in 2002 with initial manufacturing capacity of three megawatts, polysilicon ingots and wafers in October 2003 with initial manufacturing capacity of six megawatts and PV cells in March 2004 with initial annual manufacturing capacity of three megawatts. In accordance with our business model of a vertically integrated PV product manufacturer, we expanded our manufacturing capacity for each of polysilicon ingots and wafers, PV cells and PV modules to 600 megawatts as of December 31, 2009, 1,000 megawatts as of December 31, 2010 and 1,700 megawatts as of December 31, 2011.

The size of manufacturing capacity has a significant bearing on the profitability and competitive position of PV product manufacturers. Achieving economies of scale from expanded manufacturing capacity is critical to maintaining our competitive position in the PV industry as manufacturers with greater economies of scale may manage their production more efficiently, obtain a greater market share by offering their products at a more competitive price by virtue of their greater ability to obtain volume discounts from their polysilicon and other raw material suppliers and have other bargaining leverage.

Currently, we are in the process of further expanding our production capacity by building another 750 megawatts of PV manufacturing capacity in Haikou, Tianjin, Hengshui and Baoding. Combined with our existing capacity, these expansion projects are expected to bring our total overall annual production capacity to 2,450 megawatts of PV products by the end of 2012.

In addition, our in-house polysilicon production subsidiary, Fine Silicon, has a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production.

***Competition and Product Pricing***

PV modules, which are currently our principal products, are priced primarily on the basis of the number of watts of electricity they generate and the market price per watt for PV modules. We price our PV modules based on the prevailing market prices at the time we enter into sales contracts with our customers or as our customers place their purchase orders with us, taking into account various factors including, among others, the size of the contract or the purchase order, the strength and history of our relationship with a particular customer and our polysilicon costs. We believe that the quality of our PV products and our low-cost manufacturing capabilities have enabled us with flexibility in adjusting the price of our products in accordance with our sales strategy and market demands. Since 2003 and until the beginning of the fourth quarter of 2008, the average selling prices of PV modules had been rising across the industry, primarily due to the high demand for PV modules as well as rising polysilicon costs during the same period.

The weakened demand for PV modules due to weakened macroeconomic conditions, combined with the increased supply of PV modules due to production capacity expansion by PV module manufacturers worldwide in recent years, has caused the price of PV modules to decline beginning in the fourth quarter of 2008. The credit market conditions have improved since the second quarter of 2009, which has contributed to an overall increase in the demand for our products in the second half of 2009. However, decreasing costs of raw materials continued to put pressure on the selling prices of the PV modules. The average selling prices in 2010 declined during the first, the second and the third quarter, and slightly bounced back in the fourth quarter of 2010 which was primarily attributable to the robust market demand, broader recognition of our premium brand and diversified customer base. The average selling price in 2011 declined moderately in the first and second quarter, declined sharply in the third quarter and continued to drop in the fourth quarter, which was primarily due to reduced government subsidies and increased supply of PV products. We expect that the prices of PV products, including PV modules, may continue to decline in 2012 due to declined demand caused by reduced government subsidies and increased supply of PV

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products on the market. Fluctuations in prevailing market prices may have a material effect on the prices of our PV modules and our profitability, particularly if prices of PV modules continue to decline or if prices of PV modules rise at a slower pace than the cost of polysilicon increases.

We sell our PV modules primarily through sales contracts with a term of less than one year and are obligated to deliver PV modules according to pre-agreed prices and delivery schedules.

*Price of Polysilicon*

Polysilicon is the most important raw material used in our manufacturing process. Until the third quarter of 2008, an industry-wide shortage of polysilicon coupled with rapidly growing demand from the solar power industry caused rapid increases of polysilicon prices. However, during the fourth quarter of 2008 and the first half of 2009, polysilicon prices declined continually as a result of significant new manufacturing capacity coming on line and falling demand for solar power products and semiconductor devices resulting from the global financial crisis and credit market conditions. Since the third quarter of 2010, the polysilicon price has rebounded due to the recovery of demand for PV products in main markets. From the second quarter of 2011, the polysilicon price has decreased significantly as the result of increased polysilicon manufacturing capacity for polysilicon and the pressure from the decreasing average selling price of PV modules. Our average purchase price of polysilicon per kilogram decreased by 28.9% in 2010 compared to 2009 and decreased by 16.8% in 2011 compared to 2010.

The average price of polysilicon over the medium to long term will depend on a number of factors, including the macroeconomic environment, the scope and progress of current and future manufacturing capacity expansion plans of the polysilicon suppliers, the level of demand for polysilicon from the PV and semiconductor industries and any changes in government regulations and subsidies in respect of PV and other alternative energy industry that may significantly affect the demand outlook for polysilicon. We believe that none of these factors can be predicted with reasonable certainty as of the date of this annual report, and the average price of polysilicon may increase or decrease significantly over the medium to long term as a result of any combination of such factors.

Our process technology enables us to increase our utilization of polysilicon scraps, the price of which has historically been lower than high-purity polysilicon, in the production of ingots and wafers. However, as the price of high purity polysilicon has declined significantly since the fourth quarter of 2008, we have been utilizing an increased proportion of high purity polysilicon in our manufacturing process to further ensure the high quality standards of our PV modules.

Historically, we had relied on spot market purchase to meet a significant portion of our polysilicon needs. In order to secure adequate and timely supply of polysilicon, we have also in the past entered into various purchase agreements and memorandums of understanding with local and foreign suppliers, including some of the world's major polysilicon suppliers. Supplies under these purchase agreements started in early 2009. In response to the significant decrease in polysilicon price since the fourth quarter of 2008, we have renegotiated with our suppliers to reduce the purchase price for a substantial amount of polysilicon supplied under certain of our prior polysilicon supply contracts. In the fourth quarter of 2011, due to the continuing decline in the spot market price of polysilicon, we recognized an impairment of long-lived assets of Fine Silicon of RMB2,275.0 million (US\$361.5 million) to reflect the less than expected profit-generating ability of Fine Silicon's assets. We further recognized a provision of RMB851.7 million (US\$135.3 million) on our inventory purchase commitment under long-term polysilicon supply contracts as a result of continuing decline in the polysilicon purchase price. Our management has been negotiating with our suppliers on further adjusting the prices under these long-term contracts. The provision would be reversed to the extent of the amount recovered if the actual purchase prices upon delivery are revised down. On the other hand, we cannot assure you that we will be able to secure sufficient quantities of polysilicon to support



the expansion of our manufacturing capacity as currently planned. See Item 3.D. Risk Factors – Risks Related to Us and the PV Industry. Our polysilicon cost may be higher than the market level as a result of our long-term polysilicon purchase commitment with fixed prices, and our in-house polysilicon production may not be cost-effective, both of which may materially and adversely affect our results of operations. and Item 3.D. Risk Factors – Risks Related to Us and the PV Industry. Our failure to obtain polysilicon in sufficient quantities, of appropriate quality and in a timely manner could disrupt our operations, prevent us from operating at full capacity or limit our ability to expand as planned, which will reduce, and limit the growth of, our manufacturing output and revenue.

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From 2006 to 2010, we entered into seven long-term supply contracts with Wacker for supplies of polysilicon from 2009 through 2013, from 2009 through 2017, from 2010 through 2018, from 2009 through 2011, from 2010 through 2017, from 2011 through 2013 and from 2011 through 2018, respectively. In addition, we entered into one long-term supply agreement in February 2008 with OCI for supplies of polysilicon for the period from 2009 through 2013. From 2009 to the date of this annual report, we entered into another two long-term supply contracts with OCI, for supplies of polysilicon from 2011 through 2015 and from 2012 through 2018, respectively. We also entered into a polysilicon supply contract with Daqo for polysilicon to be delivered from the fourth quarter of 2008 through the end of 2010. In August, 2010, we entered into another polysilicon supply agreement with Daqo for supplies of polysilicon from 2011 through 2012. In March 2011, we entered into a long-term polysilicon supply agreement with Hemlock for supplies of polysilicon from 2013 through 2020. In November 2011, we entered into an amendment to this long-term supply agreement to purchase polysilicon starting from 2012 through 2020 instead of 2013 through 2020 and revised certain commercial terms such as total contract quantity, advance payment arrangement and unit prices.

In January 2009, we acquired Cyber Power, which was then a development stage enterprise designed to produce polysilicon. Fine Silicon, the principal operating subsidiary of Cyber Power, has a designed annual production capacity of 3,000 tons of polysilicon and is currently ramping up its production. However, we do not expect that our in-house polysilicon production capacity will meet our entire polysilicon needs in the near future.

***Vertically Integrated Manufacturing Capabilities***

We believe our vertically integrated business model offers us several advantages, particularly in areas of cost reduction and quality control, over our competitors that depend on third parties to source core product components. First, the vertical integration enables us to capture margins at every stage of the PV product value chain in which we are engaged. Second, by streamlining our manufacturing processes, we can reduce production costs and costs associated with toll manufacturing, packaging and transportation as well as breakage losses that occur during shipment between various production locations associated with toll manufacturing arrangements. Third, we control operations at substantially all stages of the PV value chain, including research and development, which enables us to more closely monitor the quality of our PV products from start to finish, and design and streamline our manufacturing processes in a way that enables us to leverage our technologies more efficiently and reduce costs at each stage of the manufacturing process. We believe that the synergy effect from our vertically integrated business model has enabled us to reduce the quantity of polysilicon we use to make PV modules, improve the conversion efficiency of our PV cells and reduce the lead time needed to fulfill our customer orders.

***Manufacturing Technologies***

The advancement of manufacturing technologies is important in increasing the conversion efficiency of PV cells and reducing the production costs of PV products. Because PV modules are priced based on the number of watts of electricity they generate, higher conversion efficiency generally leads to higher revenues from the sale of PV modules.

We continually make efforts to develop advanced manufacturing technologies to increase the conversion efficiency of our PV cells. We employ a number of techniques to reduce our production costs while striving to reach a PV cell conversion efficiency ratio that is on par with or above an acceptable range. Our research and development team continues to focus on finding ways to improve our manufacturing technology and reduce manufacturing costs without compromising the quality of our products.

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For our newly adopted monocrystalline PV technologies, we have been in collaboration with the Energy Research Centre of the Netherlands, a leading solar research center in Europe, and Tempres Systems, a wholly-owned subsidiary of Amtech Systems, Inc., a global supplier of production and automation systems and related supplies for the manufacture of PV cells, to implement Project PANDA, a research and development project for next-generation high efficiency monocrystalline PV cells since June 2009. Our 300 megawatts of PANDA production capacity for each of monocrystalline ingots and wafers, cells and modules in Baoding, Hebei Province has started initial production in July 2010. We achieved an average cell conversion efficiency rate of 19.0% on the PANDA commercial production lines and a record cell conversion efficiency rate of 20.0% on the PANDA trial production line in 2011.

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***Foreign Governments and International Trade Bodies Trade Protection Measures***

Our businesses in foreign markets are subject to trade protection measures and adverse trade policies or remedies promulgated by foreign governments and international trade bodies against exports from China.

In 2009 and 2011, there were discussions which indicated the European Union might seek to start anti-dumping and countervailing duty investigations on PV products imported from China. If such investigations are started against Chinese exporters or if the European Union imposes anti-dumping or other trade protection measures, including increase tariffs on PV products imported from China, our export to Europe may be materially and adversely affected.

On September 9, 2010, the United Steel Workers filed a petition with the United States Trade Representative, or USTR, alleging the PRC government has engaged in unfair trade policies and practices with respect to certain domestic industries, including the solar power industry. The petition alleges that China employs a wide range of World Trade Organization-inconsistent policies that protect and unfairly support its domestic producers of wind and PV energy products, advanced batteries and energy-efficient vehicles. According to the petition, these policies include export restraints, prohibited subsidies, discrimination against foreign companies and imported goods, technology transfer requirements, and domestic subsidies causing serious prejudice to U.S. interests. Subsequently, USTR initiated an investigation under Section 301 of the 1974 Trade Act, which is ongoing as of the date of this annual report. If as the result of such investigation the United States imposes anti-subsidies or other trade protection measures, our export to the United States may be materially and adversely affected. On January 7, 2011, the U.S. President Barack Obama signed into law the Military Authorization Law, which contains a Buy American provision that prohibits the United States Defense Department from purchasing Chinese-made solar panels. On October 19, 2011, SolarWorld and six other companies filed a petition with the U.S. government, claiming that Chinese companies dump (i.e., sell at unfairly low prices) crystalline silicon photovoltaic, or CSPV cells into the U.S., and have received improper subsidies from the Chinese government. On December 5, 2011, the U.S. International Trade Commission, or the ITC preliminarily determined that there is a reasonable indication that imports of Chinese CSPV cells are causing material injury to the U.S. industry. The U.S. Department of Commerce, or the DOC has issued its preliminary determination for the countervailing investigation on March 19, 2012, determining a preliminary subsidy rate of 3.61% applicable to Yingli solar cells produced in China that are imported, including as part of solar modules, into the U.S. The DOC is expected to issue its preliminary determination for the antidumping investigation in May 2012. After the DOC preliminary determinations, imports of the subject merchandise are subject to the antidumping and countervailing duties, and importers are required to post bonds or cash deposits at the time of entry of the goods. The DOC and the ITC will issue final determinations as early as May and July 2012, respectively, but more likely the dates will be extended until September and October 2012. Such investigations have brought significant uncertainties to the U.S. market, and if as the result of such investigations the United States imposes antidumping and countervailing tariffs or other trade protection measures, our export to the United States may be materially and adversely affected. Since early 2012, there have been discussions that an antidumping investigation may be launched in India. These discussions are that the case will cover both CSPV and thin-film cells, originated from not only Mainland China, but also from Taiwan, Malaysia and the United States.

If such investigations instituted in our target markets lead to any adverse trade protection measures or remedies against exports from China, the prices of our products will be forced to increase significantly and we may loss customers orders to our competitors, which may materially and adversely affect our business prospects and results of operations.

***Net Revenues***

We currently derive net revenues from three sources:

- sales of PV modules, which are currently our principal source of revenues and are primarily driven by market demand as well as our manufacturing capacity;
- sales of PV systems, which consist of sales of PV systems and related installation services; and
- other revenues, which consist primarily of sales of raw materials and low efficiency PV cells.

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The following table sets forth each revenue source as a percentage of total consolidated net revenues for the periods indicated.

	2009		2010			2011		% of Total Net Revenue
	RMB	% of Total Net Revenue	RMB	% of Total Net Revenue	RMB	US\$		
(In thousands, except percentages)								
Net revenues:								
Sales of PV modules	7,158,441	98.7%	12,276,854	98.2%	14,397,086	2,287,467		98.1%
Sales of PV systems	50,197	0.7	56,662	0.5	53,731	8,537		0.4
Other revenues	46,231	0.6	166,471	1.3	227,148	36,090		1.5
Total net revenues	7,254,869	100.0%	12,499,987	100.0%	14,677,965	2,332,094		100.0%

Our net revenues are net of business tax, value-added tax, city construction tax and education surcharge. Key factors affecting our net revenues include the average selling price per watt and wattage of our PV modules sold.

We have been dependent on a limited number of customers for a significant portion of our revenues. In 2009, 2010 and 2011, sales to our five largest customers accounted for approximately 38.3%, 30.8% and 27.7% respectively, of our net revenues. Our largest customers have changed from year to year due to the rapid growth of the sales of our PV modules, our diversification into new geographic markets and our ability to find new customers willing to place large orders with us.

We currently sell most of our PV modules to customers located in Europe, the PRC and the United State. The following table sets forth our total consolidated net revenues by geographic region for the periods indicated:

Country/Region	2009		For the Year Ended December 31, 2010			2011		% of Total Revenues
	Revenues RMB	% of Total Revenues	Revenues RMB	% of Total Revenues	Revenues RMB	US\$		
(In thousands, except percentages)								
Europe:								
Germany	4,575,675	63.1%	7,078,239	56.6%	6,595,109	1,047,857		44.9%
Spain	431,520	5.9	704,355	5.7	511,757	81,310		3.5
France	99,915	1.4	236,522	1.9	352,107	55,944		2.4
Italy	445,861	6.1	853,788	6.8	700,646	111,321		4.8
Belgium	163,091	2.3			70,236	11,159		0.5
Netherlands	348,710	4.8	471,889	3.8	222,413	35,338		1.5
Czech Republic	174,405	2.4	286,901	2.3	9,899	1,573		0.1
Cyprus	162,064	2.2	5,264	0.1				
Greece	76,984	1.1	453,050	3.6	210,487	33,443		1.4
United Kingdom	9,331	0.1	174,875	1.4	227,122	36,086		1.5
Rest of Europe	5,087	0.1	41,582	0.3	169,516	26,933		1.2
Subtotal Europe	6,492,643	89.5	10,306,465	82.5	9,069,292	1,440,964		61.8
China	328,505	4.5	745,917	6.0	3,261,886	518,263		22.2
Hong Kong	56,862	0.8	16,500	0.1				

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United States	147,383	2.1	1,216,962	9.7	2,137,219	339,570	14.6
Japan	1,819	0.0	22,854	0.2	51,236	8,141	0.3
South Korea	218,135	3.0	154,769	1.2	13,036	2,071	0.1
Rest of World	9,522	0.1	36,520	0.3	145,296	23,085	1.0
Total net revenues	7,254,869	100.0%	12,499,987	100.0%	14,677,965	2,332,094	100.0%

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All of our net revenues from sales of PV systems are currently derived from China.

***Cost of Revenues***

Our cost of PV module sales consists primarily of:

- *Polysilicon.* The cost of polysilicon is the largest component of our total cost of revenues. We purchase polysilicon from various suppliers, including silicon manufacturers and distributors.
- *Other Raw Materials.* Other raw materials include crucibles, silicon carbides, cutting fluid, steel cutting wires, alkaline detergents, metallic pastes, laminate materials, silica gel, tempered glass, aluminum frames, solder, junction boxes, cables, connectors and other chemical agents and electronic components.
- *Toll Manufacturing.* We process silicon raw materials into ingots and produce wafers, PV cells and PV modules in-house. As our PV cell manufacturing capacity could be less than the production capacities for our wafers and PV modules, We have used toll manufacturing arrangements for PV cells. Besides, we also entered into toll manufacturing arrangement for specific PV modules to meet the requirements of our customers on a limited scale.
- *Direct Labor.* Direct labor costs include salaries and benefits for personnel directly involved in the manufacturing activities.
- *Overhead.* Overhead costs include utilities, maintenance of production equipment, land use rights and other ancillary expenses associated with the manufacturing activities.
- *Depreciation of Property, Plant and Equipment.* Depreciation of property, plant and equipment is provided on a straight-line basis over the estimated useful life, which is thirty years for buildings, four to ten years for machinery and equipment, three to five years for furniture and fixtures and eight to ten years for motor vehicles, taking into account their estimated residual value. Due to our capacity expansion, depreciation in absolute terms has increased significantly. We expect this trend to continue as we continue to expand our manufacturing capacity and build new facilities to attain an overall annual manufacturing capacity for each of polysilicon ingots and wafers, PV cells and PV modules of 2,450 megawatts by the end of 2012.

The cost of PV systems includes the costs of PV modules, batteries, inverters, other electronic components and related materials and labor.



Our cost of revenues is affected primarily by our ability to control raw material costs, achieve economies of scale in our operations and manage our vertically integrated product chain efficiently. Furthermore, we balance automation and manual operation in our manufacturing process, and have been able to increase operating efficiencies and expand our manufacturing capacity cost-effectively.

***Gross Profit and Gross Margin***

Our gross profit is affected by a number of factors, including the average selling prices for our PV products, the cost of polysilicon, product mix, economies of scale and benefits from vertical integration and our ability to cost-efficiently manage our raw material supply. Our gross profit was RMB2,449.7 million (US\$389.2 million) in 2011. Our gross profit margin was 16.7% in 2011, compared to 33.2% in 2010 and 23.6% in 2009. The significant decrease in gross margins from 2010 to 2011 was primarily a result of the continuous decline in the average selling price of PV modules and the non-cash inventory provision we recognized in the third and fourth quarters of 2011.

We may continue to face margin compression pressure in the sales of PV modules due to the decrease in the average selling price of our PV modules and increasingly intense competition in the PV module market,

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although a decrease in our average purchase price of polysilicon per kilogram has alleviated some of the margin compression pressure. Furthermore, we believe that the economies of scale achieved in our expanded PV businesses and the cost reduction achieved through research and development efforts at each stage of our vertically integrated manufacturing process, among other factors, will have a positive effect on our gross profit margins over time.

***Operating Expenses***

Our operating expenses consist of:

- *Selling expenses*, which consist primarily of advertising costs, salaries and employee benefits of sales personnel, sales-related travel and entertainment expenses, sales related shipping costs, warranty costs, amortization of intangible assets (including backlog and customer relationships), share-based compensation expenses and other selling expenses including sales commissions paid to our sales agents. The selling expenses as a percentage of net revenues decreased in 2011 as a result of expanded scale of business. We expect that selling expenses will continue to decrease as a percentage of net revenues over time as we achieve greater economies of scale.

Before September 30, 2011, our PV modules are typically sold with a two- or five-year limited warranty for defects in materials and workmanship, and a 10-year and 25-year warranty guaranteeing 90% and 80% of initial power generation capacity, respectively. From October 1, 2011, we implemented a new and improved warranty terms that guarantees 91.2% of nameplate power for 10 years, and 80.7% of nameplate power for a period of 25 years for multicrystalline PV modules and 98.0% of nameplate power for the first year, 92.0% of nameplate power for 10 years, and 82.0% of nameplate power for a period of 25 years for monocrystalline Panda PV modules. In addition, based on customers' specific requirements, we also provide our multicrystalline PV modules with linear-based warranty which guarantees each year's power output during the twenty-five-year warranty period. These warranties require us to fix or replace the defective products. We currently accrue the equivalent of 1% of gross revenues for potential warranty obligations. In 2011, we recorded warranty expense of RMB154.1 million (US\$24.5 million).

- *General and administrative expenses*, which consist primarily of salaries and benefits for our administrative and finance personnel, audit, legal and consulting fees, other travel and entertainment expenses, bank charges, amortization of technical know-how, depreciation of equipment used for administrative purposes and share-based compensation expenses.
- *Research and development expenses*, which consist primarily of costs of raw materials used in research and development activities, salaries and employee benefits for research and development personnel, and prototype and equipment costs relating to the design, development, testing and enhancement of our products and manufacturing process. We are a party to several research grant contracts with the PRC government under which we receive funds for specified costs incurred in certain research projects. We record such amounts as a reduction to research and development expenses when the related research and development costs are incurred. We expect our research and development expenses (not adjusted for offsets by government grants) to increase as we place a greater strategic focus on PV system sales in overseas markets and as we continue to hire additional research and development personnel and focus on continuous innovation of process technologies for our PV products. We conduct our research and development, design and manufacturing operations in China, where the costs of skilled labor, engineering and technical resources, as well as land, facilities and utilities, tend to be lower than those in more developed countries.

- *Provision of doubtful accounts receivable*, which represents our estimated losses on accounts receivable resulting from customers inability or failure to make payments under our sales contracts. We consider age of doubtful accounts receivable, historical collection experience, customer specific facts and current economic conditions.

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- *Impairment of long-lived assets*, which represents the difference between the carrying amount and the fair value of the long-lived assets that are considered to be impaired. Long-lived assets, such as property, plant, and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Historically, intangible assets arose from the purchase price allocation in connection with our acquisitions of equity interests in Tianwei Yingli in 2006, 2007 and 2008. Due to the significant decrease in the price of polysilicon since the fourth quarter of 2008, we recognized impairment of intangible assets in 2009 in connection with the long-term polysilicon supply agreements entered into by Tianwei Yingli. In the fourth quarter of 2011, we recognized an impairment of property, plant and equipment of Fine Silicon of RMB2,275.0 million (US\$361.5 million) to reflect the less than expected profit-generating ability of Fine Silicon's assets due to a continuing decline in the spot market price of polysilicon.
- *Impairment of goodwill*, which relates to the impairment charge of RMB 273.4 million (US\$43.3 million) for the goodwill originated from the historical acquisitions of equity interests in Tianwei Yingli. During the fourth quarter of 2011, we experienced both a decline in our operating results and a significant decrease in the market capitalization of our company, which represents one single reporting unit for the purpose of assessing goodwill impairment. In performing the first step of the impairment test of goodwill as of December 31, 2011, we determined that the fair value of our Company, which was estimated by us taking into account the quoted market price of our company's ADSs and an appropriate control premium amount, was less than the carrying value of its net assets. Accordingly, we performed the second step of the impairment test and determined that the implied fair value of the goodwill to be zero. As a result, we recorded an impairment charge to fully write off the carrying value of the goodwill as of December 31, 2011.
- *Provision on the inventory purchase commitment under long-term polysilicon supply contracts*. In 2011, we recognized a provision of RMB851.7 million (US\$135.3 million) on our inventory purchase commitment under the long-term polysilicon supply contracts as a result of continuing decline in the polysilicon purchase price.

**Taxation**

Under current laws of the Cayman Islands and the British Virgin Islands, we are not subject to income or capital gains tax. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the British Virgin Islands.

In accordance with the FIE Income Tax Law and its implementation rules, as a foreign invested enterprise primarily engaged in manufacturing and in operation for more than ten years, Tianwei Yingli was entitled to an exemption from the 25% enterprise income tax for two years from its first profit making year following its conversion into a Sino-foreign equity joint venture company, specifically 2007 and 2008, and a 50% reduction in the subsequent three years, from 2009 to 2011.

On March 16, 2007, the National People's Congress passed the EIT Law, which replaces the FIE Income Tax Law and adopts a uniform income tax rate of 25% for most domestic enterprises and foreign investment enterprises. The EIT Law became effective on January 1, 2008. The EIT Law provides a five-year transition period from its effective date for enterprises established before the promulgation date of the EIT Law and which were entitled to preferential tax rates and treatments under the then effective tax laws or regulations. On December 26, 2007, the PRC government issued detailed implementation rules regarding the transitional preferential policies. Furthermore, under the EIT Law, entities that qualify as high and new technology enterprises strongly supported by the state are entitled to the preferential enterprise income tax rate of 15%. The Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation jointly issued the Administrative Regulations on the Recognition of High and New Technology Enterprises on April 14, 2008 and the Guidelines for Recognition of High and New Technology Enterprises on July 8, 2008. Under the EIT Law and the various implementation rules, Tianwei Yingli continues to enjoy its

unexpired tax holiday which is applied to the new income tax rate of 25%,

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resulting in a tax rate of 0% for 2008, 12.5% for 2009 to 2011. In August 2011, Tianwei Yingli renewed the certificate of High and New Technology Enterprise and extended the preferential income tax period for another three years starting from 2011. As a result, Tianwei Yingli is entitled to a preferential EIT rate of 15% from 2012 to 2013. Yingli China was established in October 2007 and was recognized by the Chinese government in December 2008 as a High and New Technology Enterprise, the preferential enterprise income tax rate of 15% was applicable to Yingli China from 2008 to 2010. In August 2011, Yingli China renewed the certificate of High and New Technology Enterprise and extended the preferential income tax period for another three years starting from 2011. As a result, Yingli China is entitled to the preferential EIT rate of 15% from 2011 to 2013. In addition, Fine Silicon was recognized by the Chinese government in November 2009 as a High and New Technology Enterprise. As a result, Fine Silicon is entitled to the preferential enterprise income tax rate of 15% from 2009 to 2011. Yingli Hainan was established in September 2009 in Hainan special economic zone and recognized by the Chinese government as a High and New Technology Enterprise under new EIT law in September 2011. Therefore, Yingli Hainan was entitled to the tax exemption for the first two years and half EIT rate for the subsequent three years upon generating any operational revenues. Yingli Hainan elected to defer the commencement of the abovementioned tax holidays until January 1, 2011. Therefore, Yingli Hainan is entitled to EIT exemption from 2011 to 2012 and a preferential EIT rate of 12.5% from 2013 to 2015.

Furthermore, continued qualification as a high and new technology enterprise is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification.

Moreover, the EIT Law and its implementation rules impose a 10% withholding tax, unless reduced by a tax treaty or agreement for distributions of dividends in respect of earnings accumulated beginning on January 1, 2008 by a foreign investment enterprise to its immediate overseas holding company, insofar as the later is treated as a non-resident enterprise. Distributions of earnings generated before January 1, 2008 are exempt from such withholding tax. Therefore, we have not recognized a deferred tax liability for undistributed earnings through December 31, 2007. We intend to reinvest indefinitely undistributed earnings generated in 2010 and therefore have not recognized a deferred tax liability for those earnings.

Yingli Green Energy Europe GmbH and Yingli Green Energy Greece Sales GmbH, two of our major overseas subsidiaries, are located in Germany and subject to a corporation income tax rate of 15% plus a solidarity surcharge of 5.5% on corporation income taxes and a trade income tax rate of 12.775%, resulting in an aggregate income tax rate of 28.6%. The German tax law and its relevant regulations impose a withholding income tax at 26.375% for dividends distributed by a Germany-resident enterprise to its immediate holding company outside Germany.

**Critical Accounting Policies**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the end of each reporting period and (iii) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions, expectations regarding the future based on available information and reasonable assumptions, which together form a basis for making judgments about matters not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our financial statements as their application places the most significant demands on the judgment of our management.

*Accrued Warranty Obligations*

Before September 30, 2011, our PV modules are typically sold with a two- or five-year limited warranty for defects in materials and workmanship, and a 10-year and 25-year warranty guaranteeing 90% and 80% of initial power generation capacity, respectively. To keep consistent with the industry practice, from October 1, 2011, we implemented a new and improved warranty terms that guarantees 91.2% of nameplate power for 10 years, and 80.7% of nameplate power for a period of 25 years for multicrystalline PV modules and 98.0% of nameplate power for the first year, 92.0% of nameplate power for 10 years, and 82.0% of nameplate power for a period of 25 years for monocrystalline Panda PV modules. In addition, based on customers' specific requirements, we also provide our multicrystalline PV modules with linear-based warranty which guarantees each year's power output during the twenty-five-year warranty period. As a result, we bear the risk of warranty claims long after we have sold our products and recognized revenues. We have sold PV modules only since January 2003, and none of our PV modules have been in use for the entire warranty periods. In connection with our PV system sales in the PRC, we provide a one- to five- year warranty against defects in our modules, storage batteries, controllers and inverters. We perform industry-standard testing to test the quality, durability and safety of our products. As a result of such tests, we believe the quality, durability and safety of our products are within industry norms. Our estimate of the amount of our warranty obligations is based on the results of these tests, consideration given to the warranty accrual practice of other companies in the same business and our expected failure rate and costs to service failed products. Our warranty obligation will be affected by our estimated product failure rates, the costs to repair or replace failed products and potential service and delivery costs incurred in correcting product failure. Consequently, we accrue the equivalent of 1% of gross revenues as a warranty liability to

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accrue the estimated cost of our warranty obligations. As of December 31, 2011, RMB29.1 million (US\$4.6 million) in warranty costs were incurred or claimed, as a result of warranty claims for our PV modules that we had previously sold. As of December 31, 2009, 2010 and 2011, our accrued warranty costs amounted to RMB189.2 million, RMB303.6 million and RMB457.7 million (US\$72.7 million), respectively. As of December 31, 2009, 2010 and 2011, RMB 174.4 million, RMB 281.2 million and RMB425.4 million (US\$67.6 million), respectively, in warranty costs were classified as non-current liabilities, which reflects our estimate of the timing of when the warranty expenditures will likely be made.

We charge actual warranty expenditures against the accrued warranty liability. To the extent that actual warranty expenditures differ significantly from estimates, we will revise our warranty provisions accordingly.

Changes in the carrying amount of accrued warranty liability are as follows:

	2009 RMB	For the Year Ended December 31, 2010 RMB	2011 RMB	US\$
	(In thousands)			
Beginning balance	123,649	189,233	303,641	48,244
Warranty expense for current year sales	72,747	125,155	154,091	24,483
Warranty costs incurred or claimed	(7,163)	(10,747)		
Total accrued warranty cost	189,233	303,641	457,732	72,726
Less: accrued warranty cost, current portion	14,789	22,469	32,383	5,145
Accrued warranty cost, excluding current portion	174,444	281,172	425,349	67,581

**Long-Lived Assets**

As of December 31, 2009, 2010 and 2011, our intangible assets primarily consisted of technical know-how, customer relationships, long-term supplier agreements and trademarks that were acquired in connection with our acquisitions of noncontrolling interests. We made acquisitions of an additional 2.98%, 8.15%, 7.98% and 3.90% equity interest in Tianwei Yingli on November 20, 2006, December 18, 2006, June 25, 2007 and March, 14, 2008, respectively. We allocate the purchase price to the assets acquired and liabilities assumed based on their estimated fair value on the date of acquisition, which we refer to as the purchase price allocation. As part of the purchase price allocation, we are required to determine the fair value of any intangibles acquired.

The determination of the fair value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future. For technical know-how, the fair value was determined based on the excess-earning approach using the present value of the projected earnings attributable to the technical know-how. For customer relationships, the fair value was based on the excess earnings which take into consideration the projected cash flows to be generated from these customers. Future cash flows are predominately based on the net income forecast of these customers which has taken into consideration historical customer attrition and revenue growth. The resulting cash flows are then discounted at a rate approximating our weighted average cost of capital. For long-term supplier agreements, the fair value was based on the discounted present value of the difference between the price of polysilicon as agreed in the supplier agreements and market price. For trademarks, the fair value was based on the relief from royalty approach representing the present value of the after-tax cost savings from royalty payments.



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We depreciate and amortize our property, plant, equipment and intangible assets, which are subject to amortization, using the straight-line method over the estimated useful lives of the assets. We make estimates of the useful lives of plant and equipment (including the salvage values) in order to determine the amount of depreciation expense to be recorded during each reporting period. We estimate the useful lives at the time the assets are acquired based on historical experience with similar assets as well as anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, we might shorten the useful lives assigned to these assets, which would result in the recognition of increased depreciation and amortization expense in the future periods. There has been no change to the estimated useful lives or salvage values during 2009, 2010 and 2011.

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We evaluate long-lived assets, including property, plant and equipment and intangible assets, which are subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess recoverability by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, we recognize an impairment charge based on the amount by which the carrying amount of the asset exceeds the fair value of the asset. We estimate the fair value of the asset based on the best information available, including prices for similar assets and in the absence of an observable market price, the results of using a present value technique to estimate the fair value of the asset. Goodwill and intangible assets that are not subject to amortization are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. For intangible assets that are not subject to amortization, an impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. For goodwill, the impairment determination is made at the reporting unit level and consists of two steps. In the first step, we determine the fair value of a reporting unit and compare it to its carrying amount, including goodwill. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit's goodwill. We have determined that we constitute a single reporting unit for the purpose of the impairment testing and considered the quoted market price of our ADSs representing ordinary shares as a reasonable measurement basis of the reporting unit's fair value. We perform the annual impairment review of goodwill at December 31.

For the year ended December 31, 2009, due to continuing decreases in the price of polysilicon, long-term supplier agreements no longer provided us with cost savings. Therefore, impairment of RMB131.2 million was recognized for the intangible assets related to long-term supplier agreements in 2009.

For the year ended December 31, 2011, due to a continuing decline in the spot market price of polysilicon, the profit-generating ability of Fine Silicon's assets was less than expected. Therefore, we recognized an impairment of property, plant and equipment of Fine Silicon of RMB2,275.0 million (US\$361.5 million) to reflect the above change.

Furthermore, due to the significant reduction of our market capitalization, impairment of goodwill of RMB273.4 million (US\$43.4 million) was recognized in 2011, which originated from the historical acquisitions of equity interests in Tianwei Yingli.

***Share-Based Compensation***

As further described in Note 16 to our consolidated financial statements, we account for share-based compensation under FASB ASC Topic 718, Compensation—Stock Compensation. Under ASC Topic 718, the cost of all share-based payment transactions must be recognized in our consolidated financial statements based on their grant-date fair value over the required period, which is generally the period from the date of grant to the date when the share compensation is no longer contingent upon additional service from the employee, or the vesting period. We determine the fair value of our employees' share options as of the grant date using the Black-Scholes option pricing model.

Under this model, we make a number of assumptions regarding the fair value of the options, including:

- the estimated fair value of our ordinary shares on the grant date;
- the maturity of the options;
- the expected volatility of our future ordinary share price;
- the risk-free interest rate, and;
- the expected dividend rate.

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For the share options granted after our initial public offering, the fair value of our ordinary share on the grant date is determined by the closing trade price of our ordinary shares on the grant date. Prior to 2011, due to the lack of a sufficient trading history at the time the options were issued, we estimated the expected volatility of our ordinary share price by referring to 11 comparable companies in the PV manufacturing business whose shares are publicly traded over the most recent period to be equal to the expected option life of our employees' share option. Starting in 2011, our calculation of expected volatility was based on the historical volatility of our stock price.

We had 4,559,239, 4,812,887 and 5,824,106 employee share options outstanding as of December 31, 2009, 2010 and 2011, respectively. The following table sets forth information regarding our outstanding employee share options as of December 31, 2009, 2010 and 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2008	4,363,213	US\$ 10.32		
Granted	503,000	US\$ 6.65		
Exercised	(159,417)	US\$ 4.16		US\$ (1,857)
Forfeited	(147,557)	US\$ 7.16		
Outstanding as of December 31, 2009	4,559,239	US\$ 10.23		
Granted	426,500	US\$ 11.63		
Exercised	(139,200)	US\$ 4.28		US\$ (780)
Forfeited	(33,652)	US\$ 3.18		
Outstanding as of December 31, 2010	4,812,887	US\$ 10.58		
Granted or Reissued	4,030,306	US\$ 5.19		
Exercised	(25,250)	US\$ 3.66		US\$ (4)
Forfeited or Cancelled	(2,993,837)	US\$ 14.95		
Outstanding as of December 31, 2011	5,824,106	US\$ 4.63	7.21 years	US\$ 1,427
Vested and expected to vest as of December 31, 2011	5,824,106	US\$ 4.63	7.21 years	US\$ 1,427
Exercisable as of December 31, 2011	2,566,125	US\$ 4.56	6.68 years	US\$ 1,234

On January 19, 2007, we granted 2,576,060 unvested restricted shares under our 2006 stock incentive plan for the benefit of 68 participants, consisting of 1,576,300 unvested restricted shares granted to eight directors and officers of Yingli Green Energy and Tianwei Yingli and 999,760 unvested restricted shares granted to 60 other employees of us. Share-based compensation expense with respect to the unvested restricted shares was measured based on the estimated fair value of our ordinary shares at the date of grant and is recognized on a straight-line basis over the five-year vesting period. In April, 2007, we granted 30,000 and 15,000 unvested restricted shares to one executive officer and one third-party consultant, respectively. In February 2009, we granted 24,000 unvested restricted shares to four executive officers equally. Share-based compensation expense with respect to the unvested restricted shares granted to the employee was measured based on the estimated stock issuance price of our initial public offering of US\$11 at the date of grant and is recognized on a straight-line basis over the five-year period. In August 2011, we granted 20,000 unvested restricted shares to one executive officer and 12 employees. We granted unvested shares to the consultant in exchange for certain services to be provided. We account for equity instrument issued to non-employee vendors in accordance with the provisions of FASB ASC Topic 505-50, Equity Payments to Non-employees under the fair value method. The measurement date of the fair value of the equity instrument issued is the date on which the consultant's performance was completed. Prior to the measurement date, the equity instruments are measured at their then-current fair values at each of the reporting dates. Share-based expense recognized over the service period is adjusted to reflect changes in the fair value of the ordinary shares between the reporting periods up to the measurement date.

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We recorded non-cash share-based compensation expense of RMB76.0 million (or US\$11.2 million as translated at the applicable average exchange rate prevailing during the period) for the year ended December 31, 2009, RMB74.8 million (or US\$11.3 million as translated at the applicable average exchange rate prevailing during the period) for the year ended December 31, 2010 and RMB73.9 million (or US\$11.5 million as translated at the applicable average exchange rate prevailing during the period) for the year ended December 31, 2011.

Changes in our estimates and assumptions regarding the expected volatility and valuation of our ordinary shares could significantly impact the estimated fair values of our share options and, as a result, our net income and the net income available to our ordinary shareholders.

Based on the closing price of our ordinary shares of US\$3.80 per share as of December 31, 2011, the aggregate intrinsic value of the options outstanding as of December 31, 2011 was approximately US\$1.4 million.

*Valuation of Inventories*

Our inventories are stated at the lower of cost or net realizable value. We routinely evaluate quantities and value of our inventories in light of current market conditions and market trends, and record a write-down against the cost of inventories for a decline in net realizable value. Expected demand and anticipated sales price are the key factors affecting our inventory valuation analysis. For purposes of our inventory valuation analysis, we develop expected demand and anticipated sales prices primarily based on sales orders and, to a far lesser extent, industry trends and individual customer analysis. We also consider sales and sales orders after each reporting period-end but before the issuance of our financial statements to assess the accuracy of our inventory valuation estimates. Historically, actual demand and sales price have generally been consistent with or greater than expected demand and anticipated sales price used for purposes of the our inventory valuation analysis. The evaluation also takes into consideration new product development schedules, the effect that new products might have on the sale of existing products, product obsolescence, customer concentrations, product merchantability and other factors. Market conditions are subject to change and actual consumption of inventories could differ from forecasted demand. Furthermore, the price of polysilicon, our primary raw material, is subject to fluctuations based on global supply and demand. Our management continually monitors the changes in the purchase price paid for polysilicon, including prepayments to suppliers, and the impact of such change on our ability to recover the cost of inventory and our prepayments to suppliers. Our products have a long life cycle and obsolescence has not historically been a significant factor in the valuation of inventories. For the years ended December 31, 2009, 2010 and 2011, inventory write-downs, which are included in cost of revenues, were RMB9.6 million, RMB16.5 million and RMB469.9million (US\$74.7 million), respectively.

*Firm Purchase Commitment*

Until the third quarter of 2008, an industry-wide shortage of high purity polysilicon coupled with growing demand for PV modules caused the increases of polysilicon prices. In order to ensure the adequate supply of polysilicon, we entered into several long-term fixed price supply contracts from 2006 to 2011 under which the polysilicon would be delivered from 2009 to 2020. However, from the second quarter of 2011, the polysilicon price has decreased significantly as the result of increased polysilicon manufacturing capacity and the pressure from the decreasing average selling price of PV modules. As a result, we recognized a provision of RMB 851,694 (US\$135, 321) on our firm purchase commitments under the long-term fixed price polysilicon contracts. The provision was determined by applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory. Given the uncertainty of future polysilicon prices, this loss may or may not be recovered and further losses on the outstanding purchase commitments may be recorded in future periods.

*Allowance for Doubtful Accounts.*

We establish an allowance for doubtful accounts for the estimated loss on receivables when collection may no longer be reasonably assured. We assess collectability of receivables based on a number of factors including the customer's financial condition and creditworthiness. We make credit sales to major strategic customers in Europe. To reduce credit risks relating to other customers, we require some of our customers to pay a major portion of the purchase price by letters of credit. For the years ended December 31, 2009, 2010 and 2011, our provision for doubtful accounts amounted to RMB322.7 million, RMB0.8 million and RMB45.6 million (US\$7.2 million),

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respectively. The significant decrease in allowance for doubtful accounts from 2009 to 2010 was primarily due to the provision of RMB315.5 million as the result of expected loss of accounts receivable from two customers in 2009. We recorded a reversal of allowance for doubtful accounts of RMB13.9 million and RMB6.6 million (US\$1.0 million) in 2010 and 2011, respectively, primarily due to the collection of previously reserved amount from customers.

The following table presents the movement of allowance for doubtful accounts for the years ended December 31, 2009, 2010 and 2011:

	2008 RMB	Year Ended December 31,		2011 US\$
		2009 RMB	RMB	
	(In thousands)			
Beginning balance	(986)	(323,025)	(309,482)	(49,172)
Additions	(322,668)	(788)	(45,612)	(7,246)
Reversal of allowance for doubtful accounts		13,886	6,624	1,052
Write-off of accounts receivable charged against the allowance	629	445	5,164	821
Ending balance	(323,025)	(309,482)	(343,306)	(54,546)

**Results of Operations**

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	2009		For the Year Ended December 31,				
	RMB	%	2010 RMB	%	RMB	2011 US\$	%
	(In thousands, except percentages)						
Net revenues:							
Sales of PV modules	7,158,441	98.7%	12,276,854	98.2%	14,397,086	2,287,467	98.1%
Sales of PV systems	50,197	0.7	56,662	0.5	53,731	8,537	0.4
Other revenues	46,231	0.6	166,471	1.3	227,148	36,090	1.5
Total net revenues	7,254,869	100.0%	12,499,987	100.0%	14,677,965	2,332,094	100.0%
Cost of revenues:							
Cost of PV modules sales	(5,458,284)	(75.2)	(8,131,218)	(65.0)	(11,905,502)	(1,891,594)	(81.1)
Cost of PV systems sales	(39,851)	(0.6)	(49,190)	(0.4)	(43,280)	(6,876)	(0.3)
Cost of other revenues	(42,361)	(0.6)	(166,794)	(1.3)	(279,504)	(44,409)	(1.9)
Total cost of revenues	(5,540,496)	(76.4)	(8,347,202)	(66.8)	(12,228,286)	(1,942,879)	(83.3)
Gross profit	1,714,373	23.6	4,152,785	33.2	2,449,679	389,215	16.7
Operating expenses:							
Selling expenses	(347,545)	(4.8)	(780,244)	(6.2)	(818,022)	(129,971)	(5.6)
General and administrative expenses	(410,101)	(5.7)	(467,516)	(3.7)	(602,728)	(95,763)	(4.1)
Research and development expenses	(184,332)	(2.5)	(137,525)	(1.1)	(284,909)	(45,267)	(1.9)
Provisions for (recovery of) doubtful accounts receivable	(322,668)	(4.5)	(13,098)	(0.1)	(38,988)	(6,195)	(0.3)

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Impairment of goodwill					(273,382)	(43,436)	(1.9)
Impairment of long-lived assets	(131,177)	(1.8)			(2,275,024)	(361,465)	(15.5)
Provision for inventory purchase commitments					(851,694)	(135,321)	(5.8)
Total operating expenses	1,395,823	19.3	1,372,187	11.0	(5,144,747)	(817,418)	(35.1)
Income from operations	318,550	4.4	2,780,598	22.2	(2,695,068)	(428,203)	(18.4)
Equity in losses of affiliates, net	(2,769)	0.0	(628)	0.0	(9,557)	(1,518)	(0.1)
Interest expense, net	(370,015)	(5.1)	(422,019)	(3.4)	(597,885)	(94,994)	(4.1)
Foreign currency exchange gains (losses), net	38,389	0.5	(338,216)	(2.7)	(190,475)	(30,264)	(1.3)
Loss on debt extinguishment	(244,744)	(3.4)					



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	2009		For the Year Ended December 31, 2010			2011	
	RMB	%	RMB	%	RMB	US\$	%
Loss from revaluation of embedded derivative	(231,345)	(3.2)					
Gain on bargain purchase from an acquisition					52,202	8,294	0.4
Other income	7,373	0.1	11,764	0.1	41,593	6,608	0.3
Income tax (expense) benefit(1)	31,831	(0.4)	(333,466)	(2.7)	133,413	21,197	0.9
Net income (loss)(1)	(452,730)	(6.2)	1,698,033	13.6	(3,265,777)	(518,880)	(22.2)
Less: Earnings attributable to the noncontrolling interests	(78,865)	(1.1)	(311,257)	(2.5)	56,866	9,035	0.4
Net income (loss) attributable to Yingli Green Energy	(531,595)	(7.3)	1,386,776	11.1	(3,208,911)	(509,845)	(21.9)

**Year Ended December 31, 2011 Compared to Year Ended December 31, 2010**

*Net Revenues.* Our total net revenues were RMB14,678.0 million (US\$2,332.1 million) in 2011, which increased by 17.4% from RMB12,500.0 million in 2010. PV module shipment volume in 2011 was 1,603.8 megawatts, an increase of 51.1% from 1,061.6 megawatts in 2010. The increase in total shipments was primarily due to higher recognition of our brand, proven performance of our products and our differentiated market channels and end market diversification, and was supported by the completion of an additional 600 megawatts of production capacity for each of polysilicon ingots and wafers, PV cells and PV modules in the third quarter of 2011. The increase in net revenues was consistent with the increase in shipment volume year over year and was partially offset by the decline in the average selling price for PV modules compared to 2010. The average selling price of PV modules for 2011 was US\$1.43 per watt, compared to the average selling price of US\$1.75 per watt in 2010.

Net revenues from sales of PV modules were RMB14,397.1 million (US\$2,287.5 million), or 98.1% of total net revenues in 2011, as compared to RMB12,276.9 million, or 98.2% of total net revenues in 2010. Our PV module sales in Germany were RMB6,595.1 million (US\$1,047.9 million), or 44.9% of our total net revenues, in 2011, which decreased from PV module sales in Germany of RMB7,078.2 million, or 56.6% of total net revenues, in 2010. Our PV module sales in Italy in 2011 were RMB700.6 million (US\$111.3 million), or 4.8% of our total net revenues, which decreased from PV module sales in Italy of RMB853.8 million, or 6.8% of total net revenues, in 2010. Our PV module sales in Spain in 2011 were RMB511.8 million (US\$81.3 million), or 3.5% of our total net revenues, which decreased from PV module sales in Spain of RMB704.4 million, or 5.7% of total net revenues, in 2010. In addition, our PV module sales in the United States in 2011 were RMB2,137.2 million (US\$339.6 million), or 14.6% of our total net revenues, which increased from PV module sales in the United States of RMB1,217.0 million, or 9.7% of our total net revenues in 2010. Meanwhile, our PV module sales in the PRC in 2011 were RMB2,985.3 million (US\$474.3 million), or 20.3% of our total net revenues, which increased from PV module sales in the PRC of RMB552.1 million, or 4.2% of our total net revenues in 2010. The increase in our PV module sales in the United States and the PRC was primarily due to increased demand in the both countries and our increasing brand recognition.

Net revenues from sales of PV systems were RMB53.7 million (US\$8.5 million), or 0.4% of total net revenues in 2011, compared to RMB56.7 million, or 0.5% of total net revenues, in 2010. All of our net revenues from sales of PV systems in 2011 were derived from China. Other revenues amounted to RMB227.1 million (US\$36.1 million) in 2011, primarily from sales of raw materials and low efficiency PV cells, compared to RMB166.5 million in 2010. Other revenue as a percentage of total net revenues was 1.5% in 2011 and 1.3% in 2010.

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*Cost of Revenues.* Cost of PV modules sales as a percentage of net revenues from PV modules was 82.7% in 2011, compared to 66.2% in 2010. The increase in cost of PV modules as a percentage of net revenues from PV modules in 2011 from 2010 was primarily a result of the decrease in the average selling price for PV modules, and an increase in inventory provision of RMB 453.4 million (US\$72.0 million) which was partially offset by the decrease in polysilicon cost and our continuous efforts in reducing polysilicon consumption per watt and non-polysilicon processing costs.

Cost of PV systems sales as a percentage of net revenues from PV systems was 80.5% in 2011, as compared to 86.8% in 2010. The decrease in cost of PV systems as a percentage of net revenues from PV systems in 2011 from 2010 was primarily due to the decrease in the polysilicon cost and our continuous efforts in reducing processing costs.

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*Gross Profit.* As a result of the factors described above, our gross profit was RMB2,449.7 million (US\$389.2 million) in 2011, which significantly decreased from RMB4,152.8 million in 2010. Our gross profit margin was 16.7% in 2011, compared to 33.2% in 2010. The significant decrease in gross margin for 2011 was primarily a result of the decrease in the average selling price for PV modules and the inventory provision.

*Operating Expenses.* Our operating expenses were RMB5,144.7 million (US\$817.4 million) in 2011, which significantly increased from RMB1,372.2 million in 2010. Operating expenses as a percentage of net revenue significantly increased to 35.1% in 2011 from 11.0% in 2010. The increase in operating expenses was primarily due to the following reasons:

- *Selling Expenses.* Our selling expenses were RMB818.0 million (US\$130.0 million) in 2011, which increased from RMB780.2 million in 2010. This increase was primarily due to increase in shipping cost for our PV modules to RMB290.7 million, an increase in marketing expense to RMB149.6 million relating to our expanded scale of operations and the expenses in relation to our sponsorships for 2014 FIFA World Cup™, U.S. Soccer and the FCB football club. Selling expenses as a percentage of net revenues decreased to 5.6% in 2011 from 6.3% in 2010.

- *General and Administrative Expenses.* Our general and administrative expenses were RMB602.7 million (US\$95.8 million) in 2011, which increased from RMB467.5 million in 2010. The increase in general and administrative expenses in 2011 was primarily due to the increased salary expenses related to the expansion of our operations. General and administrative expenses as a percentage of net revenues increased to 4.1% in 2011 from 3.7% in 2010.

- *Research and Development Expenses.* Our research and development expenses were RMB284.9 million (US\$45.3 million) in 2011, compared to RMB137.5 million in 2010. Our research and development expenses in 2011 primarily related to the increased investment in Project PANDA. Research and development expenses as a percentage of net revenues were 1.9% in 2011 and 1.1% in 2010.

- *Provision for Doubtful Accounts Receivable.* In 2011, we recognized the provision for doubtful accounts receivable of RMB45.6 million (US\$7.2 million), which was partially offset by the reversal of RMB6.6 million (US\$1.1 million). We recorded a reversal of allowance for doubtful accounts in an amount of RMB13.9 million in 2010, primarily due to the collection from a customer, which was partially offset by provision for doubtful accounts of RMB0.8 million.

- *Impairment of Goodwill.* In 2011, we recognized an impairment of goodwill of RMB273.4 million (US\$43.4 million) originated from the historical acquisitions of equity interests in 2006, 2007 and 2008 in Tianwei Yingli.

- *Impairment of Long-Lived Assets.* In the fourth quarter of 2011, we recognized an impairment of long-lived assets of Fine Silicon of RMB2,275.0 million (US\$361.5 million) to reflect its less than expected profit-generating ability due to the continuing decline in the spot market price of polysilicon.

- *Provision on the Inventory Purchase Commitment under Long-Term Polysilicon Supply Contracts.* In 2011, we recognized a provision of RMB851.7 million (US\$135.3 million) on our inventory purchase commitment under long-term polysilicon supply contracts as a result of continuing decline in the polysilicon purchase price.

*Loss from Operations.* Loss from operations was RMB2,695.1 million (US\$428.2 million) in 2011, compared to income from operations of RMB2,780.6 million in 2010. As a result of the cumulative effect of the above factors, operating loss margin was 18.4% in 2011, compared to operating profit margin was 22.2% in 2010.

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*Interest Expense, Net.* Net interest expense was RMB597.9 million (US\$95.0 million) in 2011, which increased from RMB422.0 million in 2010. The interest expense in 2011 included non-cash interest expenses of RMB23.5 million (US\$3.7 million), primarily related to certain financial instruments issued in 2009, compared to non-cash interest expenses of RMB131.5 million in 2010. After excluding the non-cash interest expenses, interest expense was RMB603.3 million (US\$95.8 million), compared to RMB306.5 million in 2010. The increase in interest expense was consistent with the increase in short-term borrowings from RMB5,857.9 million as of December 31, 2010 to RMB8,225.1 million as of December 31, 2011 and the increase in long-term debt from RMB2,496.5 million as of December 31, 2010 to RMB3,451.9 million as of December 31, 2011. The weighted average interest rate for these borrowings in 2011 was 6.3%, which decreased slightly from 6.4% in 2010.

*Foreign Currency Exchange Losses.* Foreign currency exchange loss was RMB190.5 million (US\$ 30.2 million) in 2011, compared to a foreign currency exchange loss was RMB338.2 million in 2010. The foreign currency exchange loss in 2011 was primarily due to the depreciation of the Euro and U.S. dollars against the Renminbi in 2011.

*Income Tax Benefit (Expense).* We recognized an income tax benefit of RMB133.4 million (US\$21.2 million) in 2011, compared to an income tax expense of RMB333.5 million in 2010. The income tax benefit in 2011 was primarily attributable to the net operating loss in 2011. The income tax expense in 2010 was primarily attributable to the net operating income generated by Tianwei Yingli and Yingli China.

*Earnings Attributable to the Noncontrolling Interests.* In 2011, loss attributable to the noncontrolling interests was RMB56.9 million (US\$9.0 million), compared to earnings attributable to the noncontrolling interests of RMB311.3 million in 2010.

*Net Income (Loss) Attributable to Yingli Green Energy.* As a result of the cumulative effect of the above factors, our net loss was RMB3,208.9 million (US\$509.8 million) in 2011 as compared to net income of RMB1,386.8 million in 2010.

**Year Ended December 31, 2010 Compared to Year Ended December 31, 2009**

*Net Revenues.* Our total net revenues were RMB12,500.0 million in 2010, which increased by 72.3% from RMB7,254.9 million in 2009. PV module shipment volume in 2010 was 1,061.6 megawatts, an increase of 102.1% from 525.3 megawatts in 2009. The increase in total shipments was primarily due to the robust market demand, broader recognition of our premium brand and diversified customer base, and was supported by the completion of an additional 400 megawatts of total production capacity for each of polysilicon ingots and wafers, PV cells and PV modules in the third quarter of 2010. The increase in net revenues was consistent with the increase in shipment volume year over year and was partially offset by the decrease in the average selling price for PV modules compared to 2009. The average selling price of PV modules for 2010 was US\$1.75 per watt, compared to the average selling price of US\$2.00 per watt in 2009.

Net revenues from sales of PV modules were RMB12,276.9 million, or 98.2% of total net revenues in 2010, as compared to RMB7,158.4 million, or 98.7% of total net revenues in 2009. Our PV module sales in Europe amounted to RMB10,306.5 million in 2010, which increased from PV module sales in Europe of RMB6,492.6 million in 2009. As a percentage of total net revenues, our PV module sales in Europe decreased to 82.5% in 2010 from 89.5% in 2009. Within Europe, there were significant changes from 2009. Our PV module sales in Germany were RMB7,078.2 million, or 56.6% of our total net revenues, in 2010 which increased from PV module sales in Germany of RMB4,575.7 million, or 63.1% of total net revenues, in 2009, primarily due to increased demand in Germany and our increasing brand recognition. Our PV module sales in Italy in 2010 were RMB853.8 million, or 6.8% of our total net revenues, which increased from PV module sales in Italy of

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RMB445.9 million, or 6.1% of total net revenues, in 2009. The increase in our PV module sales in Italy was primarily due to increased demand in Italy and our increasing brand recognition. Our PV module sales in Spain in 2010 were RMB704.4 million, or 5.7% of our total net revenues, which increased from PV module sales in Spain of RMB431.5 million, or 5.9% of total net revenues, in 2009. Our PV module sales in the Netherlands in 2010 were RMB471.9 million, or 3.8% of our total net revenues, which increased from PV module sales in the Netherlands of RMB348.7 million, or 4.8% of total net revenues, in 2009. Our PV module sales in France in 2010 were RMB236.5 million, or 1.9% of our total net revenues, which significantly increased from PV module sales in France of RMB99.9 million, or 1.4% of our total

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net revenues in 2009. Our PV module sales in Greece in 2010 were RMB453.1 million, or 3.6% of our total net revenues, which significantly increased from PV module sales in Greece of RMB77.0 million, or 1.1% of our total net revenues in 2009. And our PV module sales in the United States in 2010 were RMB1,217.0 million, or 9.7% of our total net revenues, which significantly increased from PV module sales in the United States of RMB147.4 million, or 2.1% of our total net revenues in 2009. The increase in our PV module sales in the United States was primarily due to increased demand in the United States and our increasing brand recognition. Net revenues from sales of PV systems were RMB56.7 million, or 0.5% of total net revenues in 2010, as compared to RMB50.2 million, or 0.7% of total net revenues, in 2009. All of our net revenues from sales of PV systems in 2010 were derived from China. Other revenues amounted to RMB166.5 million in 2010, primarily from sales of raw materials and low efficiency PV cells, as compared to RMB46.2 million in 2009. Other revenue as a percentage of total net revenues was 1.3% in 2010 and 0.6% in 2009.

*Cost of Revenues.* Cost of PV modules sales as a percentage of net revenues from PV modules was 66.2% in 2010, as compared to 76.2% in 2009. The significantly decrease in cost of PV modules as a percentage of net revenues from PV modules in 2010 from 2009 was primarily a result of the decrease in blended polysilicon cost and our continuous efforts in reducing polysilicon consumption per watt and non-polysilicon processing costs, despite of the decrease in the average selling price for PV modules which adversely affected our total net revenues.

Cost of PV systems sales as a percentage of net revenues from PV systems was 86.8% in 2010, as compared to 79.4% in 2009. The increase in cost of PV systems as a percentage of net revenues from PV systems in 2010 from 2009 was primarily due to the decrease in the average selling price of PV systems in China.

*Gross Profit.* As a result of the factors described above, our gross profit was RMB4,152.8 million in 2010, which significantly increased from RMB1,714.4 million in 2009. Our gross profit margin was 33.2% in 2010, compared to 23.6% in 2009. The significant increase in gross margin for 2010 was primarily a result of the continuous decline in the blended cost of polysilicon, our continuous efforts in reducing polysilicon consumption per watt and non-polysilicon processing cost, despite the decrease in the average selling price for PV modules.

*Operating Expenses.* Our operating expenses were RMB1,372.2 million in 2010, which slightly decreased from RMB1,395.8 million in 2009. Operating expenses as a percentage of net revenue significantly decreased to 11.0% in 2010 from 19.3% in 2009. The decrease in operating expenses was primarily due to the following reasons:

- *Selling Expenses.* Our selling expenses were RMB780.2 million in 2010, which significantly increased from RMB347.5 million in 2009. This increase was primarily due to significant increase in shipping cost for our PV modules to RMB244.2 million, an increase in marketing expense to RMB206.5 million relating to our expanded scale of operations and the 2010 FIFA World Cup™ sponsorship. Selling expenses as a percentage of net revenues increased to 6.3% in 2010 from 4.8% in 2009.

- *General and Administrative Expenses.* Our general and administrative expenses were RMB467.5 million in 2010, which slightly increased from RMB410.1 million in 2009. The increase in general and administrative expenses in 2010 was primarily due to an increase in the number of administrative staff and the hiring of senior executive officers related to the expansion of our operations, which amounted to RMB149.3 million. General and administrative expenses as a percentage of net revenues decreased to 3.7% in 2010 from 5.7% in 2009.

- *Research and Development Expenses.* Our research and development expenses were RMB137.5 million in 2010, compared to RMB184.3 million in 2009. Our research and development expenses in 2010 primarily related to the launch of a series of new initiatives, including Project PANDA. Research and development expenses as a percentage of net revenues were 1.1% in 2010 and 2.5% in 2009.
  
- *Provision for Doubtful Accounts Receivable.* We recorded a reversal of allowance for doubtful accounts in an amount of RMB13.9 million in 2010, primarily due to the collection from a customer, which was partially offset by provision for doubtful accounts of RMB0.8 million. In 2009, we made provision of doubtful accounts receivable in an amount of RMB322.7 million, primarily attributable to the provision of RMB315.5 million as the result of expected loss of accounts receivable from two customers.



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- *Impairment of intangible assets.* The impairment of intangible assets related to long-term supply agreements entered into by Tianwei Yingli and arose from the purchase price allocation in connection with a series of acquisitions of equity interests in Tianwei Yingli in 2006, 2007 and 2008. As a result of the significant decrease in the price of polysilicon since the fourth quarter of 2008, we recognized an impairment loss of RMB131.2 million to reflect the difference between the carrying amount and the fair value of the intangible assets in 2009. No impairment of intangible assets was recorded in 2008 or 2010.

*Income from Operations.* Income from operations was RMB2,780.6 million in 2010, compared to RMB318.6 million in 2009. As a result of the cumulative effect of the above factors, operating profit margin was 22.2% in 2010 and 4.4% in 2009.

*Interest Expense, Net.* Net interest expense was RMB422.0 million in 2010, which increased from RMB370.0 million in 2009. The interest expense in 2010 included non-cash interest expenses of RMB131.5 million, compared to RMB98.1 million in 2009. Such non-cash interest expenses were related to the derivative liabilities bifurcated from our senior convertible notes issued in January 2009, the beneficial conversion feature of the senior convertible notes issued in July 2009, the freestanding warrants issued in connection with a loan facility provided by ADM Capital in April 2009, and the equity component bifurcated from our convertible notes issued in December 2007. After excluding the non-cash interest expenses, interest expense was RMB290.5 million, compared to RMB271.9 million in 2009. The increase in interest expense was consistent with the increase in short-term borrowings from RMB3,501.0 million as of December 31, 2009 to RMB5,857.9 million as of December 31, 2010 and the increase in long-term debt from RMB752.8 million as of December 31, 2009 to RMB2,496.5 million as of December 31, 2010. The weighted average interest rate for these borrowings in 2010 was 6.37%, which decreased from 7.07% in 2009.

*Loss on Debt Extinguishment.* Loss on debt extinguishment of RMB244.7 million was recognized in the second quarter of 2009, which was a result of the early full repayment of the US\$50 million three-year loan facility provided by ADM Capital in June 2009. The loss represents the difference between the amount repaid and the carrying value of the loan on the date of the debt repayment which had no impact on our cash flow.

*Loss on Derivative Liabilities.* Loss on derivative liabilities of RMB231.3 million was primarily due to changes in the fair value of the derivative liabilities relating to the embedded conversion feature of the US\$20 million senior convertible notes issued in January 2009 and warrants issued to ADM Capital in connection with our US\$50 million loan facility.

*Foreign Currency Exchange Gains (Losses).* Foreign currency exchange loss was RMB338.2 million in 2010, compared to a foreign currency exchange gain was RMB38.4 million in 2009. The foreign currency exchange loss in 2010 was primarily due to the depreciation of the Euro against the Renminbi in the first half of 2010 and the depreciation of the U.S. dollars against the Renminbi in the second half of 2010.

*Income Tax Benefit (Expense).* We recognized an income tax expense of RMB333.5 million in 2010, compared to an income tax benefit of RMB31.8 million in 2009. The income tax expense in 2010 was primarily attributable to the net operating income generated by Tianwei Yingli and Yingli China. The income tax benefit in 2009 was primarily attributable to the deferred tax assets as a result of the provision for doubtful accounts receivable and a reversal of defer tax liability as a result of intangible assets impairment.

*Earnings Attributable to the Noncontrolling Interests.* In 2010, earnings attributable to the noncontrolling interests was RMB311.3 million, compared to RMB78.9 million in 2009. The increase in earnings attributable the noncontrolling interests from 2010 to 2009 was primarily due to

the increase in income generated by Tianwei Yingli.

*Net Income (Loss) Attributable to Yingli Green Energy.* As a result of the cumulative effect of the above factors, our net income was RMB1,386.8 million in 2010 as compared to net loss of RMB531.6 million in 2009.

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**B. Liquidity and Capital Resources**

We require a significant amount of cash to fund our operations. We will also require cash to meet future capital requirements, which are difficult to predict in the rapidly changing PV industry. In particular, we will need capital to fund the expansion of our facilities, and research and development activities in order to remain competitive.

*Cash Flows and Working Capital*

Our ability to continue as a going concern for a reasonable period of time largely depends on the ability of our management to successfully execute our business plan (including increasing sales while decreasing operating costs and expenses) and, if required, the ability to obtain additional funds from third parties, including banks, and from our related parties or from the issuance of additional equity or debt securities. Our management believes that increased sales as we expand our market presence in Europe and other target markets, as well as the proceeds from our other completed or potential equity or debt issuances, long-term bank borrowings and other financings entered into from time to time, will enable us to fund our operational cash flow needs and meet our commitments and current liabilities, as and when they come due, as well as our selective debt prepayment needs, for a reasonable period of time. In our opinion, our working capital is sufficient for our present requirements.

The primary sources of our financing have been borrowings from banks and other third parties, and private placements of our debt, equity and equity-linked securities as well as our initial public offering, the follow-on offering, convertible senior notes offering, and medium-term notes. As of December 31, 2011, we had RMB4,181.0 million (US\$664.3 million) in cash, RMB1,432.3 million (US\$227.6 million) in restricted cash, RMB8,225.1 million (US\$1,306.8 million) in outstanding short-term borrowings (including the current portion of long-term debt) and RMB5,858.3 million (US\$930.8 million) in outstanding long-term debt (excluding the current portion).

As of December 31, 2011, our cash consisted of cash on hand, cash in bank accounts and interest-bearing savings accounts, and our restricted cash consisted of bank deposits for securing letters of credit, letters of guarantee granted to us and bank deposits for securing a long-term loan facility.

Our outstanding short-term borrowings (including the current portion of long-term debt) as of December 31, 2011 were RMB8,225.1 million (US\$1,306.8 million), and bore a weighted-average interest rate of 6.23%. Such borrowings were made principally to fund prepayments to polysilicon suppliers and capital expenditure for our capacity expansion and to repay short-term borrowings. Our short-term borrowings from banks have a term of less than one year and expire at various times throughout the year. We have historically negotiated renewal of certain of these borrowings shortly before they mature.

Our outstanding long-term debt as of December 31, 2011 was RMB5,858.3 million (US\$930.8 million), consisting of RMB3,451.9 million (US\$548.5 million) long-term bank borrowings and RMB2,406.4 million (US\$382.3 million) in borrowings from other parties (excluding the current portion). Such borrowings were made principally to fund our manufacturing facility expansion projects, increased working capital needs and replacement of short-term loans with high interest rates.

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In October 2010, the First Tranche Issue of RMB-denominated unsecured five-year medium-term notes in the amount of RMB1.0 billion was completed by Tianwei Yingli, which will mature on October 13, 2015. Tianwei Yingli has an option to call the notes at the end of the third year from issuance. Upon exercise of the call option, the re-purchase amount equals to the par value of the notes plus any unpaid interest. The First Tranche Issue bears a fixed annual interest rate of 4.3% per annum in the first three years, which will increase to 5.7% per annum in the remaining two years if Tianwei Yingli chooses not to call the notes on October 13, 2013. In May 2011, the Second Tranche Issue of RMB-denominated unsecured five-year medium-term notes in the amount of RMB1.4 billion (US\$222.4 million) was completed by Tianwei Yingli, which will mature on May 12, 2016. The Second Tranche Issue bears a fixed annual interest rate of 6.15%.

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In August 2010, Tianwei Yingli entered into a two-year RMB1.0 billion (US\$151.5 million) loan agreement at an interest rate applicable to the export seller's credit which is renewed quarterly with the Export-Import Bank of China. The loan is unsecured and repayable upon maturity.

In March 2011, Yingli China entered into a 45-month RMB1.0 billion (US\$158.9 million) loan agreement at a floating interest rate of the three- to five-year Renminbi benchmark loan rate plus an additional 10% per annum with the Bank of Communications Co., Ltd. The loan is secured by Yingli China's fixed assets. As of December 31, 2011, Yingli China withdrew RMB367.5 million (US\$58.4 million) under this agreement.

We have historically been able to repay our borrowings mostly from refinancing or new or additional borrowings from our shareholders, related parties, other third parties as well as proceeds from our initial public offering, the follow-on offering, and the convertible senior notes offering. As we ramp up our current and planned operations in order to complete our expansion projects, we assess our cash flow position from time to time and if appropriate, we plan to use the cash generated from our operations as well as to utilize a portion of the proceeds from future debt or equity offerings to prepay some of our outstanding credit facilities to improve our balance sheet position. If we are unable to obtain alternative funding or generate cash from our operations as required, our business and prospects may suffer. See Item 3.D. Risk Factors - Risks Related to Us and the PV Industry. We have significant outstanding short-term borrowings, and we may not be able to obtain extensions when they mature.

On December 15, 2010, US\$171.3 million aggregate principal amount of the convertible senior notes was repurchased by us and settled in cash, and the remaining balance of US\$1.2 million will be settled upon the maturity on December 13, 2012 and was thus classified as a current liability as of December 31, 2011.

In addition, a number of our loan agreements contain financial covenants that require us to maintain certain financial ratios, including debt to EBITDA ratios. The worsening operating environment that has generally affected companies operating in our industry since the fourth quarter of 2008 had led to potential breaches of certain financial covenants under some of our loan agreements. In response to such potential breaches, we have had to negotiate with the relevant lenders terms of prepayment or to amend those financial covenants to prevent actual breaches from occurring, for example, by resetting the financial covenants for the relevant loan agreements or beginning testing for compliance with financial covenants at a later date. However, if we need to negotiate with lenders again in the future with respect to prepayment or to amend financial covenants or other relevant provision under such loan agreements to address potential breaches, we cannot assure you that we would be able to reach agreements with the lenders to avoid a breach. If we are in breach of one or more financial covenants under any of our loan agreements and are not able to obtain waivers from the lenders or prepay the loan, such breach would constitute an event of default under the loan agreement. As a result, repayment of the indebtedness under the relevant loan agreement may be accelerated, which may in turn require us to repay the entire principal amount including interest, if any, of certain of our other existing indebtedness under cross-default provisions in our existing loan agreements. If we are required to repay a significant portion or all of our existing indebtedness prior to their maturity, we may lack sufficient financial resources to do so. Furthermore, a breach of those financial covenants will also restrict our ability to pay dividends. Any of those events could have a material adverse effect on our financial condition, results of operations and business prospects. See Item 3.D. Risk Factors. If we fail to comply with financial covenants under our loan agreements, our financial condition, results of operations and business prospects may be materially and adversely affected.

We have significant working capital commitments because suppliers of high purity polysilicon require us to make prepayments in advance of shipment. As of December 31, 2011, our prepayments to suppliers were RMB1,866.9 million (US\$296.6 million) (including amounts paid to related parties of RMB157.2 million (US\$25.0 million)).

Currently, a significant portion of our revenue is derived from credits sales to our customers, generally with payments due within three months. The sales to a small number of major customers exposed us to additional and more concentrated credit risk since a significant portion of our

outstanding accounts receivable is derived from sales to a limited number of customers. As of December 31, 2011, our five largest outstanding accounts receivable balance accounted for approximately 33.8% of our total outstanding accounts receivable. The failure of any of these customers to meet their payment obligations would materially and adversely affect our financial position, liquidity

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and results of operations. Although we have been able to maintain adequate working capital primarily through short-term borrowing, in the future we may not be able to secure additional financing on a timely basis or on terms acceptable to us or at all.

In addition, in anticipation of our production capacity expansion and increasing market demand for our PV modules, we made significant expenditures to purchase polysilicon and other raw materials in 2011. As a result, our inventories were RMB2,670.9 million (US\$424.4 million) as of December 31, 2011. We also make prepayments for equipment purchases. Our prepayments for equipment purchases amounted to RMB131.4 million, RMB341.2 million and RMB474.0 million (US\$75.3 million) as of December 31, 2009, 2010 and 2011, respectively.

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

	2009 RMB	For the Year Ended December 31,		2011 RMB	US\$
		2010 RMB	(In thousands)		
Net cash provided by operating activities	2,128,211	2,499,751	340,829		54,154
Net cash used in investing activities	(3,332,667)	(3,754,862)	(5,504,655)		(874,602)
Net cash provided by financing activities	3,373,075	3,956,126	3,554,893		564,815
Effect of foreign currency exchange rate changes on cash	(29,447)	(92,969)	(66,161)		(10,513)
Net increase (decrease) in cash	2,139,172	2,608,046	(1,675,094)		(266,146)
Cash at the beginning of the period	1,108,914	3,248,086	5,856,132		930,446
Cash at the end of the period	3,248,086	5,856,132	4,181,038		664,300

***Operating Activities***

Net cash provided by operating activities was RMB340.8 million (US\$54.2 million) in 2011 compared to RMB 2,499.8 million in 2010, primarily resulting from the increased accounts receivable and long-term prepayments to suppliers, and the significant decrease in gross profit.

Net cash provided by operating activities was RMB2,499.8 million in 2010 compared to RMB2,128.2 million in 2009, primarily resulting from the improved collection of accounts receivable, significant increase in advance from customers and an increase in accounts payable as a result of favorable payment terms granted by some of our suppliers.

Net cash provided by operating activities was RMB2,128.2 million in 2009, primarily resulting from the significant decrease in prepayment to secure polysilicon raw materials and an increase in accounts payable as a result of favorable payment terms granted by our suppliers.

***Investing Activities***

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Net cash used in investing activities was RMB5,504.7 million (US\$874.6 million) in 2011 compared to RMB 3,754.9 million in 2010, primarily due to purchase of property, plant and equipment for business expansion in the amount of RMB4,838.7 million (US\$768.8 million), and increase in restricted cash related to purchase of property, plant and equipment for business expansion in the amount of RMB548.6 million (US\$87.2 million).

Net cash used in investing activities was RMB3,754.9 million in 2010 compared to RMB3,332.7 million in 2009, primarily due to purchase of property, plant and equipment for business expansion in the amount of RMB3,077.6 million, and increase in restricted cash related to purchase of property, plant and equipment for business expansion in the amount of RMB735.5 million.

Net cash used in investing activities was RMB3,332.7 million in 2009, primarily due to purchase of property, plant and equipment for business expansion, which were RMB2,231.5 million, increase in restricted cash related to purchase of property, plant and equipment for business expansion, which were RMB 485.5 million and cash paid for our acquisition of Cyber Power, net of cash acquired, in the amount of RMB328.2 million.



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***Financing Activities***

Net cash provided by financing activities was RMB3,554.9 million (US\$564.8 million) in 2011 compared to RMB 3,956.1 million in 2010, primarily due to the proceeds from bank loans of RMB10,757.3 million, and the second tranche of medium term notes of RMB1,400 million, partially offset by repayment of bank loans of RMB7,313 million, RMB1,007.5 million of restricted cash related to guarantee of bank borrowings, and RMB123.8 million of payment for share repurchase.

Net cash provided by financing activities was RMB 3,956.1 million in 2010 compared to RMB 3,373.1 million in 2009, primarily due to proceeds from the issuance of medium-term notes of RMB 995.8 million by Tianwei Yingli, proceeds from bank borrowings of RMB 8,935.7 million, partially offset by payment for repurchase of the convertible senior notes of RMB 1,327.6 million and prepayment of bank borrowings of RMB4,790.9 million.

Net cash provided by financing activities was RMB3,373.1 million in 2009, primarily due to proceeds from bank borrowings and a structured loan totaling RMB4,897.9 million, net proceeds from our follow-on public offering in June 2009 in the amount of RMB1,553.2 million and net proceeds from issuance of senior secured convertible notes of RMB335.6 million, partially offset by repayment of bank borrowings of RMB3,348.9 million.

We believe that our current cash and available lines of credit will be sufficient to meet our anticipated present cash needs, including cash needs for working capital and capital expenditures. We plan to meet our cash needs for working capital and capital expenditures for the remainder of 2012 and beyond primarily through cash generated from operations, and to the extent required, through borrowings from financial institutions and/or issuances of equity and debt securities. We may, however, require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to borrow from financial institutions or our equity interest holders or seek additional equity contributions. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. Furthermore, the incurrence of additional debt could divert cash for working capital and capital expenditures to service debt obligations or result in operating and financial covenants that restrict our operations and Tianwei Yingli's ability to pay dividends to us, and in turn, our ability to pay dividends to our shareholders. If we are unable to obtain additional equity contribution or debt financing as required, our business operations and prospects may suffer.

**Capital Expenditures**

We had capital expenditures of RMB3,001.2 million, RMB3,744.5 million and RMB5,435.8 million (US\$863.7 million) in 2009, 2010 and 2011, respectively. As of December 31, 2011, we committed an aggregate of RMB4,316.9 million (US\$685.9 million) to purchase property, plant and equipment for our capacity expansion. Our capital expenditures were used primarily to build manufacturing facilities for our PV products. We estimate that we will make capital expenditures in 2012 in the aggregate of approximately RMB2,537.0 million (US\$403.0 million), which will be used primarily to build manufacturing facilities for our PV products. We currently plan to increase our overall annual manufacturing capacity of each of polysilicon ingots and wafers, PV cells and PV modules to 2,450 megawatts by the end of 2012. We plan to fund part of the capital expenditures for these plans with additional borrowings from third parties, including banks, and if any, cash from operations.

**Inflation**

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index in China was negative 0.7%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively.

**Recent Accounting Pronouncements**

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with

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financial statements prepared under International Financial Reporting Standards (IFRS). The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. We will implement the provisions of ASU 2011-11 for reporting periods starting January 1, 2013 and does not expect the adoption of ASU 2011-11 will result in any material impact on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply the ASU retrospectively. Early adoption is permitted. In December 2011, the FASB decided to defer the effective date of those changes in ASU 2011-05 that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05. We plan to implement the provisions of ASU 2011-05 by presenting a single statement of other comprehensive income following the statement of income in 2012.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. We expect that the adoption of ASU 2011-04 in 2012 will not have a material impact on its consolidated financial statements.

**C. Research and Development**

The primary focus of our research and development efforts is on improving our manufacturing processes at every stage of our production in order to improve the output quality at each stage and deliver more energy-efficient and aesthetically improved PV products at a lower cost. Before March 2009, the ingots we produced weighed up to 270 kilograms and reached the size of 690 millimeters x 690 millimeters x 250 millimeters. Since then, we began to produce ingots weighing up to 400 kilograms and reaching the size of 840 millimeters x 840 millimeters x 250 millimeters. We also began producing 420 kilograms ingots with the size of 840 millimeters x 840 millimeters x 262 millimeters in December 2009, which currently accounts for a little more than half of our ingots. Our research goals with regard to wafer cutting techniques include improving the surface and internal physical characteristics of our wafers so as to decrease the wafer breakage rate and increase the number of wafers produced from each ingot, as well as reducing wafer thickness. In December 2006, we started producing wafers with a thickness of 200 microns. We modified our equipment and manufacturing process such that they are more suitable for producing wafers with a thickness of less than 200 microns. We further reduced wafer thickness from 200 microns in 2007 to 180 microns at the beginning of February 2008, which has reduced our polysilicon usage per watt, increased wafer output per ingot and contributed to a reduction in costs of goods sold. We are also improving our ingot casting and crystal growing processes to reduce the amount of time required for ingot formation, increase ingot output and reduce the cost of raw materials.

We believe PV cells made from crystalline silicon will continue to dominate the PV market in the foreseeable future. Therefore, our research and development efforts as they relate to PV cells have focused on improving technologies and processing techniques to increase the conversion efficiency and the power output of our PV cells, all of which were traditionally made from multicrystalline silicon. Starting from June 2009, we have been in collaboration with the Energy Research Centre of the Netherlands, a leading solar research center in Europe, and Tempres Systems, a wholly-owned subsidiary of Amtech Systems, Inc., a global supplier of production and automation systems and related supplies for the manufacture of PV cells, to implement Project PANDA, a research and development project for next-generation high efficiency monocrystalline PV cells. Our 600 megawatts of PANDA production capacity for each of ingots and wafers, cells and modules in Baoding, Hebei Province has started initial production in the second quarter of 2011. We successfully produced next-generation cells with an average

efficiency rate of 19.0% on the PANDA commercial production lines and a record cell conversion efficiency rate of 20.0% on the PANDA trial production line in 2011. We also seek to reduce the breakage rate and failure rate and increase the success rate and conversion efficiency of our PV cells through the use of advanced equipment and improved manufacturing processes at each stage of our production. To ensure the competitiveness of our products, we closely monitor the development by our competitors of new-generation PV cells, such as thin film cells, that may or may not be made from crystalline silicon and will seek to respond to challenges and opportunities posed by new technology as appropriate.

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We have upgraded module assembly techniques to accommodate the delicate nature of thinner PV cells. We are researching new solutions to lengthen our PV modules' life span and make them more reliable, and to further increase the conversion efficiency of our PV cells and PV modules through the use of new materials and new technologies. In addition, we are working to improve our technologies to manufacture PV modules that can be used as construction materials. We are also exploring multi-purpose applications of our off-grid PV systems, and collaborating with international PV system installers and integrators by participating in large on-grid PV system projects in order to accumulate more experience and knowledge in such projects.

Our research and development expenses were RMB184.3 million, RMB137.5 million and RMB284.9 million (US\$45.3 million) in 2009, 2010 and 2011, respectively.

**D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since December 31, 2011 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

**E. Off-Balance Sheet Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. We have not entered into any derivative contracts that are recorded as financial receivables or liability, or that are not reflected in our consolidated financial statements. 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 variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

Under the joint venture contract, Tianwei Baobian has a right to subscribe for a number of ordinary shares newly issued by us to be determined by a pre-agreed formula set forth in the joint venture contract. See Item 4.A. History and Development of the Company Restructuring Joint Venture Contract Subscription Right.

**F. Tabular Disclosure of Contractual Obligations**

Our contractual obligations and commitments as of December 31, 2011 are set forth in the table below.

Total	Payment Due By Period	
	1-3 Years	3-5 Years

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		Less Than 1 Year	(In thousands of RMB)		More Than 5 Years
Borrowings from banks and other parties(1)	13,017,479	8,486,695	2,855,918	1,216,020	458,846
Convertible senior notes(2)	9,218	9,218			
Senior secured convertible notes(3)	130,127	130,127			
Medium-term notes(4)	3,035,500	129,100	272,200	2,629,200	
Commitments for capital expenditures	4,316,866	3,885,179	431,687		
Commitments for the purchase of raw materials	28,100,497	2,409,638	7,403,651	8,187,161	10,100,047
<b>Total</b>	<b>48,604,687</b>	<b>15,049,957</b>	<b>10,963,456</b>	<b>12,032,381</b>	<b>10,558,893</b>

(1) Includes interest of RMB 1,340.5 million accrued at the interest rate under the loan agreement. For borrowings with a floating rate, the most recent rate as of December 31, 2011 was applied.

(2) Includes effective interest of RMB 1.7 million due to the guaranteed return on the convertible senior notes.

(3) Includes effective interest of RMB 38.4 million due to the guaranteed return on the senior secured convertible notes.

(4) Includes interest of RMB 630.5 million accrued at the interest rate under the loan agreement.

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**G. Safe Harbor**

This annual report contains forward-looking statements that relate to future events, including our future operating results and conditions, our prospects and our future financial performance and condition, all of which are largely based on our current expectations and projections. The forward-looking statements are contained principally in the sections entitled Item 3.D. Risk Factors, Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995.

You can identify these forward-looking statements by terminology such as may, will, expect, anticipate, future, intend, plan, believe, is/are likely to or other and similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- our expectations regarding the worldwide demand for electricity and the market for solar energy;
- our beliefs regarding the effects of environmental regulation, lack of infrastructure reliability and long-term fossil fuel supply constraints;
- our beliefs regarding the inability of traditional fossil fuel-based generation technologies to meet the demand for electricity;
- our beliefs regarding the importance of environmentally friendly power generation;
- our expectations regarding governmental support for the deployment of solar energy;
- our beliefs regarding the acceleration of adoption of solar technologies;
- our expectations regarding advancements in our technologies and cost savings from such advancements; 99
- our beliefs regarding the competitiveness of our PV products;

- our beliefs regarding the advantages of our business model;
- our expectations regarding the scaling of our manufacturing capacity;
- our expectations regarding entering into or maintaining joint venture enterprises and other strategic investments;
- our expectations regarding revenue growth and our ability to achieve profitability resulting from increases in our production volumes;
- our expectations regarding our ability to secure raw materials in the future;
- our expectations regarding the price trends of PV modules and polysilicon;
- our beliefs regarding our ability to successfully implement our strategies;
- our beliefs regarding our abilities to secure sufficient funds to meet our cash needs for our operations and capacity expansion;
- our future business development, results of operations and financial condition; and
- competition from other manufacturers of PV products, other renewable energy systems and conventional energy suppliers.



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The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Liansheng Miao	56	Chairperson of board of directors and chief executive
Zongwei Li	39	Director and chief financial officer
Xiangdong Wang	49	Director and vice president
Iain Ferguson Bruce(1)(2)	71	Independent director
Ming Huang(1)(2)	48	Independent director
Zheng Xue(1)(2)	41	Independent director
Junmin Liu	62	Independent director
Dengyuan Song	54	Chief technology officer
Yiyu Wang	37	Chief strategic officer
Jingfeng Xiong	41	Vice president
Zhiheng Zhao	63	Vice president
Xiaoqiang Zheng	35	Vice president and chief operating officer

(1) Audit committee member.

(2) Compensation committee member.

*Mr. Liansheng Miao* is the chairperson of the board of directors, the founder and chief executive officer of Yingli Green Energy. Prior to founding Tianwei Yingli in 1998, Mr. Miao was the chairperson of Yingli Group. Mr. Miao is an executive director of the Photovoltaic Committee of the China Renewable Energies Association, vice chairperson of the China Rural Area Electricity Supply Association and vice chairperson of the China Cells Industry Association. Mr. Miao is also a director of the Hebei New and High Technology Industry Association and a director of the New Energy Chamber of Commerce of All-China Federation of Industry and Commerce. Mr. Miao received his bachelor's degree in business management from Beijing Economics Institute and his master's degree in business administration from Peking University in China.

*Mr. Zongwei Li* is a director and the chief financial officer of Yingli Green Energy. Mr. Li also serves as an independent director and the chairman of the audit committee of Youku.com Inc., an Internet television company listed on the NYSE. Prior to joining us in November 2006,

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Mr. Li served as senior audit manager and audit manager at the accounting firm of PricewaterhouseCoopers for 11 years. Mr. Li graduated from the mechanical engineering department of Shanghai Institute of Technology and from the international finance and insurance department of Shanghai Institute of Business and Administration. Mr. Li received his master's degree in business administration from Olin School of Business of Washington University.

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*Mr. Xiangdong Wang* is a director and vice president of Yingli Green Energy. Prior to joining Tianwei Yingli in 2001, he worked as the general accountant for Baoding Public Transportation Co., a PRC company that provides urban public transportation services, Baoding Coal Co., a PRC company engaged in the purchase and distribution of liquefied petroleum gas and liquefied natural gas, and Baoding Sewage Treatment Plant, a sewage treatment facility, each located in Baoding, China. Mr. Wang received his bachelor's degree in economics from China People's University in China, and received his master's degree in economics from Hebei University in China.

*Mr. Iain Ferguson Bruce* is an independent member of our board of directors and the chairperson of the audit committee and compensation committee of our board of directors. His directorship became effective upon the completion of our initial public offering in June 2007. Mr. Bruce joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the senior partner of KPMG from 1991 until his retirement in 1996 and also concurrently served as chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, Mr. Bruce has been a member of the Institute of Chartered Accountants of Scotland and is a fellow of the Hong Kong Institute of Certified Public Accountants with over 47 years' experience in the accounting profession. Mr. Bruce is currently an independent non-executive director of Goodbaby International Holdings Limited, a manufacturer of infants' and children's products, Paul Y Engineering Group Limited, a construction and engineering company, Sands China Ltd., a gaming and hospitality company, Vitasoy International Holdings Ltd., a beverage manufacturing company, Wing On Company International Ltd., a department store operating and real property investment company, and Tencent Holdings Limited, a provider of Internet services and mobile value-added service; all of these companies are listed on the Hong Kong Stock Exchange. In addition, Mr. Bruce also serves as a non-executive director of Noble Group Limited, a commodity trading company that is listed on the Singapore Stock Exchange, and as an independent non-executive director of China Medical Technologies, Inc., a NASDAQ-listed, China-based medical device company.

*Professor Ming Huang* is an independent member of our board of directors and a member of the audit committee and compensation committee of our board of directors. He was elected to our board in August 2008. Professor Huang also serves as an independent non-executive director of Qihoo 360 Technology Co. Ltd., Fantasia Holdings Group Co., Ltd., Guosen Securities Co., Ltd., Tebon Securities Co., Ltd., Zhejiang Sound Machine Manufacturing Co., Ltd., and as a non-executive trustee of the Annuity Fund Management Board of China National Petroleum Corporation. Professor Huang has been a professor of finance at the Johnson Graduate School of Management at Cornell University in the United States since July 2005. He also serves as the La Caixa Professor of Finance at China Europe International Business School. Previously, he held a series of faculty and administrative positions at Cheung Kong Graduate School of Business, Shanghai University of Finance and Economics, Graduate School of Business at Stanford University, and the Chicago Graduate School of Business. Professor Huang's academic research primarily focuses on behavioral finance, credit risk and derivatives. Professor Huang received his bachelor's degree in physics from Beijing University, his doctorate degree in theoretical physics from Cornell University and his doctorate degree in finance from Stanford University.

*Mr. Zheng Xue* is an independent member of our board of directors and a member of the audit committee and compensation committee of our board of directors. His directorship became effective September 19, 2011. Mr. Xue is chief financial officer of LightInTheBox.com, which is a China-based global online retailer. Prior to joining LightInTheBox.com in 2011, he served as chief financial officer in ATMU Inc., which is the largest automated teller machines sourcing company in China. Prior to joining ATMU Inc. in 2010, he served as an advisor of Asia Alternatives Management LLC. since 2009. Prior to his affiliation with Asia Alternatives Management LLC., Mr. Xue was a venture partner of Softbank China & India Holdings, a wholly owned subsidiary of Softbank Corp and manager of Bodhi Investments LLC, which focuses on early stage companies in China and India from 2006 to 2009. He also worked at ChinaCast Education Corporation from 2006 to 2009, Target Media from 2005 to 2006 and eLong Inc. from 2003 to 2005 as professional chief financial officer or director, respectively. Prior to joining eLong Inc. in 2003, Mr. Xue worked for eight years in investment banking in the United States and China. Mr. Xue studied at Tsinghua University in China and received his bachelor's degree in physics from University of Illinois and his MBA degree from University of Chicago in the United States.

*Professor Junmin Liu* is an independent member of our board of directors and was elected to our board in August 2008. He is a professor in the Economics Department and the chairman of the Research Center of Virtual Economies and Management at Nankai University in China. Professor Liu began his teaching career in September 1982 and has been teaching at Nankai University since December 1992. Professor Liu's research and study focus on macroeconomics, virtual economies and finance. Professor Liu received his bachelor's degree in economics and his doctorate degree in economics from Nankai University.



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*Dr. Dengyuan Song* is the chief technology officer of Yingli Green Energy. Dr. Song has more than 27 years of experience in the research and development of solar cells, silicon materials, and semiconductor PV devices in both Australia and China, including nearly 10 years of research and development in polycrystalline silicon solar cells, thin-film solar cells and third-generation solar cells at the ARC Photovoltaics Centre of Excellence at the University of New South Wales in Sydney, Australia. Prior to joining University of New South Wales, Dr. Song served as a professor at Hebei University in China, where his teaching and research covered a broad spectrum of topics, including solar cells, silicon materials, photoelectric devices and automation engineering. Dr. Song has published and presented over 150 papers in scientific and technical journals and at various PV industry conferences. He received his bachelor's degree in microelectronics engineering in 1982 from Hebei University and his doctorate degree in photovoltaic engineering in 2005 from University of New South Wales in Australia.

*Mr. Yiyu Wang* is the chief strategic officer of Yingli Green Energy. Prior to joining us in December 2006, Mr. Wang worked as a senior audit manager and an audit manager at the accounting firm of PricewaterhouseCoopers since 1996. From 2003 to 2004, Mr. Wang worked at PricewaterhouseCoopers in Sydney, Australia. Mr. Wang received his bachelor's degree in international finance from Shanghai University in China.

*Mr. Jingfeng Xiong* is a vice president of Yingli Green Energy. Mr. Xiong has been with Tianwei Yingli since 2000 and he has served in a variety of roles, including as the Manager for Wafer, Cell, and Module Workshops, respectively, Quality Manager, Technical Department Manager, System Application Department Manager, and Chief Engineer. In addition, Mr. Xiong initiated and led research and development projects for optimizing operation and automating our vertically integrated production lines to improve yield rates, cost savings and increase cell conversion efficiencies. He received a bachelor's degree in electronics in 1999 from Hebei University in China.

*Mr. Zhiheng Zhao* is a vice president of Yingli Green Energy. He was the head of the project department of Tianwei Baobian, a manufacturer of large electricity transformers and the holder of the minority interest in Tianwei Yingli, and later became the factory general manager, overseeing the production of special transformers. Mr. Zhao worked as also the vice president of Tianwei Baobian, general manager of the Baoding Electric Transformer Manufacturing Company, an electricity transformer manufacturer, and general manager of the Baoding Special Converter Manufacturing Factory, a manufacturer of special electricity converters, each located in Baoding, China. Mr. Zhao studied management engineering and graduated from East China Institute of Heavy Machinery in China.

*Mr. Xiaoqiang Zheng* is a vice president and chief operating officer of Yingli Green Energy. Mr. Zheng has been with Tianwei Yingli since 2000 and has served in a variety of positions, including as manager of the wafer workshop, manager of the research and development center, chief engineer of the technical department, as well as the equipment manager and production planning manager. Mr. Zheng received his bachelor's degree in electrical engineering from Hebei University of Technology.

The business address of our directors and executive officers is c/o Tianwei Yingli New Energy Resources Co., Ltd., No. 3055 Middle Fuxing Road, Baoding, People's Republic of China.

**B. Compensation of Directors and Executive Officers**

In 2011, the aggregate cash compensation to our executive officers and directors, was RMB15.6 million (US\$2.5 million). For options and restricted shares granted to officers and directors, see 2006 Stock Incentive Plan.



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**2006 Stock Incentive Plan**

The 2006 stock incentive plan was adopted by our shareholders and board of directors in December 2006. The 2006 stock incentive plan provides for the grant of options, limited stock appreciation right and other stock-based awards such as restricted shares. The purpose of the plan is to aid us and our affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of us and our affiliates by providing incentives through the granting of awards. Our board of directors believes that our company's long-term success is dependent upon our ability to attract and retain talented individuals who, by virtue of their ability, experience and qualifications, make important contributions to our business.

*Administration.* The 2006 stock incentive plan is administered by the compensation committee of our board of directors, or in the absence of a compensation committee, the board of directors. The committee is authorized to interpret the plan, to establish, amend and rescind any rules and regulations relating to the plan, and to make any other determinations that it deems necessary or desirable for the administration of the plan. The committee determines the provisions, terms and conditions of each award, including, but not limited to, the exercise price for an option, vesting schedule of options and restricted shares, forfeiture provisions, form of payment of exercise price and other applicable terms.

*Change of Control.* The 2006 stock incentive plan defines a change of control as the occurrence of any of the following events: (i) the sale or disposition, in one or a series of related transactions, of all or substantially all, of our assets to any third party; (ii) any third party is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of our voting stock or any entity which controls us (counting the shares that such third party has the right to acquire) by way of merger, consolidation, tender, exchange offer or otherwise; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the board (together with any new directors elected or nominated by such board) cease for any reason to constitute a majority of the board, then in office. Upon a change of control, the compensation committee may decide that all outstanding awards that are unexercisable or otherwise unvested or subject to lapse restrictions will automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such acquisition. The compensation committee may also, in its sole discretion, decide to cancel such awards for fair value, provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted, or provide that affected options will be exercisable for a period of at least 15 days prior to the acquisition but not thereafter.

*Amendment and Termination of Plan.* Our board of directors may at any time amend, alter or discontinue the 2006 stock incentive plan. Amendments or alterations to the 2006 stock incentive plan are subject to shareholder approval if they increase the total number of shares reserved for the purposes of the plan or change the maximum number of shares for which awards may be granted to any participant, or if shareholder approval is required by law or by stock exchange rules or regulations. Any amendment, alteration or termination of the 2006 stock incentive plan must not adversely affect awards already granted without written consent of the recipient of such awards. Unless terminated earlier, the 2006 stock incentive plan will continue in effect for a term of ten years from the date of adoption.

*Amendment No. 1 to the 2006 Stock Incentive Plan.* Our board of directors approved in April 2007 and our shareholders approved in May 2007, Amendment No. 1 to the 2006 stock incentive plan, which amended our 2006 stock incentive plan to increase the number of ordinary shares that we are authorized to issue from 3,394,054 shares to 8,240,658 shares. Among these shares, up to 2,715,243 shares may be issued for the purpose of granting awards of restricted shares and up to 5,525,415 shares may be issued for the purpose of granting options. The amendment did not change any other material provisions of the 2006 stock incentive plan.

*Amendment No. 2 to the 2006 Stock Incentive Plan.* Our board of directors approved in July 2009 and our shareholders approved in August 2009, Amendment No. 2 to the 2006 stock incentive plan, which amended our 2006 stock incentive plan to increase the number of

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ordinary shares that we are authorized to issue from 8,240,658 shares to 12,745,438 shares. Among these shares, up to 2,715,243 shares may be issued for the purpose of granting awards of restricted shares and up to 10,030,195 shares may be issued for the purpose of granting options. The amendment did not change any other material provisions of the 2006 stock incentive plan.



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*Options.* An option granted under the 2006 stock incentive plan will have specified terms set forth in an option agreement and will also be subject to the provisions of the 2006 stock incentive plan which include the following principal terms. The compensation committee will determine in the relevant option agreement the purchase price per share upon exercise of the option, with the purchase price of no less than 100% of the fair market value of the shares on the option grant date. The compensation committee will also determine in the relevant option agreement whether the option granted and vested under the award agreement will be exercisable following the recipient's termination of services with us. If the ordinary shares covered by an option are not exercised or purchased on the last day of the period of exercise, they will terminate. The term of an option granted under the 2006 stock incentive plan may not exceed ten years from the date of grant. The consideration to be paid for our ordinary shares upon exercise of an option or purchase of shares underlying the option include cash, check or other cash-equivalent, ordinary shares, consideration received by us in a cashless exercise, or any combination of the foregoing methods of payment. Options granted under the 2006 incentive plan are not transferable and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the option holders, except that the compensation committee may permit the options to be exercised by and paid to certain persons or entities related to the option holders.

*Granted Options.* Each of the relevant option award agreements provides for the vesting of options, provided the option holder remains a director, officer, employee or consultant of ours. Following the option holder's termination of service with us for any reason, the option, to the extent not then vested, will be cancelled by us without consideration. Upon a change of control, the options will, to the extent not then vested and not previously canceled, become fully vested and exercisable immediately. As of the date of this annual report, options to purchase an aggregate of 521,748 ordinary shares have been forfeited and cancelled by us without consideration.

*Restricted Shares.* Restricted shares issued under the 2006 stock incentive plan will have specified terms set forth in an award agreement and will also be subject to the provisions of the 2006 stock incentive plan. Unless otherwise permitted by the compensation committee, restricted shares are not transferable and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered at any time prior to becoming vested or during any period in which we may repurchase them.

*Granted Restricted Shares.* Restricted shares are issued to DBS Trustees Limited, or the trustee, for the benefit of the trust participants, which consist of directors and officers of ours or Tianwei Yingli, our other employees and non-employee consultants pursuant to award agreements and a trust deed. The trustee will hold the restricted shares in trust and will be the registered holder of the restricted shares until such shares are vested, forfeited or repurchased by us. Our board of directors has appointed a managing committee to provide recommendations, advice or instructions to the trustee in connection with the administration of the trust. The restricted stock award agreements and the trust deed contain, among other things, provisions concerning the constitution and structure of the trust, and vesting and forfeiture of the restricted shares, our right to repurchase the restricted shares within a period after vesting of the restricted shares, distribution to trust participants, transfer restrictions, dividends and voting rights, and consequence of third-party acquisition.

Each of the relevant award agreements provides for the vesting of restricted shares, provided the option holder remains a director or officer of ours or Tianwei Yingli or our employee or consultant. Restricted shares granted for the benefit of a trust participant will also fully vest upon termination of service resulting from death or disability of the trust participant that is due to work-related reasons. Following a trust participant's termination of service with us, except if such termination is resulting from the trust participant's death or disability that is due to work-related reasons, the restricted shares granted for the benefit of such trust participant will, to the extent not then vested, be forfeited without any consideration. As of the date of this annual report, 33,792 restricted shares have been forfeited without any consideration.

For a period of six months after any restricted shares are vested, the trustee will be required to, upon our written request, sell all or part of the vested restricted shares to us at fair market value. The trustee will distribute the repurchase price paid by us, and any dividend accumulated on the repurchased shares from their vesting dates, to us as the agent of the applicable trust participants. Any vested restricted shares that are not repurchased by us during the six-month period will be distributed to us as the agent of the applicable trust participants either in specie or in cash

at the option of the applicable trust participants. We will then distribute the repurchase price, the restricted shares or cash, as the case may be, to the applicable trust participants after withholding relevant taxes in accordance with applicable laws.

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The restricted shares will not be entitled to dividends paid on the ordinary shares until such restricted shares are vested. The restricted shares will have the same voting rights as our other ordinary shares. All voting rights of the restricted shares will be exercised by the trustee in accordance with the managing committee's instructions before the restricted shares are vested, and in accordance with the instructions of the applicable trust participants after the restricted shares are vested. Upon a change of control, all restricted shares granted to the trustee for the benefit of the trust participants will become fully vested immediately.

As of the date of this annual report, an aggregate of 19,792 restricted shares were issued to the trustee for the benefit of 13 trust participants remain unvested, consisting of (i) an aggregate of 2,000 restricted shares for the benefit of one executive officer of us, (ii) an aggregate of 8,000 restricted shares granted for the benefit of 12 other employees and (iii) 9,792 restricted shares forfeited for two former employees.

**Employee Pension and Other Retirement Benefits**

Pursuant to the relevant PRC regulations, we are required to make contributions for each employee at a rate of 20% of a standard salary base as determined by the local social security bureau to a defined contribution retirement scheme organized by the local social security bureau. In addition, we are also required to make contributions for each employee at rates of 7.5-10%, 1-2% and 6.6-13.6% of standard base for medical insurance benefits, unemployment and other statutory benefits, respectively. Contributions of RMB177.7 million (US\$28.2 million) was paid for the year ended December 31, 2011 which was charged to expense. We have no other obligation to make payments in respect of retirement benefits of our employees.

**C. Board Practices**

**Terms of Directors and Executive Officers**

Our officers are appointed by and serve at the discretion of the board of directors. At each annual general meeting one third of our directors (save for the chairman of the board and managing director) are subject to retirement by rotation and otherwise hold office until such time as they are removed from office by ordinary resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or has a receiving order made against him or suspends payment or makes a composition with his creditors, or (ii) dies or is found by us to be or becomes of unsound mind, or (iii) is absent from meetings of our board of directors for six consecutive months and our board of directors resolves that his office be vacated.

**Board of Directors**

The following describes the board of directors of Yingli Green Energy. For a description of Tianwei Yingli's board of directors, see Item 4.A. History and Development of the Company Restructuring Joint Venture Contract Tianwei Yingli's Management Structure Board of Directors.

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Our board of directors currently has seven directors, consisting of four independent directors. Under our current articles of association, our board of directors consists of at least two directors. Our directors are elected by the holders of ordinary shares. At each annual general meeting, one third of our directors then existing (other than the chairperson of our board and any managing director) will be subject to re-election. A director is not required to hold any shares in us by way of qualification.

### **Committees of the Board of Directors**

Our board of directors has established an audit committee and a compensation committee. We have adopted a charter for each such committee.

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*Audit Committee*

Our audit committee consists of Messrs. Iain Bruce, Ming Huang and Zheng Xue and is chaired by Mr. Bruce. Mr. Bruce is a director with accounting and financial management expertise as required by the New York Stock Exchange corporate governance rules, or the NYSE rules. All of the members of our audit committee satisfy the independence requirements of the NYSE rules and Rule 10A-3(b)(1) under the Securities and Exchange Act of 1934, as amended, or the Exchange Act. Our audit committee consists solely of independent directors. The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. The audit committee is responsible for, among other things:

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related-party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to its audit committee by our board of directors from time to time;
- meeting separately and periodically with management and our internal and independent registered public accounting firm; and
- reporting regularly to the full board of directors.

*Compensation Committee*

Our compensation committee consists of Messrs. Iain Bruce, Ming Huang and Zheng Xue and is chaired by Mr. Bruce. All of the members of our compensation committee satisfy the independence requirements of the NYSE rules. Our compensation committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. Members of the compensation committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- approving and overseeing the compensation package for our executive officers;
  
- reviewing and making recommendations to the board with respect to the compensation of our directors;
  
- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the performance of our chief executive officer in light of those goals and objectives, and setting the compensation level of our chief executive officer based on this evaluation; and
  
- reviewing periodically and making recommendations to the board regarding any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

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**Interested Transactions**

A director may vote in respect of any contract or transaction in which he or she is interested, provided that (i) the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter, (ii) any required approvals from our audit committee is obtained and (iii) the chairman of the relevant board meeting does not disqualify him or her from voting.

**Remuneration**

The directors may determine remuneration to be paid to the directors. The compensation committee assists the directors in reviewing and approving the compensation structure for the directors.

**Borrowing**

The directors may, on our behalf, borrow money, mortgage or charge our undertaking, property and uncalled capital, and issue debentures or other securities directly or as security for any debt obligations of us or of any third party.

**Qualification**

There is no shareholding qualification for directors.

**Employment Agreements**

We have entered into employment agreements with all of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate his or her employment for cause at any time, with prior written notice, for certain acts of the executive officer, including but not limited to, a conviction of a felony, or willful gross misconduct by the executive officer in connection with his or her employment, and in each case if such acts have resulted in material and demonstrable financial harm to us. An executive officer may, with prior written notice, terminate his or her employment at any time for any material breach of the employment agreement by us that is not remedied promptly after receiving the remedy request from the employee. Furthermore, either party may terminate the employment agreement at any time without cause upon advance written notice to the other party. Upon termination, the executive officer is generally entitled to a severance pay of at least one month's salary.

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Each executive officer has agreed to hold, both during and subsequent to the terms of his or her agreement, in confidence and not to use, except in pursuance of his or her duties in connection with the employment, any of our confidential information, technological secrets, commercial secrets and know-how. Our executive officers have also agreed to disclose to us all inventions, designs and techniques resulting from work performed by them, and to assign us all right, title and interest of such inventions, designs and techniques.

### D. Employees

We had 5,813, 11,435 and 16,054 employees as of December 31, 2009, 2010 and 2011, respectively. The following table sets forth the number of our employees categorized by our areas of operations and as a percentage of our total employees as of December 31, 2011.

	As of December 31, 2011	
	Number of Employees	Percentage of Total
Manufacturing	10,128	63.1%
Quality Inspection	772	4.8%
Research and Development	1,330	8.3%
Procurement, Sales and Marketing	637	4.0%
Management and Administrative	844	5.2%
Logistics, Manufacturing Support and Others	2,343	14.6%
Total	16,054	100.0%



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Our success depends to a significant extent upon our ability to attract, retain and motivate qualified personnel. Many of these employees have overseas education and industry experience, and we periodically send our technical personnel overseas for advanced study and training. Our employees also receive annual training courses in subjects relevant to their positions within our company. Substantially all of our employees are based in China.

As of December 31, 2011, we were required by PRC law to make monthly contributions in amounts equal to 20.0%, 7.5% to 10%, 1% to 2%, 0.5% to 1% and 0.6% to 0.8% of our employees' average monthly salary in the preceding year to a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, respectively, each for the benefit of our employees subject to certain statutory limits.

Our employees are not subject to any collective bargaining agreement. We have not been involved in any material labor disputes. We believe that we have a good relationship with our employees.

**E. Share Ownership**

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, as of April 23, 2012, the most recent practicable date, by:

- each of our directors and executive officers;
- all of our directors and executive officers as a group; and
- each person known to us to own beneficially more than 5.0% of our ordinary shares.

	Ordinary Shares Beneficially Owned(1)(2)	
	Number of Shares	%
Liansheng Miao(3)	52,403,252	32.13
Xiangdong Wang	*	*
Iain Ferguson Bruce	*	*
Ming Huang	*	*
Chi Ping Martin Lau	*	*
Junmin Liu	*	*
Zongwei Li	*	*
Dengyuan Song	*	*
Yiyu Wang	*	*

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Jingfeng Xiong	*	*
Zhiheng Zhao	*	*
Xiaoqiang Zheng	*	*
All directors and executive officers as a group	54,193,324	32.87
<b>Principal Shareholders and 5% Shareholders:</b>		
Yingli Power Holding Company Ltd.(4)	51,600,652	31.79

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\* Less than 1% of our outstanding share capital.

(1) Beneficial ownership is determined in accordance with Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, and includes voting or investment power with respect to the securities.

(2) Percentage of beneficial ownership of each listed person is based on 157,226,705 ordinary shares outstanding and, as applicable, (i) the ordinary shares underlying share options exercisable by such person and (ii) restricted ordinary shares awarded to such person that can be vested, in each case within 60 days of the date of this annual report, not including share options that can be early exercised, at the discretion of the holder, into unvested ordinary shares.

(3) Represents 51,600,652 of our ordinary shares owned by Yingli Power, our principal shareholder, which is 100% beneficially owned by the family trust of Mr. Miao, and 272,000 restricted shares that were vested and 585,000 stock option exercisable. Mr. Miao's business address is c/o Tianwei Yingli New Energy Resources Co., Ltd., No. 3055 Middle Fuxing Road, Baoding, People's Republic of China.

(4) Represents 51,600,652 of our ordinary shares beneficially owned by Yingli Power. Yingli Power is 100% beneficially owned by the family trust of Mr. Liansheng Miao. The mailing address of Yingli Power is Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands.

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As of April 23, 2012, 10,933,980, or 67.1% of our outstanding ordinary shares in the form of ADSs are held by 16 record holders in the United States. Because many of these shares are held by brokers or other nominees, we cannot ascertain the exact number of beneficial shareholders with addresses in the United States. None of our shareholders has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Please refer to Item 6.B. Directors, Senior Management and Employees Compensation of Directors and Executive Officers 2006 Stock Incentive Plan for information regarding options and restricted shares granted to our directors, officers, employees and consultants.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

Please refer to Item 6.E. Directors, Senior Management and Employees Share Ownership.

**B. Related Party Transactions**

We adopted an audit committee charter, which requires that the audit committee review all related party transactions on an ongoing basis and all such transactions be approved by the committee. Set forth below is a description of all of our related party transactions since the beginning of 2006.

**Cyber Power Acquisition and Issuance of Senior Secured Convertible Notes**

In November 2008, we entered into a binding letter of intent with Grand Avenue Group Limited, or Grand Avenue, a company controlled by Mr. Liansheng Miao, the chairperson of our board of directors and our chief executive officer, Baoding Yingli Group Company Limited, an affiliate of Grand Avenue, Yingli China, our wholly owned subsidiary, and Mr. Miao, in connection with our purchase of the issued and outstanding share capital of Cyber Power. Cyber Power, through Fine Silicon Co., Ltd., or Fine Silicon, its principal operating subsidiary in China, is a development stage enterprise with plans to begin trial production of solar-grade polysilicon by the end of 2009 or early 2010. Under the terms of the letter of intent, we proposed to acquire Cyber Power for an aggregate consideration in the range of US\$70 million to US\$80 million, which would be determined with reference to the book value of Cyber Power's net tangible assets. We paid US\$25.0 million of the total consideration in November 2008, in accordance with the terms of the letter of intent.

In January 2009, we completed the acquisition of Cyber Power. Under the terms of a share purchase agreement entered into between us and Grand Avenue, we acquired from Grand Avenue 100% of the issued and outstanding share capital of Cyber Power at a purchase price of approximately US\$77.6 million, of which US\$25.0 million had been paid in November 2008. The final acquisition price was determined based

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on an approximately 4% discount to the net tangible book value of Cyber Power as of November 30, 2008. Proceeds from the Cyber Power acquisition were used by Grand Avenue to repay in full all of its outstanding indebtedness incurred in connection

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with the construction of the polysilicon operations of Fine Silicon. To enable us to acquire 100% of the issued and outstanding share capital of Cyber Power, under the terms of a share purchase agreement, Grand Avenue purchased from Gold Sight International Limited, or Gold Sight, the then minority shareholder of Cyber Power, all of Gold Sight's 30% equity interest in Cyber Power at a purchase price payable in the form of a promissory note with a principal amount equal to approximately US\$28.6 million if paid in full on or before 90 days of the closing or approximately US\$29.4 million if paid in full after 90 days of the closing but on or before 180 days of the closing. Under the terms of the transaction documents relating to Grand Avenue's purchase of Gold Sight's 30% equity interest in Cyber Power, the repayment of the promissory note is to be made with proceeds from the sale of our ADSs held by Mr. Miao or Yingli Power or through other financing transactions. The acquisition of Cyber Power has been approved by our board of directors and its audit committee.

In a concurrent transaction, we entered into a note purchase agreement with Trustbridge, an affiliate of Gold Sight, for the purchase of our senior secured convertible notes due 2012. In connection with the financing of our acquisition of Cyber Power, we issued US\$20.0 million in senior secured convertible notes on January 16, 2009. In addition, pursuant to the terms of the note purchase agreement, Trustbridge applied subsequent proceeds received by Gold Sight from repayment of the promissory note issued in connection with the sale of Gold Sight's 30% equity interest in Cyber Power to Grand Avenue to purchase an additional US\$29.4 million in senior secured convertible notes in July 2009.

The senior secured convertible notes carry an interest rate of 10% and were convertible at any time into our ordinary shares at an initial conversion rate of 17,699 ordinary shares per US\$100,000 principal amount of senior secured convertible notes (based on US\$5.65 per ADS, the average volume weighted average price of our ADSs on the New York Stock Exchange for the 20-trading day period immediately preceding to the entry into the note purchase agreement). Under the terms of the indenture governing the senior secured convertible notes, the conversion rate is subject to certain anti-dilution adjustments. For example, on June 30, 2010 and the last day of each quarter thereafter, the conversion rate would be adjusted to equal to US\$100,000 divided by the average volume weighted average price of our ADSs on the New York Stock Exchange for the 20-trading day period immediately preceding such date, if such adjustment results in an increase in the number of our ordinary shares issuable upon conversion. In addition, upon the public release of our financial results for each of the full year 2008, the second quarter of 2009 and the full year 2009, the conversion rate would be adjusted to equal to US\$100,000 divided by the average volume weighted average price of our ADSs on the New York Stock Exchange for the 20-trading day period immediately following such public release, if such adjustment results in an increase in the number of our ordinary shares issuable upon conversion. In May 2009, we entered into a supplemental indenture that established a limit on the number of ordinary shares we are obligated to issue under these non-dilutive adjustments, as well as a covenant that prohibits us from issuing equity at below market price, subject to certain exceptions. The indenture also contains certain restrictive covenants, including maintenance of certain financial ratios and limitations on restricted payments and dispositions of assets. In June 2009, we entered into a second supplemental indenture to amend the periods for which the restrictive covenants are applicable. In June 2009, we issued 2,000,000 ordinary shares to Trustbridge as a result of the conversion of approximately US\$8.7 million of the senior secured convertible notes. In August and September 2010, we issued a total of 6,000,688 ordinary shares to Trustbridge as a result of the conversion of approximately US\$26.2 million of the senior secured convertible notes. In January 2012, we issued 3,588,025 ordinary shares to Trustbridge as a result of the conversion of the remaining US\$14.6 million of the senior secured convertible notes. The senior secured convertible notes were guaranteed by Mr. Miao and Yingli Power and secured by a pledge by Yingli Power of 3,320,298 of our ordinary shares it holds (with no obligation to deliver additional shares of collateral nor any default tied to the trading price of our ADSs). As of the date of this annual report, the senior secured convertible notes had been fully converted into ordinary shares.

**Transactions with Yingli Group**

During 2008 and 2010, we made loans of RMB4.0 million and RMB1.0 million (US\$0.2 million) to Yingli Group. There was no outstanding balance as of December 31, 2011.

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We made prepayments of RMB473.9 million to Yingli Group for purchases of raw materials during 2007, of which RMB463.9 million was refunded to us in 2007 as the purchases did not occur. We received the remaining balance of RMB10.0 million in 2010. In 2011 we made another prepayment of RMB10.8 million (US\$1.7 million) to Yingli Group.

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Baoding Harvest Trade Co., Ltd., or Baoding Harvest, was a PRC real estate company 51% owned by Tianwei Group and 49% owned by Yingli Group. Baoding Harvest became a wholly-owned subsidiary of Yingli Group in June 2008. We sold PV systems in the amount of RMB12.5 million and RMB0.5 million (US\$0.1 million) to Baoding Harvest in 2010 and 2011, respectively. As of December 31, 2010 and 2011, we had accounts receivable of RMB0.1 million and RMB0.6 million (US\$0.1 million), respectively, with Baoding Harvest. In 2011 Tianwei Yingli made a one-year entrusted loan of RMB100.0 million (US\$15.9 million) at an interest rate of 7.22% per annum to Baoding Harvest, and the outstanding balance was RMB102.2 million (US\$16.2 million) as of December 31, 2011.

In 2010 and 2011, we made prepayments of RMB3.5 million and RMB0.5 million (US\$0.1 million) to Baoding Power Valley International Hotel, a branch of Baoding Harvest for the provision of accommodation and meeting services. The outstanding balance was RMB1.4 million (US\$0.2 million) as of December 31, 2011.

In 2007, we borrowed and repaid RMB25.0 million from Baoding Harvest. During 2007, Tianwei Yingli made loans, unsecured, free of interest and without definitive terms of repayment, to Baoding Harvest amounting to RMB2.0 million to support its operations. The full amount of these loans remained outstanding as of December 31, 2011.

In 2009, 2010 and 2011, Tianwei Yingli purchased RMB4.4 million, RMB4.2 million and RMB1.5 million (US\$0.2 million) products and services from Yingli Municipal Public Facilities Company, or Yingli Municipal, a subsidiary of Yingli Group, of which RMB1.7 million, RMB0.9 million and RMB0.3 million (US\$40.8 thousand) remained payable to Yingli Municipal as of December 31, 2009, 2010 and 2011, respectively.

In 2009, 2010 and 2011, Tianwei Yingli made prepayments of RMB47.8 million, RMB49.0 million and RMB37.3 million (US\$5.9 million), respectively, to Baoding Maike Green Food Co., Ltd., or Maike, a subsidiary of Yingli Group, for the purchase of packaging materials. Tianwei Yingli's purchase from Maike amounted to RMB45.8 million, RMB39.4 million and RMB19.8 million (US\$3.2 million) in 2009, 2010 and 2011, respectively. The outstanding balance of prepayment was RMB2.6 million, RMB12.1 million and RMB29.5 million (US\$4.7 million) as of December 31, 2009, 2010 and 2011, respectively, for purchases of packaging materials. In 2010 and 2011, Yingli China, Hainan Yingli, Lixian Yingli New Energy Resources Co., Ltd., or Lixian Yingli, and Fine Silicon purchased total RMB32.4 million and RMB67.6 million (US\$10.7 million) products from Maike, of which RMB9.8 million and RMB14.7 million (US\$2.3 million) remained payable to Maike as of December 31, 2010 and 2011, respectively.

Yingli Group has had a series of financial transactions with Tianwei Yingli and Fine Silicon. In 2009, Fine Silicon borrowed RMB1.0 million from Yingli Group without interest due and any definitive terms of repayment and repaid this amount in full in 2010.

We reclassified the accounts receivable of RMB18.5 million with Baoding JiashengGuangdian Technology Co., Ltd. or Baoding Jiasheng, which became a subsidiary of Yingli Group in October 2009, as due from related party. During 2009, 2010 and 2011, we made sales of RMB26.5 million, RMB16.5 million and RMB69.5 million (US\$11.0 million) to, and received payments of RMB5.6 million, RMB50.9 million and RMB34.2 million (US\$5.4 million) from, Baoding Jiasheng. During 2009, 2010 and 2011, Tianwei Yingli and Hainan Yingli made total prepayment of RMB54.1 million, RMB12.9 million and RMB82.3 million (US\$13.1 million) to and purchased RMB41.3 million, RMB14.2 million and RMB133.1 million (US\$21.1 million) of raw materials from Baoding Jiasheng. During 2010 and 2011, Yingli China, Hengshui Yingli New Energy Resources Co., Ltd., or Hengshui Yingli, a subsidiary of Yingli China, and Fine Silicon purchased total RMB17.9 million and RMB58.3 million (US\$9.3 million) products from Baoding Jiasheng and paid RMB13.8 million and RMB59.4 million (US\$9.4 million) to Baoding Jiasheng. As of December 31, 2010 and 2011, we had accounts receivable of RMB5.0 million and RMB121.2 million (US\$19.3

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million), prepayment of RMB11.5 million and nil and accounts payable of RMB4.4 million and RMB42.8 million (US\$6.8 million) with Baoding Jiasheng.

During 2009, 2010 and 2011, we purchased RMB5.7 million, RMB295.7 million and RMB138.9 million (US\$22.1 million) of products from Baoding Yinggao Trading Co., Ltd., or Baoding Yinggao, a subsidiary of Yingli Group, of which RMB2.3 million, RMB29.8 million and RMB50.1 million (US\$8.0 million) remained payable to



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Baoding Yinggao as of December 31, 2009, 2010 and 2011, respectively. In 2010 and 2011, we made sales of RMB64.3 million and RMB0.7 million (US\$0.1 million), respectively, to Baoding Yinggao. As of December 31, 2010 and 2011, we had accounts receivable of RMB70.0 million and RMB57.6 million (US\$9.2 million), respectively, with Baoding Yinggao.

Tianwei Yingli made prepayments of RMB137.9 million, RMB167.8 million and RMB143.1 million (US\$22.7 million), respectively, in 2009, 2010 and 2011 to Yitongguangfu Technical Co., Ltd., or Yitongguangfu, a subsidiary of Yingli Group, for the purchase of raw materials. Tianwei Yingli's actual purchase from Yitongguangfu amounted to RMB127.4 million, RMB170.6 million and RMB127.4 million (US\$20.2 million) in 2009, 2010 and 2011, respectively. The outstanding balance of prepayment as of December 31, 2009, 2010 and 2011 was RMB36.3 million, RMB33.5 million and RMB119.9 million (US\$19.1 million), respectively, in purchases of raw materials. During 2010 and 2011, Yingli China, Hainan Yingli and Beijing Tianneng purchased total RMB115.0 million and RMB220.9 million (US\$35.1 million) of raw materials from Yitongguangfu, respectively, of which RMB43.5 million and RMB32.3 million (US\$5.1 million) remained payable to Yitongguangfu as of December 31, 2010 and 2011, respectively. We may continue to purchase raw materials from Yitongguangfu in the future. In 2010 and 2011, we made sales of RMB21.3 million and RMB3.0 million (US\$0.5 million) to Yitongguangfu, respectively. As of December 31, 2010 and 2011, we had accounts receivable of RMB10.4 million and RMB37.9 million (US\$6.0 million), respectively, with Yitongguangfu.

In 2010 and 2011, we purchased RMB29.6 million and RMB55.8 million (US\$8.9 million) freight services, respectively, from Baoding Yingli Bubalus Logistics Co., Ltd., or Yingli Bubalus, a subsidiary of Yingli Group, of which RMB6.3 million and RMB12.1 million (US\$1.9 million) remained payable to Yingli Bubalus as of December 31, 2010 and 2011, respectively. During 2010 and 2011, Tianwei Yingli made loans, unsecured, free of interest and without definitive terms of repayment, to Baoding Bubalus amounting to RMB 3.6 million and RMB1.5million (US\$0.2 million), respectively, to support its operations. The full amount of these loans remained outstanding as of December 31, 2011.

In 2010 and 2011, Tianwei Yingli made prepayments of RMB1.2 million and RMB0.4 million (US\$0.1 million), respectively, to Baoding Yimin Photoelectric Construction Co., Ltd. or Baoding Yimin, a subsidiary of Yingli Group, for system installation services, of which RMB0.1 million and nil was outstanding as of December 31, 2010 and 2011, respectively. During 2010 and 2011, Yingli China and Yingli Beijing purchased the services total amounting to RMB7.0 million and RMB73.5 million (US\$11.8 million) from Baoding Yimin and paid RMB7.0 million and RMB69.7 million (US\$11.0 million), respectively.

In 2010 and 2011, Hainan Yingli made prepayments of RMB3.5 million and RMB2.0 million (US\$0.3 million), respectively, to Hainan JimeiJiahe Park Project Co., Ltd., a subsidiary of Yingli Group, for purchase of packing services, of which RMB3.5 million and RMB0.9 million (US\$0.1 million) was remaining as of December 31, 2010 and 2011, respectively.

In 2010 and 2011, we purchased natural gas amounting to RMB23.3 million and RMB34.3 million (US\$5.5 million), respectively, from Baoding CNPC Kunlun Natural Gas Co., Ltd., an affiliate of Yingli Group, and paid RMB18.2 million and RMB36.2 million (US\$5.7 million), respectively. As of December 31, 2010 and 2011, we had accounts payable of RMB5.1 million and RMB3.2 million (US\$0.5 million), respectively, with Baoding CNPC Kunlun Natural Gas Co., Ltd.

In 2010 and 2011, we purchased package materials amounting to RMB1.6 million and RMB9.7million (US\$1.5 million), respectively, from Haikou RuimuJiahe Packaging Product Co., Ltd., a subsidiary of Yingli Group. As of December 31, 2010 and 2011, we had accounts payable of RMB1.6 million and RMB2.3 million (US\$0.4 million), respectively, with Haikou RuimuJiahe Packaging Product Co., Ltd.

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In 2010 and 2011, we purchased construction and installation services amounting to RMB1.2 million and RMB84.4million (US\$13.4 million), respectively, from Baoding Yuansheng Construction & Installation Project Co., Ltd., a subsidiary of Baoding Harvest Development Co., Ltd. and paid RMB1.2 million and RMB64.1million (US\$10.2 million), respectively. As of December 31, 2010 and 2011, we had accounts payable of RMB0.03 million and RMB20.4 million (US\$3.2 million), respectively, with Baoding Yuansheng Construction & Installation Project Co., Ltd.

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In 2010 and 2011, we purchased construction services amounting to RMB13.3 million and RMB112.1million (US\$17.8 million), respectively, from Baoding Harvest Development Co., Ltd., a subsidiary of Yingli Group, and paid RMB10.8 million and RMB99.5million (US\$15.8 million), respectively. As of December 31, 2010 and 2011, we had accounts payable of RMB2.5 million and RMB15.1 million (US\$2.4 million), respectively, with Baoding Harvest Development Co., Ltd.

**Transactions with Tianwei Baobian and Its Controlling Shareholder**

Tianwei Baobian, a PRC company listed on the Shanghai Stock Exchange and 51.1% owned by Tianwei Group, a wholly state-owned limited liability company established in the PRC, is a shareholder of Tianwei Yingli, holding a 25.99% equity interest in Tianwei Yingli.

On September 28, 2007, we entered into an agreement with TianweiBaobian, under the terms of which, Tianwei Yingli agreed to reimburse all the costs related to our initial public offering. As the minority shareholder of Tianwei Yingli, TianweiBaobian will bear its proportional share of these costs.

On August 9, 2006, Tianwei Yingli declared dividends of RMB21.7 million to Tianwei Baobian. Tianwei Baobian reinvested RMB10.7 million of this dividend in the form of a paid in capital contribution in Tianwei Yingli. The remaining dividends payable of RMB11.0 million was settled in July 2010.

**Certain Other Related Party Transactions**

In 2009, 2010 and 2011, we sold PV modules to Tibetan Yingli amounting to RMB2.9 million, RMB14.0 million and RMB9.4 million (US\$1.5 million). As of December 31, 2010 and 2011, we had receivables amounting to RMB17.6 million and RMB3.6 million (US\$0.6 million), respectively, due from Tibetan Yingli.

In 2009, Tianwei Yingli purchased aluminum frames in the amount of RMB16.9 million from Tianwei Fu Le Aluminum Co., Ltd., or Tianwei Fu Le, a subsidiary of Tianwei Group, of which RMB 16.5 million was paid in 2009. The outstanding balance of payable to Tianwei Fu Le was RMB2.7 million as of December 31, 2009. In 2010, Tianwei Group sold the equity of Tianwei Fu Le.

We also have arrangements with Xinguang, a PRC silicon manufacturer, for the supply of polysilicon for 2007 and 2008 and have entered into supply contracts with Xinguang from time to time. Mr. Xiangdong Wang, our director and vice president, also serves as a director of Xinguang. We made prepayments of RMB11.4 million to Xinguang for the purchase of polysilicon and purchased RMB14.1 million of raw materials from Xinguang in 2009.

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We reclassified the accounts receivable of RMB10.9 million with Beijing Tianneng Yingli New Energy Resources Technologies Co., Ltd., or Beijing Tianneng Yingli, an entity owned by the minority shareholder of Yingli Beijing and two relatives of the general manager of Yingli Beijing before March 2010, as due from related party. During 2009, we made sales of RMB5.7 million to and received payments of RMB7.2 million from Beijing Tianneng Yingli. In addition, during 2009, we outsourced a small amount of PV modules and purchased raw materials of RMB10.8 million from and paid RMB8.2 million to Beijing Tianneng Yingli. As of December 31, 2009, RMB3.0 million was payable to Beijing Tianneng Yingli. On March 29, 2010, Yingli Beijing completed acquisition of all equity interest in Beijing Tianneng Yingli and it became our wholly-owned subsidiary.

During 2009, 2010 and 2011, we made prepayment of RMB604.8 million, RMB544.6 million and RMB62.6million (US\$9.9 million) to and purchased RMB475.2 million, RMB663.0 million and RMB80.5 million (US\$12.9 million) of raw materials from CIP Solutions AG. As of December 31, 2010 and 2011, RMB20.6 million and RMB0.2 million (US\$0.03 million), respectively, was prepaid to CIP Solutions AG.

In 2010 and 2011, we made sales of RMB162.2 million and RMB5.8 million (US\$0.9 million) to and received payments of RMB50.7 million and RMB97.8 million (US\$15.5 million) from CIP Services AG, an entity whose equity shareholder is a minority shareholder of Yingli Greece. As of December 31, 2010 and 2011, we had accounts receivable of RMB115.5 million and RMB10.7 million (US\$1.7 million), respectively, with CIP Services AG.

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During 2009, we made sales of RMB 1.7 million to and received payments of RMB0.1 million from Suzhou Industry Zone Hexin New Energy Co., Ltd., the minority shareholder of Suzhou Yingli Urban Application of PV Technology Co., Ltd., one of our PRC subsidiaries established in 2009. We received the remaining balance of RMB1.6 million in 2010. In 2011, we made sales of RMB 21.6 million(US\$3.4 million) to Suzhou Industry Zone Hexin New Energy Co., Ltd, and the balance of account receivable was RMB 21.6 million(US\$3.4 million) at December 31, 2011.

Fine Silicon received two loans from Baoding Yingli Group Company Limited, an affiliate of ours, in February and July 2009, respectively. Each of the loans was in a principal amount of RMB100.0 million, which were entrusted through Baoding Urban District Rural Credit Union and Baoding Commercial Bank, respectively. The two loans each had a term of 12 months and carried an interest rate of 5.31% and 6.58%, respectively per year. In October 2009, we repaid both loans.

In 2010, we borrowed RMB3.7 million and repaid RMB1.0 million from Beijing Zhonghe Zhengshi Investment Management and Consulting Company, a minority shareholder of Yingli Beijing. As of December 31, 2010 and 2011, the amount of RMB2.7 million and RMB10 thousand (US\$1.6 thousand), respectively, remained outstanding.

**Employment Agreements**

See Item 6.B. Directors, Senior Management and Employees Compensation of Directors and Executive Officers Employment Agreements.

**Stock Incentive Plan**

The 2006 stock incentive plan was adopted by our shareholders and board of directors in December 2006 and was amended in May 2007 and August 2009. The 2006 stock incentive plan provides for the grant of options, limited stock appreciation right and other stock-based awards such as restricted shares. The purpose of the plan is to aid us and our affiliates in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of us and our affiliates by providing incentives through the granting of awards. Our board of directors believes that our long-term success is dependent upon our ability to attract and retain talented individuals who, by virtue of their ability, experience and qualifications, make important contributions to our business. See Item 6.B. Directors, Senior Management and Employees Compensation of Directors and Executive Officers 2006 Stock Incentive Plan.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information**

See Item 18. Financial Statements.

**Legal and Administrative Proceedings**

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business.

On June 21, 2010, we commenced an arbitration proceeding against International Comercial E Industrial, S.A., or INCEISA, a Spanish Solar product distributor, at the International Court of Arbitration of the International Chamber of Commerce. We commence the arbitration seeking recovery of certain account receivables payable of approximately US\$28 million by INCEISA under the terms of a written settlement agreement. On October 11, 2011, the arbitral tribunal granted an award directing INCEISA pay to us over US\$2.29 million and 15.98 million, as

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damages for breach of contractual obligations, as well as associated legal and arbitration cost. As of the date of this annual report, we are still in the process of registering and enforcing such award in Spain in accordance with relevant rules and regulations.

**Dividend Policy**

Since its incorporation, 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.

Our board of directors has complete discretion on whether to pay dividends, subject, in certain cases, to the approval of our shareholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general 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 if they were holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable under the deposit agreement. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are a Cayman Islands holding company and substantially all of our income, if any, will be derived from dividends we receive directly or indirectly from our operating subsidiaries located in the PRC. PRC regulations currently permit payment of dividends only out of accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Neither the registered capital nor these reserves are distributable as cash dividends. In addition, at the discretion of their respective board of directors, Tianwei Yingli is required to allocate a portion of its after-tax profits to its reserve fund, enterprise development fund and employee bonus and welfare fund, and Yingli China is required to allocate at least 10% of its after-tax profits to its reserve fund until the cumulative amount of such reserve fund reaches 50% of its registered capital, as well as to its employee bonus and welfare fund. These reserve funds may not be distributed as cash dividends either. Further, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Under the EIT Law and its implementation rules issued by the State Council, both of which became effective on January 1, 2008, dividends from our PRC subsidiaries to Yingli Green Energy and Yingli International may be subject to a withholding tax rate of 10%, unless they are deemed to be PRC resident enterprises.

Moreover, the EIT Law and its implementation rules provide that an income tax rate of 10% will be applicable to dividends payable to non-PRC investors who are considered as non-resident enterprises which have no establishment inside the PRC, or derive income not substantially connected with their establishments inside the PRC, to the extent such dividends are derived from sources within the PRC. We are a Cayman Islands holding company and substantially all of our income may be derived from dividends we receive directly or indirectly from our operating subsidiaries located in the PRC. If we declare dividends on such income, it is unclear whether such dividends will be deemed to be derived from sources within the PRC under the EIT Law and its implementation rules, and be subject to the 10% income tax. See Item 10.E. Taxation People's Republic of China Taxation.

**B. Significant Changes**

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. Offer and Listing Details.**

Our ADSs, each representing one of our ordinary shares, have been listed on the New York Stock Exchange since June 8, 2007 under the symbol YGE. The table below shows, for the periods indicated, the high and low market prices on the New York Stock Exchange for our ADSs.



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	Market Price per ADS	
	High	Low
<b>Annual Highs and Lows</b>		
2007 (from June 8, 2007)	41.50	10.48
2008	39.95	2.50
2009	16.92	3.32
2010	19.11	8.31
2011	13.34	2.87
<b>Quarterly Highs and Lows</b>		
First Quarter 2010	19.11	10.84
Second Quarter 2010	13.65	8.31
Third Quarter 2010	13.94	9.86
Fourth Quarter 2010	14.29	9.85
First Quarter 2011	13.34	10.08
Second Quarter 2011	12.95	7.77
Third Quarter 2011	9.05	3.10
Fourth Quarter 2011	4.78	2.87
First Quarter 2012	5.90	3.54
<b>Monthly Highs and Lows</b>		
October 2011	4.78	2.87
November 2011	4.32	3.29
December 2011	4.53	3.54
January 2012	5.11	3.89
February 2012	5.90	3.74
March 2012	4.27	3.54
April 2012 (through April 23)	3.63	3.25

The closing price for our ADSs on the New York Stock Exchange on April 23, 2012 was US\$3.40 per ADS.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ADSs, each representing one of our ordinary shares, have been listed on the New York Stock Exchange since June 8, 2007 under the symbol YGE.

**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**

We incorporate by reference into this annual report the description of our third amended and restated memorandum of association contained in our F-1 registration statement (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007. Our shareholders adopted our third amended and restated memorandum and articles of association by unanimous resolutions on May 11, 2007.

**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.

**D. Exchange Controls**

**Foreign Currency Exchange**

Foreign currency exchange in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (1996), as amended; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996).

Under the Foreign Currency Administration Rules, the foreign exchange incomes of domestic entities and individuals can be remitted into China or deposited abroad, subject to the conditions and time limits to be issued by the PRC State Administration of Foreign Exchange, or SAFE. According to the Foreign Currency Administration Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment, derivative transactions and repatriation of investment, however, is still subject to the approval of, and/or the registration with, SAFE or its local branches.

Under the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE or its local branches. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and the National Reform and Development Commission or their local counterparts. Currently, the PRC laws and regulations do not provide clear criteria as to how to obtain SAFE approval. SAFE and its local branches have broad discretion as to whether to issue the SAFE approval.

**E. Taxation**

**Cayman Islands Taxation**

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 treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

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We have, pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, obtained an undertaking from the Governor-in-Council that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income or gains or appreciations shall apply to us or our operations:

(b) the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our ordinary shares, debentures or other obligations.

The undertaking that we have obtained is for a period of 20 years from August 15, 2006.

**People's Republic of China Taxation**

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, which took effect as of January 1, 2008, enterprises established under the laws of non-PRC jurisdictions but whose de facto management bodies are located in the PRC are considered resident enterprises for PRC tax purposes and are generally subject to the uniform 25% enterprise income tax rate as to their worldwide income. Under the implementation rules for the EIT Law, a de facto management body is defined as a body that has substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other factors of an enterprise. On April 22, 2009, the State Administration of Taxation promulgated a circular which sets out criteria for determining whether de facto management bodies are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises incorporated under laws of foreign countries or regions that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of de facto management bodies for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it is unclear whether PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. If the PRC tax authorities determine that Yingli Green Energy and some of our subsidiaries, such as Yingli International, Yingli Capital, Yingli Hong Kong, Cyber Power and Cyber Lighting, are PRC resident enterprises, we and such subsidiaries may be subject to the enterprise income tax at the rate of 25% as to our global income.

Moreover, the implementation rules for the EIT Law provide that an income tax rate of 10% may be applicable to dividends payable to non-PRC investors who are non-resident enterprises, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Furthermore, a circular issued by the Ministry of Finance and the State Administration of Taxation on February 22, 2008 stipulates that undistributed earnings generated prior to January 1, 2008 are exempt from enterprise income tax. We are a Cayman Islands holding company, Yingli International is a British Virgin Islands intermediate holding company and Cyber Lighting is a Hong Kong intermediate holding company. The Cayman Islands and the British Virgin Islands where such holding companies are incorporated do not have a tax treaty with China. According to the Arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Tax on Income entered into in August 2006, or the Mainland and the Hong Kong Taxation Arrangement and its relevant regulations, subject to the confirmation of the in-charge local tax authority, dividends paid by a foreign-invested enterprise in China to its direct holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5%, if the foreign investor is the beneficial owner and owns directly at least 25% of the equity interest of the foreign-invested enterprise. Furthermore, the State Administration of Taxation promulgated the Notice on How to Understand and Determine the Beneficial Owners in Tax Agreement in October 2009, or Circular 601, which provides guidance for determining whether a resident of a contracting state is the beneficial owner of an item of income under China's tax treaties.

and tax arrangements. According to Circular 601, a beneficial owner generally must be engaged in substantive business activities. An agent or conduit company will not be regarded as a beneficial owner and, therefore, will not qualify for treaty benefits. The conduit company normally refers to a company that is set up for the purpose of avoiding or reducing taxes or transferring or accumulating profits. Substantially all of our income may be derived from dividends we receive from our operating subsidiaries located in the PRC. Thus, dividends for earnings accumulated beginning on January 1, 2008 payable to us by our subsidiaries in China, if any, will be subject to a 10% income tax or, in the case of the dividends paid to Cyber

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Lighting, 5% income tax (subject to the confirmation of the local tax authority) if we are considered as non-resident enterprises under the EIT Law.

Under the existing implementation rules of the EIT Law, it is unclear what will constitute income derived from sources within the PRC and therefore dividends paid by us to our non-PRC resident ADS holders and ordinary shareholders may be deemed to be derived from sources within the PRC and therefore be subject to the 10% PRC income tax. Similarly, any gain realized on the transfer of our ADSs or ordinary shares by our non-PRC resident ADS holders may also be subject to the 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

In view of the issuance of Circular 601, it remains unclear whether any dividends to be distributed by us to our non-PRC shareholders and ADS holders whose jurisdiction of incorporation has a tax treaty with China providing for a different withholding arrangement will be entitled to the benefits under the relevant withholding arrangement.

**Certain United States Federal Income Tax Consequences**

The following summary describes certain United States federal income tax consequences to U.S. Holders (defined below) of the purchase, sale, and ownership of our ordinary shares or ADSs as of the date hereof. Except where noted, this summary deals only with ordinary shares and ADSs held as capital assets. As used herein, the term "U.S. Holder" means a beneficial owner of an ordinary share or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of all of the United States federal income tax consequences which may be applicable to you in light of your particular circumstances or if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ordinary shares or ADSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;



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- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a United States expatriate;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose functional currency is not the United States dollar.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds our ordinary shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ordinary shares or ADSs, you should consult your tax advisors.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

This summary does not address the effects of any state, local or non-United States tax laws. **If you are considering the purchase, ownership or disposition of our ordinary shares or ADSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

The United States Treasury has expressed concerns that parties to whom depositary shares are pre-released or intermediaries in the chain of ownership between the holder of a depositary share and the issuer of the security underlying the depositary share may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. Holders of depositary shares. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received on depositary shares by certain non-corporate U.S. Holders. Accordingly, the analysis of the creditability of PRC taxes, if any, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by parties to whom ADSs are pre-released or intermediaries in the chain of ownership between the holder of an ADS and our company.

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to United States federal income tax.

The following discussion assumes that we are not, and will not become a passive foreign investment company, or PFIC, for United States federal income tax purposes as discussed below.

*Distributions on ADSs or Ordinary Shares*

The gross amount of distributions on the ADSs or ordinary shares (including amounts withheld to reflect any PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the ordinary shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

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With respect to certain non-corporate U.S. Holders, certain dividends received in taxable years beginning before January 1, 2013 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that depositary shares such as our ADSs (which are listed on the New York Stock Exchange), but not our ordinary shares, are treated as readily tradable on an established securities market in the United States for these purposes. Thus, while we believe that our ADSs currently should be considered readily tradeable for these purposes, we do not believe that dividends that we pay on our ordinary shares that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under PRC tax law (see People's Republic of China Taxation), we may be eligible for the benefits of the income tax treaty between the United States and the PRC, and if we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by ADSs, may be eligible for the reduced rates of taxation. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

Non-corporate U.S. Holders will not be eligible for the reduced rates of taxation applicable to any dividends received from us in taxable years beginning prior to January 1, 2013, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

Under the PRC tax law, if the dividends paid by us are deemed to be derived from sources within the PRC, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. Subject to certain conditions and limitations, PRC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you have held ADSs or ordinary shares for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the ADSs or ordinary shares. The rules governing the foreign tax credit are complex. You should consult your own tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or ordinary shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

***Sale, Exchange or Other Disposition of ADSs or Ordinary Shares***

You will recognize taxable gain or loss on any sale or exchange of ADSs or ordinary shares in an amount equal to the difference between the amount realized for the ADSs or ordinary shares and your tax basis in the ADSs or ordinary shares. Such gain or loss will generally be capital gain or loss. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of

taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. However, in the event that we are deemed to be a PRC resident enterprise under PRC tax law

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(see People's Republic of China Taxation ), we may also be treated as a PRC tax resident for purposes of the income tax treaty between the United States and the PRC. Under this treaty, if any PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, the gain may be treated as PRC-source income.

You are urged to consult your tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of ADSs or ordinary shares, including the availability of the foreign tax credit under your particular circumstances.

***Passive Foreign Investment Company***

We believe that we were not a PFIC for our taxable year ended on December 31, 2011, and we do not expect to become one for our current taxable year or in the future, although there can be no assurance in this regard. If, however, we are or become a PFIC, you could be subject to additional United States federal income taxes on gain recognized with respect to the ADSs or ordinary shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules. Non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or ordinary shares if we are considered a PFIC in any taxable year.

***Information Reporting and Backup Withholding***

In general, information reporting will apply to dividends in respect of our ADSs or ordinary shares and the proceeds from the sale, exchange or redemption of our ADSs or ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We have filed this annual report, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we previously filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You can also request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC's Public Reference Room.

The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

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As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

In accordance with NYSE Rule 203.01, we will post this annual report on our website *www.yinglisolar.com*. In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

**Foreign Exchange Risk**

Most of our sales are denominated in Euros or U.S. dollars, while a substantial portion of our costs and expenses is denominated in Renminbi, Euros and U.S. dollars. Under relevant PRC regulations, we are required to convert the foreign currencies we receive into Renminbi within specified time periods and prior to disbursement.

Fluctuations in currency exchange rates could have a significant effect on our financial stability due to a mismatch among various foreign currency-denominated assets and liabilities. Fluctuations in exchange rates, particularly among the U.S. dollar, Euro and Renminbi, affect our net profit margins and would result in foreign currency exchange gains or losses on our foreign currency denominated assets and liabilities. Our exposure to foreign exchange risk primarily relates to foreign currency exchange gains or losses resulting from timing differences between the signing of sales contracts or raw material supply contracts and the receipt of payment and the settlement or disbursement relating to these contracts. For example, the depreciation of the Euro against the Renminbi, such as in the third quarter and the fourth quarter of 2011, has adversely affected and could continue to adversely affect our total net revenues.

As of December 31, 2011, we held an equivalent of RMB2,517.3 million (US\$400.0 million) in accounts receivable and prepayment to suppliers (excluding the non-current portion), of which an equivalent of RMB599.8 million (US\$95.3 million) were denominated in U.S. dollars and RMB546.9 million (US\$86.9 million) were denominated in Euro. As the substantial majority of our sales of our products and purchases of our raw materials are denominated in U.S. dollars and Euro, any significant fluctuations in the exchange rates between the Renminbi and the U.S. dollar and/or the Euro could have a material adverse effect on our results of operations. Moreover, we had significant monetary assets and liabilities denominated in U.S. dollars and Euro as of December 31, 2011, which consisted mainly of accounts receivable, prepayment to suppliers and accounts payable. Fluctuations in foreign exchange rates could also have a material adverse effect on the value of these monetary assets and liabilities denominated in U.S. dollars and Euro. Generally, appreciation of Renminbi against U.S. dollars and Euro will result in foreign exchange losses for monetary assets denominated in U.S. dollars and Euro and foreign exchange gains for monetary liabilities denominated in U.S. dollars and Euro. Conversely, depreciation of Renminbi against U.S. dollars and Euro will generally result in foreign

exchange gains for monetary assets denominated in U.S. dollars and Euro and foreign exchange losses for monetary liabilities denominated in U.S. dollars and Euro.

Without taking into account the effect of the potential use of hedging or other derivative financial instruments, we estimate that a 10% appreciation of Renminbi based on the foreign exchange rate on December 31, 2011 would result in our holding Renminbi equivalents of RMB539.2 million (US\$85.7 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2011. These amounts would represent net loss of RMB60.6 million (US\$9.6 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2011. Conversely, we estimate that a 10% depreciation of Renminbi would result in our holding Renminbi equivalents of RMB659.0 million (US\$104.7 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2011. These amounts would



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represent net income of RMB59.2 million (US\$9.4 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2011.

Without taking into account the effect of the potential use of hedging or other derivative financial instruments, we estimate that a 10% appreciation of Renminbi based on the foreign exchange rate on December 31, 2011 would result in our holding Renminbi equivalents of RMB492.4 million (US\$78.2 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2011. These amounts would represent net loss of RMB54.5 million (US\$8.7 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2011. Conversely, we estimate that a 10% depreciation of Renminbi would result in our holding Renminbi equivalents of RMB 601.8 million (US\$95.6 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2011. These amounts would represent net income of RMB54.9 million (US\$8.7 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2011.

Yingli Green Energy's functional currency is U.S. dollars. Assets and liabilities of Yingli Green Energy are translated into our reporting currency, the Renminbi, using the exchange rate on the balance sheet date. Revenues and expenses are translated into our reporting currency, the Renminbi, at average rates prevailing during the year. The gains and losses resulting from the translation of financial statements of Yingli Green Energy are recognized as a separate component of accumulated other comprehensive income within shareholders' equity. The functional currency of our PRC subsidiaries is the Renminbi. Tianwei Yingli translates transactions denominated in other currencies into Renminbi and recognizes any foreign currency exchange gains and losses in our statement of operations.

Net foreign currency exchange gain was RMB38.4 million in 2009, primarily due to the appreciation of the Euro against the Renminbi during the second and third quarters of 2009. In addition, we have entered into hedging and foreign currency forward arrangements to limit our exposure to foreign currency exchange risk. Net foreign currency exchange loss was RMB338.2 million in 2010, primarily due to depreciation of the U.S. dollar and the Euro against the Renminbi. Net foreign currency exchange loss was RMB190.5 million (US\$30.3 million) in 2011, primarily due to depreciation of the U.S. dollar and the Euro against the Renminbi. We expect that we will continue to be exposed to foreign currency exchange risk to the extent that our hedging and foreign currency forward arrangements do not cover all of our expected revenues denominated in foreign currencies. We cannot predict the effect of exchange rate fluctuations on our foreign exchange gains or losses in the future. We may continue to reduce the effect of such exposure through foreign currency forward or other similar arrangements, but because of the limited availability of such instruments in China, we cannot assure you that we will always find a hedging arrangement suitable to us, or that such derivative activities will be effective in managing our foreign exchange risk. The value of your investment in our company will be affected by the foreign exchange rate between U.S. dollars and Renminbi. For example, a decline in the value of the Renminbi against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the dividends Tianwei Yingli may pay us in the future and the value of your investment in us, all of which may have a material adverse effect on the value of our ADSs.

**Interest Rate Risk**

Our exposure to interest rate risk primarily relates to our interest expenses incurred by our short-term and long-term borrowings and interest income generated by excess cash invested in demand deposits. Such interest-earning instruments carry a degree of interest rate risk. We have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to changes in interest rates. However, our future interest expense may increase due to changes in market interest rates.

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On December 11, 2007, we completed an offering of US\$172.5 million principal amount zero coupon convertible senior notes due 2012. As of December 31, 2011, the principal amount of our zero coupon convertible senior notes due 2012 was approximately US\$1.2 million. As the convertible senior notes carry a fixed return of 5.125% per annum to the investor if not converted, historical changes in market interest rates have not exposed us to material interest rate risks. The fair value of our zero coupon convertible senior notes due 2012 was US\$1.5 million as of December 31, 2011, which was determined based upon quoted market prices and other pertinent information available to us. Since considerable judgment is required in interpreting market information, the fair value of the long-term debt is not necessarily indicative of the amount which could be realized in a current market exchange.

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**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**

***Fees Paid by Our ADS Holders***

ADS holders will be charged a fee for each issuance of ADSs, including issuances resulting from distributions of shares, rights and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is \$5.00 for each 100 ADSs (or any portion thereof) issued or surrendered.

The following additional charges will be incurred by the ADS holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADRs), whichever is applicable:

- to the extent not prohibited by the rules of any stock exchange or interdealer quotation system upon which the ADSs are traded, a fee of US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;

- a fee of US\$0.02 or less per ADS (or portion thereof) for any cash distribution made pursuant to the deposit agreement;
- a fee of US\$0.04 per ADS (or portion thereof) per calendar year for services performed by the depositary in administering our ADR program (which fee may be charged on a periodic basis during each calendar year (with the aggregate of such fees not to exceed the amount set forth above) and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- any other charge payable by any of the depositary, any of the depositary's agents, including, without limitation, the custodian, or the agents of the depositary's agents in connection with the servicing of our shares or other deposited securities (which charge shall be assessed against registered holders of our ADRs as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such registered holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;

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- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and
- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable laws, rules or regulations.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for 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 deduction 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 services to any holder until the fees owing by such holder for those services and any other unpaid fees are paid.

*Fees and Payments from the Depositary to Us*

Our depositary, JPMorgan Chase Bank, N.A., has agreed to reimburse us for our expenses incurred in connection with our ADR and investor relations programs in the future. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement is not related to the amount of fees the depositary collects from the ADS holders. In 2011, we received from our depositary a reimbursement of US\$1.3 million relating to the ADS facility.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

On October 17, 2007, our board of directors adopted a shareholders rights plan. Under this rights plan, one right was distributed with respect to each of our ordinary shares outstanding at the closing of business on October 26, 2007. These rights entitle the holders to purchase ordinary shares from us at half of the market price at the time of purchase in the event that a person or group obtains ownership of 15% or more of our ordinary shares (including by acquisition of the ADSs representing an ownership interest in the ordinary shares) or enters into an acquisition transaction without the approval of our board of directors. Under the terms of the shareholder rights plan, subject to certain conditions and exceptions, a Yingli Power Entity, which refers to Yingli Power or any of its affiliates, may hold ownership of 15% or more of our ordinary shares without entitling holders of the rights to purchase ordinary shares from us at half of the market price at the time of purchase. In June 2008, we amended the definition of Yingli Power Entity in our shareholder rights plan to include any pledgee, chargee or mortgagee of any ordinary shares held by Yingli Power or any transferee of such pledgee, chargee or mortgagee.

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In February 2009, we entered into a supplemental agreement to the deposit agreement for the ADSs to provide for the distribution of certain information and other procedures in connection with our shareholders rights plan. In addition, the deposit agreement for the ADSs was amended in February 2009 to update the description of our reporting requirements under the Exchange Act.

We completed our initial public offering, in which we offered and sold 26,550,000 ordinary shares and several of our shareholders sold an aggregate of 2,950,000 ordinary shares, in the form of ADSs, at US\$11.00 per ADS in June 2007, after our ordinary shares and ADSs were registered under the Securities Act. The aggregate price of the offering amount registered and sold was US\$324.5 million, of which we received net proceeds of US\$273.8 million. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates. The effective date of our registration statement on Form F-1 (File number: 333-142851) was June 7, 2007. Goldman Sachs (Asia) L.L.C. was the sole global coordinator, Goldman Sachs (Asia) L.L.C. and UBS AG were the joint book runners and Piper Jaffray & Co. and CIBC World Markets Corp. were the other underwriters of the offering. We have used all the net proceeds received from our initial public offering.

In December 2007, we completed a convertible note offering and secondary offering, in which we offered and sold an aggregate of US\$172.5 million of zero coupon convertible senior notes due 2012, and several of our shareholders sold an aggregate of 6,440,000 ordinary shares in the form of ADSs at US\$31.00 per ADS, after our notes and ordinary shares and ADSs were registered under the Securities Act. The aggregate price of the notes registered amount registered and sold was US\$172.5 million, of which we received net proceeds of US\$168.2 million. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates. The effective date of our registration statement for the notes, ordinary shares and ADSs on Form F-1 (File number: 333-147223) was December 10, 2007. Credit Suisse Securities (USA) LLC was the sole global coordinator, Credit Suisse Securities (USA) LLC, Goldman Sachs (Asia) L.L.C. and Merrill Lynch, Pierce, Fenner & Smith Incorporated were the joint book runners and Piper Jaffray & Co. was the other underwriter of the offering. We have used all the net proceeds received from our convertible note offering.

In June 2009, we completed a follow-on public offering, in which we offered and sold an aggregate of 18,390,000 ordinary shares, and Yingli Power sold 3,000,000 ordinary shares, in the form of ADS, at US\$13.00 per ADS, after our ordinary shares and ADSs were registered under the Securities Act. The aggregate price of the offering amount registered and sold was US\$239.1 million, of which we received net proceeds of US\$227.4 million. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates. The effective date of our registration statement on Form F-3 (File number: 333-142851) was November 28, 2008. Deutsche Bank Securities Inc. was the sole global coordinator, Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc. were the joint book runners and Piper Jaffray & Co. was the other underwriter of the offering.

We have used approximately US\$50.0 million of the net proceeds received from our June 2009 offering to repay the loan facility provided by ADM Capital to Yingli China, our subsidiary.

The remaining net proceeds have been used for general corporate purposes, including funding our working capital needs.





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**ITEM 15. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this annual report, an evaluation has been carried out under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective in ensuring that material information required to be disclosed in this annual report is recorded, processed, summarized and reported to them for assessment, and required disclosure is made within the time period specified in the rules and forms of the Commission.

**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 such term is defined in Rule 13a-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and 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 a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and 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.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Commission, our management assessed the effectiveness of the internal control over financial reporting as of December 31, 2011 using criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2011 based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The effectiveness of internal control over financial reporting as of December 31, 2011 has been audited by KPMG, an independent registered public accounting firm, who has also audited our consolidated financial statements for the year ended December 31, 2011. KPMG's report on the effectiveness of our internal control over financial reporting is included on page F-3 of this annual report.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that Mr. Iain Ferguson Bruce qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F. All of the members of our audit committee satisfy the independence requirements of the NYSE rules and Rule 10A-3(b)(1) under the Exchange Act.

**ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, chief operating officer, chief technology officer, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by KPMG, our principal external auditors, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	For the Year Ended December 31,		
	2010 (In thousands of RMB)	2011 (In thousands of RMB)	(In thousands of US\$)
Audit fees(1)	7,368	7,495	1,191
Audit-related fees(2)	2,432	3,619	575

(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 or services that are normally provided by the auditors in connection with statutory and regulatory filings or engagements.

(2) Audit-related fees means the aggregate fees billed in each of the fiscal years listed for assurance and related services by our principal auditors that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit fees. Services comprising the fees disclosed under the category of Audit-related fees involve principally limited reviews performed on our consolidated financial statements. The policy of our audit committee is to pre-approve all audit and non-audit services provided by KPMG.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The table below is a summary of purchases by us of our ADSs during the year ended December 31, 2011:

Period		Total Number of Shares Purchased(2)	Average Price Paid Per ADS	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)(2)	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plans or Programs(1)
October 1, 2011	October 31, 2011	1,921,158	US\$ 3.59	1,921,158	US\$ 93,101,380
November 1, 2011	November 30, 2011	3,644,663	US\$ 3.49	5,565,821	US\$ 80,366,260
December 1, 2011	December 30, 2011	1,200	US\$ 3.52	5,567,021	US\$ 80,362,031
Total		5,567,021	US\$ 3.53	5,567,021	US\$ 80,362,031

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(1) On September 30, 2011, we announce a share repurchase program for the repurchase of up to US\$100 million worth of our ADSs from time to time over the next 12 months in the open market or in negotiated transactions.

(2) The ADSs repurchased in the year 2011, representing 5,567,021 ordinary shares, are being held as treasury shares.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

We are a foreign private issuer (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing one ordinary share, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. The following summarizes some significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange.

- Under the listing standards of the New York Stock Exchange, domestic companies are required to have a nominating/corporate governance committee, composed entirely of independent directors. In addition to identifying individuals qualified to become board members, the nominating/corporate governance committee must develop and recommend to the board a set of corporate governance principles. We do not have a nominating/corporate governance committee, and the Companies Law of the Cayman Islands does not require companies incorporated in Cayman Islands to have a nominating/corporate governance committee. Currently, our board of directors performs the duties of the nominating/corporate governance committee and regularly reviews our corporate governance principles and practice.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable

**ITEM 18. FINANCIAL STATEMENTS**

The following financial statements are filed as part of this annual report, together with the reports of the Independent Registered Public Accounting Firm:

- Consolidated Balance Sheets as of December 31, 2010 and 2011
- Consolidated Statements of Operations for the years ended December 31, 2009, 2010 and 2011
- Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2009, 2010 and 2011
- Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2010 and 2011
- Notes to the Consolidated Financial Statements

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**ITEM 19. EXHIBITS**

Exhibit Number	Description of Document
1.1	Third Amended and Restated Memorandum and Articles of Association of Yingli Green Energy Holding Company Limited (incorporated by reference to Exhibit 3.1 from our registration statement on Form F-1 (File No. 333-147223), as amended, initially filed with the Commission on November 7, 2007)
2.1	Form of Registrant's American Depositary Receipt (incorporated by reference to Exhibit 4.1 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated by reference to Exhibit 4.2 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
2.3	Form of Deposit Agreement among the Registrant, the depositary and Owners and Beneficial Owners of the American Depositary Shares issued thereunder (incorporated by reference to Exhibit 4.3 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
2.4	Amendment No. 1 to Deposit Agreement among the Registrant, the depositary and all holders from time to time of American Depositary Receipts issued thereunder (incorporated by reference to Exhibit 99.A.2 from our Post-Effective Amendment No. 1 to our registration statement on Form F-6 (File No. 333-142852), filed with the Commission on March 2, 2009)
2.5	Supplemental Agreement to Deposit Agreement among the Registrant, the depositary and all holders from time to time of American Depositary Receipts issued under the Deposit Agreement (incorporated by reference to Exhibit 99.A.2 from our Post-Effective Amendment No. 1 to our registration statement on Form F-6 (File No. 333-142852), filed with the Commission on March 2, 2009)
2.6	Trust Deed, dated January 19, 2007, between the Registrant and DBS Trustee Limited relating to the Registrant's 2006 Stock Incentive Plan Restricted Stock Award Agreement (incorporated by reference to Exhibit 4.17 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
2.7	Form of Indenture between the Registrant and Wilmington Trust Company, as trustee and securities agent (included on the Signature page) (incorporated by reference to Exhibit 4.18 from our registration statement on Form F-1 (File No. 333-147223), as amended, initially filed with the Commission on November 7, 2007)
2.8	Rights Agreement, dated as of October 17, 2007, between Yingli Green Energy Holding Company Limited and RBC Dexia Corporate Services Hong Kong Limited, as Rights Agent, which includes the Form of Right Certificate as Exhibit A and the Summary of Rights as Exhibit B (incorporated by reference to Exhibit 4.1 from our registration statement on Form 8-A (File No. 001-33469), as amended, initially filed with the Commission on October 17, 2007)
2.9	Amendment No. 1 to Rights Agreement, dated as of June 2, 2008, between Yingli Green Energy Holding Company Limited and RBC Dexia Corporate Services Hong Kong Limited, as Rights Agent (incorporated by reference to Exhibit 4.2 from our registration statement on Form 8-A (File No. 001-33469), as amended, filed with the Commission on June 3, 2008)
2.10	Warrant Agreement, dated as of April 7, 2009, among Yingli Green Energy Holding Company Limited, Deutsche Bank AG, Hong Kong Branch, as warrant agent, and Deutsche Bank Luxembourg S.A. as warrant registrar (incorporated by reference to Exhibit 2.23 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
2.11	Indenture, dated November 28, 2008, between the Registrant and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 4.4 from our registration statement on Form F-3 (File No. 333-155782), as amended, initially filed with the Commission on November 28, 2008)
4.1	2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)

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Exhibit Number	Description of Document
4.2	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
4.3	Joint Venture Contract of Baoding Tianwei Yingli New Energy Resources Co., Ltd., dated August 25, 2006, and Supplemental Contracts Nos. 1, 2, and 3 thereto, dated October 10, 2006, November 13, 2006 and December 18, 2006, respectively (incorporated by reference to Exhibit 10.3 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
4.4	Registrant's US\$20 million 10.0% Guaranteed Senior Secured Convertible Notes Due 2012, dated January 16, 2009 (incorporated by reference to Exhibit 4.6 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.5	Indenture, dated January 16, 2009, among the Registrant, Yingli Power Holding Company Ltd. and Mr. Liansheng Miao as guarantors, Yingli Power Holding Company Ltd. as chargor and DB Trustees (Hong Kong) Limited as trustee (incorporated by reference to Exhibit 4.7 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.6	Supplemental Indenture, dated May 21, 2009, between the Registrant and DB Trustees (Hong Kong) Limited as trustee (incorporated by reference to Exhibit 4.8 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.7	Note Purchase Agreement, dated January 7, 2009, between the Registrant and Trustbridge Partners II, L.P. as purchaser (incorporated by reference to Exhibit 4.9 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.8	Credit Contract, dated November 29, 2010, between Tianwei Yingli, as borrower, and The Bank of East Asia (China) Limited, Beijing Branch, as lender (incorporated by reference to Exhibit 4.8 from our annual report on form 20-F filed with the Commission on May 11, 2011)
4.9	Credit Agreement, dated January 24, 2009, between Gold Sun Day Limited as lender and Yingli Energy (China) Company Limited as borrower (incorporated by reference to Exhibit 4.11 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.10	Guarantee and Undertaking, dated January 24, 2009, by the Registrant (incorporated by reference to Exhibit 4.12 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.11	Share Mortgage, dated February 13, 2009, between Cyber Power Group Limited as mortgagor and Gold Sun Day limited as mortgagee (incorporated by reference to Exhibit 4.13 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.12	Account Charge, dated February 13, 2009, between Cyber Power Group Limited as mortgagor and Gold Sun Day limited as mortgagee (incorporated by reference to Exhibit 4.14 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.13	Security Agreement, dated February 13, 2009, between Cyber Lighting Holding Company Limited as chargor and Gold Sun Day limited as chargee (incorporated by reference to Exhibit 4.15 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.14	Original Opco Equity Pledge dated February 13, 2009, between Cyber Power Group Limited as chargor, Fine Silicon Co., Ltd as company, and Gold Sun Day limited as chargee (incorporated by reference to Exhibit 4.16 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.15	Loan Agreement, dated December 22, 2008, between Yingli Energy (China) Company Limited as borrower and China Development Bank as lender (incorporated by reference to Exhibit 4.17 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.16	Agreement on Pledge of Receivables, dated December 22, 2008, between Yingli Energy (China) Company Limited as pledgor and China Development Bank as pledgee (incorporated by reference to Exhibit 4.18 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.17	Mortgage Agreement, dated December 22, 2008, between Yingli Energy (China) Company Limited as mortgagor and China Development Bank as mortgagee (incorporated by reference to Exhibit 4.19 from our annual report on Form 20-F filed with the Commission on June 15, 2009)



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<b>Exhibit Number</b>	<b>Description of Document</b>
4.18	Guarantee Agreement, dated December 22, 2008, between Baoding Tianwei Yingli New Energy Resources Co., Ltd. as guarantor and China Development Bank as guarantee (incorporated by reference to Exhibit 4.20 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.19	Loan Contract, dated October 12, 2010, between Baoding Tianwei Yingli New Energy Resources Co., Ltd as borrower, and The Export-Import Bank of China as lender (incorporated by reference to Exhibit 4.19 from our annual report on form 20-F filed with the Commission on May 11, 2011)
4.20	Supply Agreement, dated November 13, 2006, between Wacker Chemie AG and Tianwei Yingli (incorporated by reference to Exhibit 10.29 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
4.21	Supply Agreement, dated August 10, 2006, between Wacker Chemie AG and Tianwei Yingli (incorporated by reference to Exhibit 10.30 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
4.22	Amendment No. 1 to Yingli Green Energy Holding Company Limited 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.32 from our registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
4.23	Amendment No. 2 to Yingli Green Energy Holding Company Limited 2006 Stock Incentive Plan (incorporated by reference to Exhibit 4.23 from our annual report on form 20-F filed with the Commission on June 25, 2010)
4.24	Supplemental Contract No. 4 to the Joint Venture Contract of Baoding Tianwei Yingli New Energy Resources Co., Ltd., dated September 28, 2007 (incorporated by reference to Exhibit 10.35 from our registration statement on Form F-1 (File No. 333-147223), as amended, initially filed with the Commission on November 7, 2007)
4.25	Supply Agreement, dated July 4, 2007, between Wacker Chemie AG and Tianwei Yingli (incorporated by reference to Exhibit 10.36 from our registration statement on Form F-1 (File No. 333-147223), as amended, initially filed with the Commission on November 7, 2007)
4.26	Supply Agreement, dated September 5, 2007, between Wacker Chemie AG and Tianwei Yingli (incorporated by reference to Exhibit 10.37 from our registration statement on Form F-1 (File No. 333-147223), as amended, initially filed with the Commission on November 7, 2007)
4.27	Second Supplemental Indenture, dated June 15, 2009, between the Registrant and DB Trustee (Hong Kong) Limited, as trustee (incorporated by reference to Exhibit 4.35 from our annual report on Form 20-F filed with the Commission on June 15, 2009)
4.28	Supplemental Agreement, dated November 6, 2008, between Tianwei Yingli, as borrower, and the lenders and the agent thereunder, relating to the Term Facility Agreement, dated August 29, 2008, by and between the parties thereto, or the Tianwei Yingli Term Facility Agreement (incorporated by reference to Exhibit 10.1 from our registration statement on Form F-3 (File No. 333-155782), as amended, initially filed with the Commission on November 28, 2008)
4.29	Supplemental Deed, dated November 6, 2008, between the Registrant, as guarantor, and the lender and the agent under the Tianwei Yingli Term Facility Agreement, relating to the Corporate Guarantee, dated August 29, 2008, by and between the parties thereto (incorporated by reference to Exhibit 10.2 from our registration statement on Form F-3 (File No. 333-155782), as amended, initially filed with the Commission on November 28, 2008)
4.30	Loan Agreement, dated January 15, 2010, between Tianwei Yingli, as borrower, and Bank of China Limited, Baoding Branch, as lender (incorporated by reference to Exhibit 4.30 from our annual report on form 20-F filed with the Commission on May 11, 2011)
4.31	Letter of Intent, dated November 26, 2008, by and among the Registrant, Yingli Energy (China) Company Limited, Grand Avenue Group Limited, Baoding Yingli Group Company Limited and Mr. Liansheng Miao (incorporated by reference to Exhibit 10.4 from the registrant's registration statement on Form F-3 (File No. 333-155782), as amended, initially filed with the Commission on November 28, 2008)
4.32	Fixed Asset Loan Agreement, dated June 10, 2010, between Yingli China and Bank of Communications, Hebei Branch (incorporated by reference to Exhibit 4.32 from the registrant's annual report on form 20-F filed with the Commission on May 11, 2011)
4.33*	Loan Agreement, dated March 17, 2011, between Yingli China and Bank of Communications Co., Ltd.

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<b>Exhibit Number</b>	<b>Description of Document</b>
8.1*	Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 from the registrant's registration statement on Form F-1 (File No. 333-142851), as amended, initially filed with the Commission on May 11, 2007)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Independent Registered Public Accounting Firm
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

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\* Filed with this annual report

\*\* XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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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.

YINGLI GREEN ENERGY HOLDING COMPANY LIMITED

By:	/s/ Liansheng Miao	
	Name:	Liansheng Miao
	Title:	Chairman and Chief Executive Officer

Date: April 25, 2012

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

Yingli Green Energy Holding Company Limited:

We have audited the accompanying consolidated balance sheets of Yingli Green Energy Holding Company Limited and subsidiaries as of December 31, 2010 and 2011, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yingli Green Energy Holding Company Limited and subsidiaries as of December 31, 2010 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended December 31, 2011, have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Renminbi have been translated into United States dollars on the basis set forth in Note 2(e) of the notes to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Yingli Green Energy Holding Company Limited's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 25, 2012, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/S/ KPMG

Hong Kong, China  
April 25, 2012



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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

Yingli Green Energy Holding Company Limited:

We have audited Yingli Green Energy Holding Company Limited's internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Yingli Green Energy Holding Company Limited's management 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 Annual 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 in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, Yingli Green Energy Holding Company Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Yingli Green Energy Holding Company Limited and subsidiaries as of December 31, 2010 and 2011, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2011, and our report dated April 25, 2012, expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG

Hong Kong, China  
April 25, 2012

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	December 31, 2010	December 31, 2011	
	RMB	RMB	US\$
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash	5,856,132	4,181,038	664,300
Restricted cash	644,928	1,432,282	227,567
Accounts receivable, net	1,909,319	2,130,377	338,483
Inventories	2,524,956	2,670,919	424,366
Prepayments to suppliers	573,937	386,939	61,478
Value-added tax recoverable	931,830	948,982	150,778
Amounts due from and prepayments to related parties	291,564	555,542	88,268
Prepaid expenses and other current assets	174,395	432,216	68,671
<b>Total current assets</b>	<b>12,907,061</b>	<b>12,738,295</b>	<b>2,023,911</b>
Long-term prepayments to suppliers	504,326	1,322,714	210,158
Property, plant and equipment, net	9,933,956	12,389,184	1,968,443
Land use rights	358,834	523,219	83,131
Intangible assets, net	160,494	110,386	17,539
Goodwill	273,666		
Other assets	50,157	399,615	63,492
<b>Total assets</b>	<b>24,188,494</b>	<b>27,483,413</b>	<b>4,366,674</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<i>Current liabilities:</i>			
Short-term borrowings, including current portion of long-term debt	5,857,878	8,225,076	1,306,833
Accounts payable	2,475,415	2,977,230	473,034
Advances from customers	1,001,292	894,021	142,045
Amounts due to related parties	84,481	242,575	38,541
Convertible senior notes		9,218	1,465
Senior secured convertible notes		130,127	20,675
Other current liabilities and accrued expenses	363,912	471,365	74,893
<b>Total current liabilities</b>	<b>9,782,978</b>	<b>12,949,612</b>	<b>2,057,486</b>
Convertible senior notes	8,121		
Senior secured convertible notes	83,213		
Medium-term notes	1,001,128	2,406,391	382,337
Long-term debt, excluding current portion	2,496,482	3,451,899	548,451
Reserve for inventory purchase commitments		771,102	122,516
Other liabilities	542,956	850,748	135,170
<b>Total liabilities</b>	<b>13,914,878</b>	<b>20,429,752</b>	<b>3,245,960</b>
<i>Shareholders equity:</i>			
Ordinary shares			
Par value: US\$0.01			
Authorized shares: 1,000,000,000			

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Issued shares: 156,205,313 and 158,200,387 as of December 31, 2010 and 2011, respectively

Outstanding shares: 156,205,313 and 152,633,366 as of December 31, 2010 and 2011, respectively	11,881	12,011	1,908
Additional paid-in capital	6,412,995	6,476,123	1,028,952
Treasury stock: nil and 5,567,021 as of December 31, 2010 and 2011, respectively, at cost		(123,838)	(19,675)
Accumulated other comprehensive income	59,183	138,999	22,085
Retained earnings (Accumulated deficit)	1,866,813	(1,342,098)	(213,238)
<b>Total equity attributable to Yingli Green Energy</b>	<b>8,350,872</b>	<b>5,161,197</b>	<b>820,032</b>
Noncontrolling interests	1,922,744	1,892,464	300,682
<b>Total shareholders equity</b>	<b>10,273,616</b>	<b>7,053,661</b>	<b>1,120,714</b>
Commitments and contingencies			
<b>Total liabilities and shareholders equity</b>	<b>24,188,494</b>	<b>27,483,413</b>	<b>4,366,674</b>

See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Operations

(Amounts in thousands, except per share data)

	Year Ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	US\$
<i>Net revenues</i>				
Sales of PV modules	7,158,441	12,276,854	14,397,086	2,287,467
Sales of PV systems	50,197	56,662	53,731	8,537
Other revenues	46,231	166,471	227,148	36,090
<b>Total net revenues</b>	<b>7,254,869</b>	<b>12,499,987</b>	<b>14,677,965</b>	<b>2,332,094</b>
<i>Cost of revenues</i>				
Cost of PV modules sales	5,458,284	8,131,218	11,905,502	1,891,594
Cost of PV systems sales	39,851	49,190	43,280	6,876
Cost of other revenues	42,361	166,794	279,504	44,409
<b>Total cost of revenues</b>	<b>5,540,496</b>	<b>8,347,202</b>	<b>12,228,286</b>	<b>1,942,879</b>
<b>Gross profit</b>	<b>1,714,373</b>	<b>4,152,785</b>	<b>2,449,679</b>	<b>389,215</b>
<i>Operating expenses</i>				
Selling expenses	347,545	780,244	818,022	129,971
General and administrative expenses	410,101	467,516	602,728	95,763
Research and development expenses	184,332	137,525	284,909	45,267
Provision for (recovery of) doubtful accounts receivable	322,668	(13,098)	38,988	6,195
Impairment of goodwill			273,382	43,436
Impairment of long-lived assets	131,177		2,275,024	361,465
Provision for inventory purchase commitments			851,694	135,321
<b>Total operating expenses</b>	<b>1,395,823</b>	<b>1,372,187</b>	<b>5,144,747</b>	<b>817,418</b>
<b>Income (loss) from operations</b>	<b>318,550</b>	<b>2,780,598</b>	<b>(2,695,068)</b>	<b>(428,203)</b>
<i>Other income (expense)</i>				
Equity in losses of affiliates, net	(2,769)	(628)	(9,557)	(1,518)
Interest expense	(376,336)	(438,011)	(626,737)	(99,578)
Interest income	6,321	15,992	28,852	4,584
Foreign currency exchange gains (losses)	38,389	(338,216)	(190,475)	(30,264)
Loss on debt extinguishment	(244,744)			
Loss from revaluation of embedded derivative	(231,345)			
Gain on bargain purchase from an acquisition			52,202	8,294
Other income	7,373	11,764	41,593	6,608
<b>Earnings (loss) before income taxes</b>	<b>(484,561)</b>	<b>2,031,499</b>	<b>(3,399,190)</b>	<b>(540,077)</b>
Income tax benefit (expense)	31,831	(333,466)	133,413	21,197
<b>Net income (loss)</b>	<b>(452,730)</b>	<b>1,698,033</b>	<b>(3,265,777)</b>	<b>(518,880)</b>
Less: Loss (earnings) attributable to the noncontrolling interests	(78,865)	(311,257)	56,866	9,035
<b>Net income (loss) attributable to Yingli Green Energy</b>	<b>(531,595)</b>	<b>1,386,776</b>	<b>(3,208,911)</b>	<b>(509,845)</b>
Basic earnings (loss) per ordinary share	<b>(3.83)</b>	<b>9.15</b>	<b>(20.46)</b>	<b>(3.25)</b>
Diluted earnings (loss) per ordinary share	<b>(3.83)</b>	<b>8.86</b>	<b>(20.46)</b>	<b>(3.25)</b>

See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Shareholders Equity and Comprehensive Income (Loss)

(Amounts in thousands, except share data)

	Ordinary share		Additional	Accumulated		Total Yingli	Non-	Total	Comprehensive	Comprehensive	
	Numbers of	Amount	paid-in	comprehensive	Retained	shareholders	controlling	shareholders	loss attributable	loss attributable	Comprehensive
	shares	RMB	capital	income	earnings	equity	interests	equity	to Yingli Green	to the	income (loss)
			RMB	RMB	RMB	RMB	RMB	RMB	Energy	noncontrolling	attributable to
				RMB	RMB	RMB	RMB	RMB	RMB	interests	the
										RMB	
<b>Balance as of January 1, 2009</b>	127,447,821	9,922	3,724,358	31,207	1,011,632	4,777,119	1,395,151	6,172,270			
Net income (loss)					(531,595)	(531,595)	78,865	(452,730)	(531,595)	78,865	
Foreign currency exchange translation adjustment, net of nil tax				(18,423)		(18,423)	(6,566)	(24,989)	(18,423)	(6,566)	
<b>Comprehensive income (loss)</b>									<b>(550,018)</b>	<b>72,299</b>	
Issuance of ordinary shares upon vesting of restricted shares	530,212	36	(36)								
Issuance of ordinary shares upon exercise of stock options	159,417	11	4,341			4,352		4,352			
Share-based compensation			37,442			37,442	38,585	76,027			
Establishment of new subsidiaries with noncontrolling interests							44,750	44,750			
Issuance of ordinary shares	18,390,000	1,257	1,551,926			1,553,183		1,553,183			
Conversion of senior secured convertible notes	2,000,000	137	59,459			59,596		59,596			
Fair value of conversion feature of First Tranche of			170,893			170,893		170,893			

senior secured convertible notes									
Beneficial conversion feature of Second Tranche of senior secured convertible notes									
			201,210			201,210			201,210
Fair value of ADM warrants			381,297			381,297			381,297
<b>Balance as of December 31, 2009</b>	<b>148,527,450</b>	<b>11,363</b>	<b>6,130,890</b>	<b>12,784</b>	<b>480,037</b>	<b>6,635,074</b>	<b>1,550,785</b>	<b>8,185,859</b>	

See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Shareholders Equity and Comprehensive Income (Loss) (Continued)

(Amounts in thousands, except share data)

	Ordinary share Numbers of shares	Amount RMB	Additional paid-in capital RMB	Accumulated		Total Yingli			Comprehensive income attributable to Yingli Green Energy RMB	Comprehensive income attributable to the noncontrolling interests RMB	Comprehensive income attributable to noncontrolling interests RMB
				other comprehensive income RMB	Retained earnings RMB	Green Energy shareholders equity RMB	Non- controlling interests RMB	Total shareholders equity RMB			
<b>Balance as of January 1, 2010</b>	148,527,450	11,363	6,130,890	12,784	480,037	6,635,074	1,550,785	8,185,859			
Net income					1,386,776	1,386,776	311,257	1,698,033	1,386,776	311,257	
Foreign currency exchange translation adjustment, net of nil tax				46,321		46,321	(10,499)	35,822	46,321	(10,499)	
Cash flow hedging derivatives, net of nil tax				78		78	(32)	46	78	(32)	
<b>Comprehensive income</b>									<b>1,433,175</b>	<b>300,726</b>	
Issuance of ordinary shares upon vesting of restricted shares	527,764	36	(36)								
Issuance of ordinary shares upon exercise of stock options	139,200	9	4,040			4,049		4,049			
Share-based compensation			63,520			63,520	11,233	74,753			
Conversion of senior secured convertible notes	6,000,688	405	214,649			215,054		215,054			
Issuance of ordinary shares upon exercise of ADM warrants	1,010,211	68	(68)								
Capital injection from a subsidiary s noncontrolling							60,000	60,000			

interests holder

**Balance as of  
December 31,**

<b>2010</b>	<b>156,205,313</b>	<b>11,881</b>	<b>6,412,995</b>	<b>59,183</b>	<b>1,866,813</b>	<b>8,350,872</b>	<b>1,922,744</b>	<b>10,273,616</b>
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See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Shareholders Equity and Comprehensive Income (Loss) (Continued)

(Amounts in thousands, except share data)

	Ordinary share Numbers of shares	Amount RMB	Additional paid-in capital RMB	Treasury Stock RMB	Accumulated other comprehensive income RMB	Retained earnings RMB	Total Yingli Green Energy equity RMB	Non- controlling interests RMB	Total shareholders equity RMB	Comprehensive loss attributable to Yingli Green Energy RMB	Comprehensive loss attributable to non-controlling interests RMB
<b>Balance as of January 1, 2011</b>	156,205,313	11,881	6,412,995		59,183	1,866,813	8,350,872	1,922,744	10,273,616		
Net loss						(3,208,911)	(3,208,911)	(56,866)	(3,265,777)	(3,208,911)	
Foreign currency exchange translation adjustment, net of nil tax					79,247		79,247	(9,081)	70,166	79,247	
Cash flow hedging derivatives, net of nil tax					569		569	(13)	556	569	
<b>Comprehensive loss</b>										<b>(3,129,095)</b>	
<b>Comprehensive loss US\$</b>										<b>(497,163)</b>	
Issuance of ordinary shares upon vesting of restricted shares	525,764	35	(35)								
Issuance of ordinary shares upon exercise of stock options	25,250	2	599				601		601		
Share-based compensation			62,657				62,657	11,201	73,858		
Issuance of ordinary shares upon exercise of ADM warrants	1,444,060	93	(93)								
Share repurchase				(123,838)			(123,838)		(123,838)		
Acquisition of a subsidiary								33,050	33,050		
Profit distribution by a subsidiary								(8,571)	(8,571)		

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<b>Balance as of December 31, 2011</b>	<b>158,200,387</b>	<b>12,011</b>	<b>6,476,123</b>	<b>(123,838)</b>	<b>138,999</b>	<b>(1,342,098)</b>	<b>5,161,197</b>	<b>1,892,464</b>	<b>7,053,661</b>
<b>Balance as of December 31, 2011 US\$</b>		<b>1,908</b>	<b>1,028,952</b>	<b>(19,675)</b>	<b>22,085</b>	<b>(213,238)</b>	<b>820,032</b>	<b>300,682</b>	<b>1,120,714</b>

See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(Amounts in thousands)

	Year Ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	US\$
<b>Cash flow from operating activities:</b>				
Net income (loss)	(452,730)	1,698,033	(3,265,777)	(518,880)
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>				
Depreciation	343,381	471,159	826,798	131,365
Amortization of intangible assets	56,386	48,814	50,108	7,961
Gain on bargain purchase from an acquisition			(52,202)	(8,294)
Loss on disposal of property, plant and equipment	1,483	15,571	24,728	3,929
Provision for (recovery of) doubtful accounts receivable	322,668	(13,098)	38,988	6,195
Loss on sale of accounts receivable	5,891	6,270	2,279	362
Write-down of inventories to net realizable value	9,590	16,467	469,872	74,655
Equity in losses of affiliates, net	2,769	628	9,557	1,518
Land use rights expense	7,995	9,326	32,478	5,160
Loss on debt extinguishment	244,744			
Amortization of debt discount	54,554	105,626		
Amortization of debt issuance cost	19,977	22,887	24,311	3,862
Share-based compensation	76,027	74,753	73,858	11,734
Deferred income tax benefit	(135,253)	(15,071)	(315,150)	(50,071)
Accreted interest on convertible senior notes and senior secured convertible notes	141,270	173,656	54,658	8,684
Foreign currency exchange losses (gains), net	(2,247)	51,520	(9,907)	(1,574)
Changes in fair value of financial instruments	25,316	1,513	(3,963)	(631)
Loss from revaluation of embedded derivative	231,345			
Impairment of goodwill			273,382	43,436
Provision for inventory purchase commitments			851,694	135,321
Impairment of long-lived assets	131,177		2,275,024	361,465
<b>Changes in operating assets and liabilities, net of the effect of acquisition:</b>				
Restricted cash related to purchase of inventory and other operating activities	(47,676)	(222,501)	272,841	43,350
Accounts receivable	(636,370)	(145,634)	(259,458)	(41,224)
Inventories	902,477	(449,156)	(138,321)	(21,977)
Prepayments to suppliers	(38,070)	(244,462)	(923,951)	(146,801)
Prepaid expenses and other current assets	(37,856)	(18,092)	(263,695)	(41,896)
Value-added tax recoverable	161,057	(631,302)	(17,152)	(2,725)
Amounts due from and prepayments to related parties	(264,882)	(235,545)	(347,499)	(55,212)
Accounts payable	840,817	541,474	317,526	50,450
Other current liabilities and accrued expenses	116,359	105,471	48,841	7,762

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Advances from customers	(21,332)	970,260	(137,271)	(21,810)
Other liabilities	57,849	96,885	270,138	42,921
Amounts due to related parties	11,495	64,299	158,094	25,119
<b>Net cash provided by operating activities</b>	<b>2,128,211</b>	<b>2,499,751</b>	<b>340,829</b>	<b>54,154</b>

See accompanying notes to consolidated financial statements.

Table of Contents**YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES****Consolidated Statements of Cash Flows (Continued)**

(Amounts in thousands)

	Year Ended December 31,			
	2009	2010	2011	US\$
	RMB	RMB	RMB	
<b>Cash flows from investing activities</b>				
Government grants for property, plant and equipment	23,690	102,480	125,599	19,956
Purchase of property, plant and equipment	(2,255,154)	(3,077,582)	(4,838,729)	(768,797)
Restricted cash related to purchase of property, plant and equipment	(485,484)	(735,452)	(548,637)	(87,170)
Payments for land use rights	(284,277)	(33,900)	(174,032)	(27,651)
Proceeds from disposal of an affiliate	3,000			
Cash paid for the acquisition of Cyber Power, net of cash acquired	(328,232)			
Equity investments	(6,600)	(10,000)	(23,707)	(3,767)
Cash acquired from the acquisition of a subsidiary, net of cash paid			54,851	8,715
Cash paid for acquisition of a subsidiary, net of cash acquired		(408)		
Loans made to related parties			(100,000)	(15,888)
Cash proceeds from repayment of loans made to related parties	390			
<b>Net cash used in investing activities</b>	<b>(3,332,667)</b>	<b>(3,754,862)</b>	<b>(5,504,655)</b>	<b>(874,602)</b>
<b>Cash flows from financing activities</b>				
Proceeds from short-term borrowings	3,482,487	6,386,843	7,034,958	1,117,742
Proceeds from long-term debt	1,073,598	2,548,854	3,722,292	591,413
Repayment of short-term borrowings	(2,952,688)	(4,678,764)	(6,344,037)	(1,007,965)
Repayment of long-term borrowings	(54,618)	(112,100)	(968,990)	(153,957)
Proceeds from structured loan	341,795			
Repayment of structured loan	(341,620)			
Proceeds from issuance of ordinary shares	1,553,183			
Proceeds from exercise of options	877	4,049	601	95
Restricted cash related to guarantee of bank borrowings	(167,774)		(1,007,522)	(160,080)
Contribution from noncontrolling interest holders	42,250	60,000		
Proceeds from (Repayment of) borrowings from Yingli Hainan's 30% equity owner	60,000	90,000	(150,000)	(23,833)

See accompanying notes to consolidated financial statements.



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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (Continued)

(Amounts in thousands)

	Year Ended December 31,			2011	US\$
	2009 RMB	2010 RMB	RMB		
Proceeds from borrowings from related parties	100,000				
Repayment of borrowings from related parties	(100,000)				
Proceeds from issuance of senior secured convertible notes, net of issuance cost of RMB 2,344	335,585				
Payment for the repurchase of the convertible senior notes		(1,327,623)			
Dividend paid to noncontrolling interests		(10,956)	(8,571)		(1,362)
Net proceeds from issuance of medium-term notes		995,823	1,400,000		222,437
Payment for share repurchase			(123,838)		(19,675)
<b>Net cash provided by financing activities</b>	<b>3,373,075</b>	<b>3,956,126</b>	<b>3,554,893</b>		<b>564,815</b>
Effect of foreign currency exchange rate changes on cash	(29,447)	(92,969)	(66,161)		(10,513)
<b>Net increase (decrease) in cash</b>	<b>2,139,172</b>	<b>2,608,046</b>	<b>(1,675,094)</b>		<b>(266,146)</b>
Cash at beginning of year	1,108,914	3,248,086	5,856,132		930,446
<b>Cash at end of year</b>	<b>3,248,086</b>	<b>5,856,132</b>	<b>4,181,038</b>		<b>664,300</b>

Supplemental disclosure of cash flow information:

	Year Ended December 31,			2011	US\$
	2009 RMB	2010 RMB	RMB		
Interest paid, net of capitalized interest	103,535	114,051	445,960		70,856
Income tax paid	68,882	296,824	400,970		63,708
<i>Non-cash investing and financing transactions:</i>					
Payables for purchase of property, plant and equipment	525,180	598,378	769,956		122,334
Grants for purchase of property, plant and equipment paid to suppliers by the government	98,430				
Payables for purchase of land use right	13,600				
Conversion of senior secured convertible notes to ordinary shares	28,706	123,478			
Contribution of intangible assets from noncontrolling interest holders	2,500				
Conversion of loan to Yingli Power to purchase	37,230				

price consideration of Cyber Power acquisition

See accompanying notes to consolidated financial statements.

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**YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

**(1) Organization and Description of Business**

Yingli Green Energy Holding Company Limited ( Yingli Green Energy) incorporated in the Cayman Islands and was established on August 7, 2006. Yingli Green Energy and its subsidiaries (collectively, the Company) are principally engaged in the design, development, marketing, manufacture, installation and sale of photovoltaic ( PV ) products in the People's Republic of China ( PRC ) and overseas markets.

**(2) Summary of Significant Accounting Policies and Significant Concentrations and Risks**

**(a) Basis of Presentation**

The accompanying consolidated financial statements of the Company have been prepared and presented in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ).

**(b) Principles of Consolidation**

The consolidated financial statements of Yingli Green Energy include Yingli Green Energy and its subsidiaries. For consolidated subsidiaries where the Company's ownership in the subsidiary is less than 100%, the equity interest not held by the Company is shown as noncontrolling interests. All significant inter-company balances and transactions have been eliminated upon consolidation.

**(c) Significant Concentrations and Risks**

*Revenue concentrations*

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The Company's business depends substantially on government incentives given to its customers. In many countries in which the Company sells its products, the market of the Company's products would not be commercially viable on a sustainable basis without government incentives. This is largely in part caused by the cost of generating electricity from solar power currently exceeding and that is expected to continue to exceed the costs of generating electricity from conventional energy sources. The Company generated approximately 97%, 96% and 100% of its total net revenues for the years ended December 31, 2009, 2010 and 2011, respectively, from sales to customers in countries with known government incentive programs for the use of solar products. A significant reduction in the scope or discontinuation of government incentive programs would have a materially adverse effect on the demand of the Company's products.

A significant portion of the Company's net revenues are from customers located in Germany, the United States of America ( USA ) and Peoples Republic of China ( PRC ). Revenues from customers located in Germany, USA and PRC are as follows:

	December 31, 2009	% of net revenue	December 31, 2010	Year ended % of net revenue	December 31, 2011		% of net revenue
	RMB		RMB		RMB	US\$	
Germany	4,575,675	63%	7,078,239	57%	6,595,109	1,047,857	45%
USA	147,383	2%	1,216,962	10%	2,137,219	339,570	15%
PRC	328,505	5%	745,917	5%	3,287,904	522,395	22%
<b>Total</b>	<b>5,051,563</b>	<b>70%</b>	<b>9,041,118</b>	<b>72%</b>	<b>12,020,232</b>	<b>1,909,822</b>	<b>82%</b>

The Company derived significant revenue from sales outside of the PRC. As a result the Company's financial performance could be affected by events such as changes in foreign currency exchange rates, trade protection measures and changes in regional or worldwide economic or political conditions.

Management currently expects that the Company's operating results will, for the foreseeable future, continue to depend on the sale of PV modules to a relatively small number of customers. The Company's relationships with such key customers have been developed over a short period of time and are generally in their preliminary stages. In addition, the Company's business is affected by competition in the market for the products that many of the Company's major customers sell, and any decline in their businesses could reduce purchase orders from these customers. The loss of sales to any of these customers could have a material adverse effect on the Company's business and results of operations. Furthermore, these

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## Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

customers have sought, from time to time, to prospectively renegotiate the pricing terms of their current agreements with the Company or obtain more favorable terms upon renewal of the contracts. Any adverse revisions to the material terms of the Company's agreements with its key customers could have a material adverse effect on its business and results of operations.

Sales to one major customer, which exceeded 10% of the Company's net revenue in 2009 and 2010, are as follows:

	Location	Year ended December 31,		Year ended December 31,		2011		% of net revenue
		2009 RMB	% of net revenue	2010 RMB	% of net revenue	RMB	US\$	
Customer A	Germany	1,223,529	17%	1,501,037	12%	1,240,351	197,072	8%

Accounts receivable from the above customer is as follows:

	Location	December 31,		2011 US\$
		2010 RMB	RMB	
Customer A	Germany	68,148	24,254	3,854

*Accounts receivable concentrations*

A significant portion of the Company's outstanding accounts receivable is derived from sales to a limited number of customers. As of December 31, 2010, accounts receivable from one individual customer accounted for approximately 10.4% of total outstanding accounts receivable, net. As of December 31, 2011, there was no individual customer with accounts receivable balance in excess of 10% of the Company's total accounts receivable, net.

*Dependence on suppliers*

Polysilicon is the most important raw material used in the production of the Company's PV products. To maintain competitive manufacturing operations, the Company depends on timely delivery by its suppliers of polysilicon in sufficient quantities. The Company's failure to obtain sufficient quantities of polysilicon in a timely manner could disrupt its operations, prevent it from operating at full capacity or limit its ability to expand as planned, which will reduce the growth of its manufacturing output and revenue.

In order to secure a stable supply of polysilicon and other raw materials, the Company makes prepayments to certain suppliers. Such amounts are recorded as prepayments to suppliers, prepayments to related party suppliers (included in amounts due from and prepayments to related parties), and long-term prepayments to suppliers in the Company's consolidated balance sheets and amounted to RMB 1,175,829 and 1,866,879 (US\$296,617) as of December 31, 2010 and 2011, respectively. The Company makes the prepayments without receiving collateral for such payments. As a result, the Company's claims for such prepayments would rank only as an unsecured claim, which exposes the Company to the credit risks of the suppliers. As of December 31, 2010 and December 31, 2011, advances made to individual suppliers in excess of 10% of total prepayments to suppliers are as follows:

	Location	December 31,		
		2010 RMB	2011 RMB	2011 US\$
Supplier A	Singapore		217,381	34,539
Supplier B	South Korea	129,666	332,962	52,902
Supplier C	Germany	591,816	875,645	139,126
<b>Total</b>		<b>721,482</b>	<b>1,425,988</b>	<b>226,567</b>

The Company obtains some equipment used in its manufacturing process from a small number of selected equipment suppliers. In addition, some equipment has been customized based on the Company's specifications, is not readily available from multiple vendors and would be difficult to repair or replace. If any of these suppliers were to experience financial difficulties or go out of business, the Company may have difficulties in repairing or replacing its equipment in the event of any damage to the manufacturing equipment or a breakdown of the production process. The Company's ability to deliver products timely would suffer, which in turn could result in order cancellations and loss of revenue. A supplier's failure to deliver the equipment in a timely manner with adequate quality and on terms acceptable to the

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(Amounts in thousands, except share and per share data)

Company could delay its capacity expansion of manufacturing facilities and otherwise disrupt its production schedule or increase its costs of production. The Company also made deposits of RMB 341,198 and RMB 473,974 (US\$75,307) as of December 31, 2010 and 2011, respectively, for the purchase of equipment without receiving collateral for such payments. As a result, the Company's claims for such payments would rank only as an unsecured claim, which exposes the Company to the credit risks of the equipment suppliers.

*Concentrations of cash balances held at financial institutions*

Cash balances include:

	December 31, 2010		December 31, 2011	
	Original currency	RMB equivalents	Original currency	RMB equivalents
Cash held by financial institutions located in:				
PRC:				
Denominated in RMB	3,675,875	3,675,875	2,391,014	2,391,014
Denominated in U.S. dollar (US\$)	229,668	1,521,020	197,529	1,244,612
Denominated in European monetary unit (EURO)	50,353	443,430	15,693	128,091
Hong Kong Special Administrative Region (the HK SAR):				
Denominated in U.S. dollar (US\$)	369	2,443	22,037	138,851
Denominated in EURO			1,583	12,919
Singapore:				
Denominated in U.S. dollar (US\$)			282	1,776
Denominated in Singapore dollar (SGD)			111	539
Europe:				
Denominated in US\$	57	377	127	799
Denominated in EURO	19,759	174,006	20,546	167,703
US:				
Denominated in US\$	5,584	36,982	14,477	91,218
<b>Total cash held by financial institutions</b>		<b>5,854,133</b>		<b>4,177,522</b>
Restricted cash held by financial institutions located in the PRC:				
Denominated in RMB	577,900	577,900	1,372,682	1,372,682
Denominated in US\$	7,905	52,353	6,488	40,883
Denominated in EURO	1,666	14,675	2,293	18,717

<b>Total restricted cash</b>	<b>644,928</b>	<b>1,432,282</b>
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As of December 31, 2010 and December 31, 2011, there were cash balances at three PRC individual financial institutions that each held cash balances in excess of 10% of the Company's total cash balances, which collectively accounted for approximately 45.1% and 56.8% of the Company's total cash balances, respectively.

Management believes that these financial institutions are of high credit quality.

*(d) Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities as well as with respect to the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allocation of the purchase price for the Company's business acquisitions, the estimated useful lives of property, plant and equipment and intangibles with definite lives, recoverability of the carrying values of property, plant and equipment, goodwill and intangible assets, the fair value of share-based payments, allowances for doubtful receivables, realizable value of inventories, prepayments and deferred income tax assets, the fair value of financial and equity instruments, warranty obligations and provision for inventory purchase commitments. Actual results could differ from those estimates.

*(e) Foreign Currency*

The Company's reporting currency is the Renminbi (RMB). Assets and liabilities of foreign companies whose functional currency is not RMB are translated into RMB using the exchange rate on the balance sheet date. Revenues, if

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**YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

any, and expenses are translated at average rates prevailing during the year. Gains and losses resulting from translation of financial statements of foreign companies are recorded as a separate component of accumulated other comprehensive income within shareholders' equity.

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet date. The resulting exchange differences are recorded in foreign currency exchange gains (losses) in the consolidated statements of operations. Transaction gains and losses resulting from intercompany foreign currency transactions that are of a long-term investment nature are treated in the same manner as translation adjustments and therefore excluded from the determination of net income (loss).

RMB is not fully convertible into foreign currencies. All foreign exchange transactions involving RMB must take place either through the People's Bank of China (PBOC) or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC.

For the convenience of readers, certain 2011 RMB amounts have been translated into U.S. dollar amounts at the rate of RMB 6.2939 to US\$1.00, the noon buying rate in the City of New York for cable transfers of RMB per U.S. dollar as set forth in the H.10 weekly statistical release of the Federal Reserve Board, as of December 31, 2011. No representation is made that RMB amounts could have been, or could be, converted into U.S. dollars at that rate or at any other certain rate on December 31, 2011, or at any other date.

*(f) Cash and Restricted Cash*

Cash consists of cash on hand, cash in bank accounts, and interest bearing savings accounts.

Restricted cash of RMB 644,928 and RMB 1,432,282 (US\$227,567) as of December 31, 2010 and 2011, respectively, represents bank deposits for securing letters of credit and letters of guarantee granted to the Company, primarily for the purchase of inventory and equipment and the guarantee of the offshore bank borrowings. Such letters of credit and letters of guarantee expire within one year.

**(g)**            *Accounts Receivable*

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The allowance for doubtful accounts is based on a review of specifically identified accounts and aging data. Judgments are made with respect to the collectability of accounts receivable balances based on historical collection experience, customer specific facts and current economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

*Sale of Accounts Receivable*

In 2010 and 2011, the Company entered into agreements to sell without recourse certain accounts receivable to several PRC banks. The buyer is responsible for servicing the receivables. The accounts receivables were determined to be legally isolated from the Company and its creditors, even in the event of bankruptcy or other receivership and the Company has surrendered control over the transferred receivables. As a result, the accounts receivables were considered sold and were therefore derecognized. The Company received proceeds from the sale of accounts receivable of RMB 1,684,959 and RMB 343,865 (US\$54,635) for the years ended December 31, 2010 and 2011, respectively, and has included the proceeds in net cash provided by operating activities in the consolidated statements of cash flows. The Company recorded a loss on the sale of accounts receivable of RMB 6,270 and RMB 2,279 (US\$362) for the years ended December 31, 2010 and 2011, respectively, which is included in general and administrative expense.

**(h)**            *Inventories*

Inventories are stated at the lower of cost or net realizable value. Cost is determined by using the weighted-average cost method. Cost of work-in-progress and finished goods are comprised of direct materials, direct labour, and related manufacturing overhead based on normal operating capacity. Adjustments are recorded to write down the carrying amount of any obsolete and excess inventory to its estimated net realizable value based on historical and forecasted demand.



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## Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

*(i) Prepayments to Suppliers*

Advance payments for the future delivery of raw materials are made based on written purchase orders detailing product, quantity, pricing and are classified as prepayments to suppliers in the consolidated balance sheets. The Company's supply contracts grant the Company the right to inspect products prior to acceptance. The balance of the prepayments to suppliers is reduced and reclassified to inventories when inventory is received and passes quality inspection. Such reclassifications of RMB 537,008, RMB 424,044 and RMB 476,113 (US\$75,647) for the years ended December 31, 2009, 2010 and 2011, respectively, are not reflected as cash outflows from operating activities. As of December 31, 2010 and 2011, prepayments to suppliers of RMB 504,326 and RMB 1,322,714 (US\$210,158), respectively, representing the portion expected to be utilized after twelve months have been classified as long-term prepayments to suppliers in the consolidated balance sheets and relate to prepayments to suppliers for long-term supply agreements with deliveries scheduled to commence beyond the next twelve months at each respective balance sheet date.

*(j) Long-lived Assets**Property, Plant and Equipment*

Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the asset, taking into consideration any estimated residual value, using the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds received thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30 years
Machinery and equipment	4 -10 years
Furniture and fixtures	3 -5 years
Motor vehicles	8 -10 years

Depreciation of property, plant and equipment attributable to manufacturing activities is capitalized as part of the cost of inventory production, and expensed to cost of revenues when the inventory is sold.

Cost incurred in the construction of new facilities, including progress payments and deposits, interest and other costs relating to the construction, are capitalized and transferred out of construction in progress and into their respective asset categories when the assets are ready for their intended use, at which time depreciation commences.

*Goodwill and Other Intangible Assets*

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill and trademarks, which have an indefinite useful life are not amortized, but instead are tested for impairment at least annually.

Intangible assets, other than trademarks, are amortized on a straight-line basis over the estimated useful lives of the respective assets. The Company's amortizable intangible assets consist of technical know-how, customer relationships, order backlog and short-term supplier agreements with the following estimated useful lives:

Technical know-how	5.5-6 years
Customer relationships	5.5-6 years
Order backlog	1-1.5 years
Short-term supply agreements	0.5 year

The Company's amortizable intangible assets also include long-term supplier agreements related to polysilicon supply agreements with delivery periods from 5 to 10 years commencing in 2009.

*Impairment of Long-Lived Assets*

Long-lived assets, such as property, plant, and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as

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considered necessary. In 2009, due to the decrease in the price of polysilicon, the Company recognized an impairment loss for the remaining book value of the long-term supply agreements. In 2011, the Company recognized an impairment loss of RMB 2,275,024 (US\$361,465) for property, plant and equipment. See note (5) to the consolidated financial statements.

Goodwill and intangible assets that are not subject to amortization are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. For intangible assets that are not subject to amortization, an impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. For goodwill the impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

The Company performs its annual impairment review of goodwill at December 31, and when a triggering event occurs between annual impairment tests. In 2011, the Company recognized an impairment loss of RMB 273,382 (US\$43,436) on the goodwill. See note (23) to the consolidated financial statements.

*Government grant*

Government grants are recognized in the balance sheet initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them.

For the year ended December 31, 2010, the Company received government grants of RMB 102,480 related to the construction of the solar power plants and recognized them as other current liabilities and long-term other liabilities of RMB 31,600 and RMB 70,880, respectively.

For the year ended December 31, 2011, the Company received government grants of RMB 125,599 (US\$ 19,956) related to the construction of the solar power plants and the procurement of machineries, which were recognized as long-term other liabilities.

These grants are amortized as the related assets are depreciated or amortized. The grants amortized amounted to nil, nil and RMB 9,484 (US\$1,507) for the year ended December 31, 2009, 2010 and 2011, respectively.

*(k) Land Use Rights*

Land use rights represent the cost of rights to use land in the PRC. Land use rights are carried at cost and charged to expense on a straight-line basis over the respective periods of the rights of 45 - 50 years.

*(l) Equity Investments*

Investments in entities where the Company does not have a controlling financial interest, but has the ability to exercise significant influence over the operating and financial policies of the investee, are accounted for using the equity method of accounting. Under the equity method of accounting, the Company's share of the investee's results of operations is included in other income (expense) in the Company's consolidated statements of operations. Equity investments are accounted for under the cost method when the Company does not have the ability to exercise significant influence over the operating and financial policies of the investees. Under the cost method of accounting, the Company records an investment in the equity of an investee as cost, and recognizes as income dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition.

The Company recognizes a loss when there is a loss in value of an equity investment which is other than a temporary decline. The process of assessing and determining whether an impairment on a particular equity investment is other than temporary requires a significant amount of judgment. To determine whether an impairment is other-than-temporary, management considers whether the Company has the ability and intent to hold the investment until recovery and whether evidence indicating the carrying value of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the decline in value, any change in value subsequent to year-end, and forecasted performance of the investee. In 2011, the Company recognized an impairment loss of RMB 8,720 (US\$1,385) on its equity investment. See note (8) to the consolidated financial statements.

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**(m) Statutory Reserves**

In accordance with the relevant laws and regulations of the PRC, PRC enterprises are required to transfer 10% of their after tax profit, as determined in accordance with PRC accounting standard and regulations to a general reserve fund until the balance of the fund reaches 50% of the registered capital of the enterprise. The transfer to this general reserve fund must be made before distribution of dividends can be made. As of December 31, 2010 and 2011, the PRC subsidiaries of the Company had appropriated RMB 378,964 and RMB 405,512 (US\$64,429), respectively, to the general reserve fund, which is restricted from being distributed to the Company, and if applicable, to the noncontrolling interests.

**(n) Derivative Financial Instruments and Hedging Activities**

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Company enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. For derivative instruments that are designated and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge.

In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in earnings gains and losses that were accumulated in other comprehensive income related to the hedging relationship.

(o) ***Share-based Payment***

The Company applies FASB ASC Topic 718, *Compensation - Stock Compensation* ( ASC Topic 718 ) for share-based payments. Under ASC 718, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the costs over the period the employee is required to provide service in exchange for the award, which generally is the vesting period. The Company estimates grant date fair value using the Black-Scholes-Merton option-pricing model. The Company applies the fair value method for equity instrument issued to non-employee under FASB ASC Topic 505-50, *Equity-based Payments to Non-employees* ( ASC Topic 505-50 ).

(p) ***Revenue Recognition***

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable and collectibility is reasonably assured. These criteria as they relate to the sale of the Company's products or services are as follows:

For all sales, the Company requires a contract or purchase order which quantifies pricing, quantity and product specifications.

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For sales of PV modules from PRC to foreign customers, delivery of the products occurs at the point in time the product is delivered to the named port of shipment, which is when the risks and rewards of ownership are transferred to the customer. For sales of PV modules to domestic customers in PRC or by foreign subsidiaries, delivery of the product occurs at the point in time the product is received by the customer, which is when the risks and rewards of ownership have been transferred.

Sales of PV systems consist of the delivery, assembly and installation of PV modules, related power electronics and other components. The Company considers the PV system to be delivered, and the risks and rewards of ownership transferred, when installation of all components is complete and customer acceptance is received. Customer acceptance is evidenced by a signed project acceptance document. The assembly and installation of PV systems is short, generally lasting between 1 to 3 months, and requires advance payments from the customer.

Other revenue consists primarily of the sale of raw materials. Delivery for the sale of raw materials occurs at the point in time the product is delivered to the customer, which is when the risks and rewards of ownership have been transferred. Delivery is evidenced by a signed customer acceptance form.

Shipping and handling fees billed to customers are recorded as revenues, and the related shipping or delivery costs are recorded as selling expense.

Advance payments received from customers for the future sale of inventory are recognized as advances from customers in the consolidated balance sheets. Advances from customers are recognized as revenues when the conditions for revenue recognition described above have been satisfied. Advances from customers have been recognized as a current liability because the amount at each balance sheet date is expected to be recognized as revenue within twelve months.

In the PRC, value added tax ( VAT ) at a general rate of 17% on invoice amount is collected on behalf of tax authorities in respect of the sales of product and services and is not recorded as revenue. VAT collected from customers, net of VAT paid for purchases, is recorded as a liability until it is paid to the tax authorities.

(q) ***Research and Development***

Research and development costs are expensed as incurred.

Research and development costs are incurred during the period the Company is developing new products or refining existing products or technologies. Its research and development costs consist primarily of compensation and related costs for personnel, material, supplies, equipment depreciation and laboratory testing costs. These costs are expensed as incurred until the products have been developed and tested and are ready for production and sale.

(r) ***Employee Benefits Plans***

Pursuant to the relevant PRC regulations, the Company is required to make contributions for each employee at a rate of 20% on a standard salary base as determined by the local Social Security Bureau, to a defined contribution retirement program organized by the local Social Security Bureau. In addition, the Company is also required to make contributions for each employee at rates of 7.5%-10%, 1%-2% and 6.6%-13.6% of standard salary base for medical insurance benefits, unemployment and other statutory benefits, respectively. Total amount of contributions for the years ended December 31, 2009, 2010 and 2011 was RMB 27,128, RMB 76,161 and RMB 177,714 (US\$28,236), respectively.

(s) ***Warranty Cost***

Before September 30, 2011, the Company's multicrystalline PV modules are typically sold with a two or five-year limited warranty for defects in materials and workmanship, and a 10-year and 25-year warranty guaranteeing 90% and 80% of initial power generation capacity, respectively. With effect from October 1, 2011, the Company implemented a new and improved warranty terms for multicrystalline PV module that guarantees 91.2% and 80.7% of initial power generation capacity for 10 years and 25 years, respectively. Further, in respect of monocrystalline Panda PV module, the Company guarantees 98.0%, 92.0% and 82.0% of initial power generation for the first year, 10 years and 25 years, respectively. In addition, based on customers' specific requirements the Company provides the multicrystalline PV modules with linear-based warranty which guarantees each year's power output during the twenty-five-year warranty period. The Company bears the risk of warranty claims long after the Company has sold its products and recognized revenues. The Company has sold PV modules since January 2003, and none of the Company's PV modules has been in use for the entire warranty periods. In connection with the Company's PV system sales in the PRC, the Company provides a one- to five- year warranty against defects in the Company's modules, storage batteries, controllers and inverters.



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The Company performs industry-standard testing to test the quality, durability and safety of the Company's products. As a result of such tests, management believes the quality, durability and safety of its products are within industry norms. Management's estimate of the amount of its warranty obligation is based on the results of these tests, consideration given to the warranty accrual practice of other companies in the same industry and the Company's expected failure rate and future costs to service failed products. The Company's warranty obligation will be affected by its estimated product failure rates, the costs to repair or replace failed products and potential service and delivery costs incurred in correcting a product failure. Consequently, the Company accrues the equivalent of 1% of gross revenues as a warranty liability to accrue the estimated cost of its warranty obligations. To the extent that actual warranty costs differ significantly from estimates, the Company will revise its warranty provisions accordingly.

Actual warranty costs are charged against the accrued warranty liability. Warranty expense is recorded as selling expense.

Changes in the carrying amount of accrued warranty liability are as follows:

	Year Ended December 31,			
	2009	2010	2011	
	RMB	RMB	RMB	US\$
Beginning balance	123,649	189,233	303,641	48,243
Warranty expense for the current year	72,747	125,155	154,092	24,483
Warranty costs incurred or claimed	(7,163)	(10,747)		
<b>Total accrued warranty cost</b>	<b>189,233</b>	<b>303,641</b>	<b>457,733</b>	<b>72,726</b>
<b>Less: accrued warranty cost, current portion</b>	<b>14,789</b>	<b>22,469</b>	<b>32,383</b>	<b>5,145</b>
<b>Accrued warranty cost, excluding current portion</b>	<b>174,444</b>	<b>281,172</b>	<b>425,350</b>	<b>67,581</b>

*(t) Firm Purchase Commitment*

The Company entered into several long-term fixed price contracts to purchase polysilicon to ensure an adequate supply of polysilicon to operate its plants. These contracts represent firm purchase commitments which are evaluated for potential market value losses. The Company estimates a loss on these firm purchase commitments based on the lower of cost or market with reference to the estimated future sales price of PV modules. In 2011, the Company recognized a provision for inventory purchase commitments of RMB 851,694 (US\$135,321). See note (17) to the consolidated financial statements.

(u) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any tax loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or tax laws is recognized in the consolidated statements of operations in the period the change in tax rates or tax laws is enacted. A valuation allowance is provided to reduce the amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

The Company recognizes in the consolidated financial statements the impact of an unrecognized tax benefit, if the position is not more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax benefits are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's accounting policy is to accrue interest and penalties related to unrecognized tax benefits, if and when required, as interest expense and a component of general and administrative expenses, respectively, in the consolidated statements of operations.

(v) *Commitments and Contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

The Company is exposed to risks associated with liability claims in the event that the use of the PV products the Company sells results in injury. The Company does not maintain any third-party liability insurance coverage other than limited

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product liability insurance or any insurance coverage for business interruption. As a result, the Company may have to pay for financial and other losses, damages and liabilities, including, those in connection with or resulting from third-party product liability claims and those caused by natural disasters and other events beyond the Company's control, out of its own funds, which could have a material adverse effect on its financial conditions and results of operations.

**(w) Segment Reporting**

The Company uses the management approach in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions, allocating resources and assessing performance as the source for determining the Company's reportable segments. Management has determined that the Company has only one operating segment, as that term is defined by FASB ASC Topic 280, *Segment reporting*.

**(x) Earnings Per Share**

In accordance with FASB ASC Topic 260, *Earnings Per Share*, basic earnings per share is computed by dividing net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of convertible senior notes and senior secured convertible notes (using the if-converted method) and ordinary shares issuable upon the exercise of outstanding share options, restricted shares and warrants (using the treasury stock method). Potential dilutive securities are not included in the calculation of dilutive earnings per share if the impact is anti-dilutive.

**(y) Fair Value Measurements**

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The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

See note (7) to the consolidated financial statements.

### (z) *Recently Issued Accounting Standards*

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. The Company will implement the provisions of ASU 2011-11 for reporting periods starting January 1, 2013 and does not expect the adoption of ASU 2011-11 will result in any material impact on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply the ASU retrospectively. Early adoption is permitted. In December 2011, the FASB decided to defer the effective date of those changes in ASU 2011-05

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that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05. The Company plans to implement the provisions of ASU 2011-05 by presenting a single consolidated statement of comprehensive income in 2012.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. The Company expects that the adoption of ASU 2011-04 in 2012 will not have a material impact on its consolidated financial statements.

**(3) Accounts Receivable**

Accounts receivable is summarized as follows:

	2010 RMB	December 31, RMB	2011 US\$
Accounts receivable	2,218,801	2,473,683	393,029
Less: Allowance for doubtful accounts	(309,482)	(343,306)	(54,546)
<b>Total accounts receivable, net</b>	<b>1,909,319</b>	<b>2,130,377</b>	<b>338,483</b>

The following table presents the movement of the allowance for doubtful accounts:

	2009 RMB	Year ended December 31,		2011 US\$
		2010 RMB	RMB	
Beginning balance	(986)	(323,025)	(309,482)	(49,172)
Additions	(322,668)	(788)	(45,612)	(7,246)
		13,886	6,624	1,051

Reversal of allowance for doubtful accounts				
Write-off of accounts receivable charged	629	445	5,164	821
<b>Ending balance</b>	<b>(323,025)</b>	<b>(309,482)</b>	<b>(343,306)</b>	<b>(54,546)</b>

As part of its ongoing control procedures, management monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. Credit terms are normally 3 months from the date of billing. For certain customers the Company requires an advance payment before the sale is made. Such advance payments are reported as advances from customers in the Company's consolidated balance sheets and amounted to RMB 1,001,292 and RMB 894,021 (US\$142,045) as of December 31, 2010 and 2011, respectively. The Company also requires certain customers to secure payment by a letter of credit issued by the customers' banks. Letters of credit have terms less than 90 days. Until the letter of credit is drawn and the amount is paid, the amount due from the customer is recorded as accounts receivable. As of December 31, 2010 and 2011, 91% and 44%, respectively, of accounts receivable were denominated in currencies other than the RMB.

**(4) Inventories**

Inventories by major category consist of the following:

	2010	December 31,	
	RMB	RMB	2011 US\$
Raw materials	1,182,606	628,818	99,909
Work-in-progress	588,582	346,126	54,994
Finished goods	753,768	1,695,975	269,463
<b>Total inventories</b>	<b>2,524,956</b>	<b>2,670,919</b>	<b>424,366</b>

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Provisions to write-down the carrying amount of obsolete inventory to its estimated net realizable value amounted to RMB 9,590, RMB 16,467 and RMB 469,872 (US\$74,655) for the years ended December 31, 2009, 2010 and 2011, respectively, and were recorded as cost of revenues in the consolidated statements of operations.

**(5) Property, Plant and Equipment**

Property, plant and equipment consist of the following:

	2010 RMB	December 31, RMB	2011 US\$
Buildings	1,413,575	2,247,643	357,115
Machinery and equipment	6,974,703	11,589,915	1,841,452
Furniture and fixtures	31,302	84,562	13,436
Motor vehicles	64,102	89,563	14,230
Construction in progress	2,473,924	2,488,762	395,424
<b>Total property, plant and equipment</b>	<b>10,957,606</b>	<b>16,500,445</b>	<b>2,621,657</b>
Less: Accumulated depreciation	(1,023,650)	(1,836,237)	(291,749)
Less: Impairment		(2,275,024)	(361,465)
<b>Total property, plant and equipment, net</b>	<b>9,933,956</b>	<b>12,389,184</b>	<b>1,968,443</b>

For the year ended December 31, 2011, given the continuing decline in the spot market price of polysilicon, the Company recorded an impairment loss of RMB 2,275,024 (US\$361,465) for property, plant, and equipment with respect to the production of polysilicon based on the present value of expected future cash flows discounted at the weighted average cost of capital.

Depreciation expense on property, plant and equipment was allocated to the following expense items:

	2009 RMB	Year ended December 31, 2010 RMB	2011 RMB	US\$
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Cost of revenues	319,049	432,989	754,977	119,954
Selling expenses	303	1,817	993	158
General and administrative expenses	15,282	24,223	36,473	5,795
Research and development expenses	8,747	12,130	34,355	5,458
<b>Total depreciation expense</b>	<b>343,381</b>	<b>471,159</b>	<b>826,798</b>	<b>131,365</b>

The Company capitalized interest costs as a component of the cost of construction in progress as follows:

	Year ended December 31,			
	2009	2010	2011	
	RMB	RMB	RMB	US\$
Interest cost capitalized	144,179	272,369	202,138	32,117
Interest cost charged to income	376,336	438,011	626,737	99,578
<b>Total interest cost incurred</b>	<b>520,515</b>	<b>710,380</b>	<b>828,875</b>	<b>131,695</b>



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**(6) Derivative Instruments and Hedging Activities**

The Company uses foreign currency forward contracts to manage its exposure to foreign currency risks arising from sales denominated in foreign currency and uses interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on its variable-rate debt instruments. The Company does not speculate using derivative instruments.

**Foreign Currency**

The Company's principal operating subsidiaries Baoding Tianwei Yingli New Energy Resources Co., Ltd. ( Tianwei Yingli ) and Yingli Energy (China) Co., Ltd. ( Yingli China ) are located in the PRC with the Renminbi being its functional currency. However, the majority of these two entity's sales are in currencies other than Renminbi, primarily the EURO and US\$. Any depreciation of the EURO or US\$ against the Renminbi will generally result in foreign exchange losses and adversely affect the Company's results of operations. With an aim to reduce its risk exposure, the Company, on a selected basis, enters into forward contracts with financial institutions to forward sell EURO or US\$ when it entered into certain sales contracts denominated in EURO or US\$ through its PRC operating subsidiaries. Some of these foreign currency forward contracts are qualified as foreign currency cash flow hedges at inception, and thus the change in the fair value of these hedge contracts were initially recognized in accumulated other comprehensive income and reclassified into the consolidated statements of operations in the period that the sale of the related hedged item is recognized or when hedge accounting is discontinued if the foreign currency forward contracts are no longer effective in offsetting cash flows attributable to the hedged risk. During the year ended December 31, 2010, the Company entered into foreign currency forward contracts with a notional amount of EURO 159,580, against its EURO denominated sales. During the year ended December 31, 2011, the Company entered into foreign currency forward contracts with a notional amount of EURO 76,680 and US\$ 48,000 against its EURO and US\$ denominated sales, respectively. As of December 31, 2010 and 2011, the Company had outstanding foreign currency forward contracts with notional amounts of EURO 50,040 and US\$ 48,000, respectively.

**Interest**

The Company's exposure to the risk of changes in market interest rates primarily relates to its bank borrowings. To finance its business operation and expansion, the Company's PRC operating subsidiaries will obtain short-term and long-term bank borrowings. Some of bank borrowings carry variable interest rates. Interest expenses on these banking borrowings may increase as a result of change in market interest rates. With an aim to reduce its interest rate exposure, the Company entered into one long-term interest rate swap contract, with notional amount of US\$70,000, in 2009. As of December 31, 2010 and 2011, the Company had outstanding interest rate swap contracts with notional amounts of US\$ 54,000 and US\$ 45,000, respectively.

**Balance Sheet Classification**

The following summarizes the fair values and location in the consolidated balance sheet of all derivatives held by the Company as of December 31, 2010 and 2011:

	Balance Sheet Classification	Fair Value		
		2010 RMB	2011 RMB	2011 US\$
<b>Assets:</b>				
Foreign currency contract	Prepaid expenses and other current assets	3,834	490	78
Total derivatives designated as hedges		3,834	490	78
<b>Liability:</b>				
Interests rate swap	Other liabilities	30,663	23,370	3,713
Total derivatives not designated as hedges		30,663	23,370	3,713

**Cash Flow Hedge Loss or Gain Recognition**

The following summarizes the loss (gain), recognized in the consolidated statement of operations, of derivatives designated and qualifying as cash flow hedges for the years ended December 31, 2009, 2010 and 2011:

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Derivatives in Cash Flow Hedging Relationships	Amount of Loss (Gain) Recognized in Other Comprehensive Income		Location of Loss (Gain) Reclassified from Other Comprehensive Income into Income/Loss	Amount of Loss (Gain) Reclassified from Other Comprehensive Income into Income/Loss		Amount of Loss Recognized in Loss on Derivative (ineffective portion)	
	RMB	US\$		RMB	US\$	RMB	US\$
<b>2009</b>							
Foreign currency contracts	12,640		Foreign currency exchange losses	12,640		33,003	
<b>2010</b>							
Foreign currency contracts	54,679		Foreign currency exchange losses	54,601			
<b>2011</b>							
Foreign currency contracts	(18,441)	(2,930)	Foreign currency exchange losses	(17,872)	(2,840)		

**Other Derivatives Gains (Losses) Recognition**

The following summarizes the losses and the location in the consolidated statements of operations of derivatives not designated as hedging instruments for the years ended December 31, 2009, 2010 and 2011:

	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative			
		2009 RMB	2010 RMB	2011 RMB	US\$
Derivatives Not Designated as Hedging Instruments					
Foreign currency contracts	Foreign currency exchange losses	(1,420)			
Interest rate swap	Interest expense	(22,986)	(22,945)	(8,481)	(1,347)
Total		(24,406)	(22,945)	(8,481)	(1,347)

(7) **Fair Value Measurements**

(a) *Fair Value Hierarchy*

In accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820), the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2010 and 2011:

	Fair value measurements at December 31, 2010			
	December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
Foreign currency forward contract	3,834		3,834	
<b>Total</b>	<b>3,834</b>		<b>3,834</b>	
<b>Liabilities:</b>				
Interests rate swap contract	30,663			30,663
<b>Total</b>	<b>30,663</b>			<b>30,663</b>

	Fair value measurements at December 31, 2011			
	December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
Foreign currency forward contract	490		490	
<b>Total</b>	<b>490</b>		<b>490</b>	
<b>Liabilities:</b>				
Interests rate swap contract	23,370			23,370
<b>Total</b>	<b>23,370</b>			<b>23,370</b>

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The following table presents the Company's activity for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the year ended December 31, 2009, 2010 and 2011:

	<b>Liabilities</b>
	<b>Interest rate swap</b>
Balance at December 31, 2008	
Total realized and unrealized losses:	
Included in income	22,986
Included in other comprehensive income	
<b>Balance at December 31, 2009</b>	<b>22,986</b>
Total losses for 2009:	
included in income attributable to the change in unrealized losses relating to liabilities held at December 31, 2009	22,986

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	<b>Liabilities</b>
	<b>Interest rate swap</b>
Balance at December 31, 2009	22,986
Total realized and unrealized losses:	
Included in income	22,945
Included in other comprehensive income	
Settlement	(15,268)
<b>Balance at December 31, 2010</b>	<b>30,663</b>
Total losses for 2010:	
included in income attributable to the change in unrealized losses relating to liabilities held at December 31, 2010	7,677

	<b>Liabilities</b>
	<b>Interest rate swap</b>
Balance at December 31, 2010	30,663
Total realized and unrealized losses:	
Included in income	8,481
Included in other comprehensive income	
Settlement	(15,774)
<b>Balance at December 31, 2011</b>	<b>23,370</b>
Total gain for 2011:	
included in income attributable to the change in unrealized gain relating to liabilities held at December 31, 2011	(7,293)

The following table presents fair value measurements of assets and liabilities that are measured at fair value on a nonrecurring basis at December 31, 2011:

Description	December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total losses
Property, plant and equipment, net	12,389,184			12,389,184	2,275,024
Goodwill				Nil(*)	273,382

\* As further described in note (23), the Company recorded a full impairment of its goodwill based on its estimated implied fair value of nil as of December 31, 2011. The estimated implied fair value was determined based on certain Level 3 unobservable inputs.

(b) *Fair Value of Financial Instruments*

Management used the following methods and assumptions to estimate the fair value of financial instruments at the relevant balance sheet dates:

- Short-term financial instruments (cash, restricted cash, accounts receivable, amounts due from related parties, accounts payable, short-term borrowing, and amounts due to related parties) - cost approximates fair value because of the short maturity period.
- Long-term debt and long-term payable (included in other liabilities) - fair value is based on the amount of future cash flows associated with each debt instrument discounted at the Company's current borrowing rate for similar debt instruments of comparable terms. The carrying value of the long-term debt and long-term payable approximate their fair values as all the long-term debts and long-term payable carry variable interest rates which approximate rates currently offered by the Company's bankers for similar debt instruments of comparable maturities.



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- Convertible senior notes - as of December 31, 2010 and 2011, the fair value of the convertible senior notes, determined based on quoted market value of the notes, was approximately US\$1,395 and US\$1,479 (RMB9,317), respectively.
- Senior secured convertible notes - It is not practicable to estimate the fair value of the Company's senior secured convertible notes without incurring excessive costs because of the lack of an unobservable market data and complexity of the conversion rate adjustment feature. Additional information pertinent to these notes is provided in note (12).
- Medium-term notes - fair value is based on the amount of future cash flows associated with the debt instrument discounted at the Company's current borrowing rate for similar debt instruments of comparable terms. As of December 31, 2011, the carrying value of the medium-term notes approximate its fair value as the current incremental borrowing rate for similar types of borrowing arrangements did not differ significantly from the borrowing rate carried by the medium-term notes.
- Foreign currency forward contract - as of December 31 2010 and 2011, the fair value is determined by discounting estimated future cash flow, which is based on the changes in the forward rate.
- Interests swap contract - as of December 31, 2010 and 2011 the fair value is determined by using pricing models developed based on the LIBOR swap rate and other unobservable market data.

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**(8) Equity Investments**

Equity investments are RMB 25,804 and RMB 25,127 (US\$ 3,992) as of December 31, 2010 and 2011, respectively, which are included in other assets in the consolidated balance sheets.

The Company's 50% equity investment in Tibet Tianwei Yingli New Energy Resources Co., Ltd. (Tibetan Yingli) is accounted for under equity method. As of December 31, 2010 and December 31, 2011, the Company's advances to Tibetan Yingli was RMB 9,308, which assisted Tibetan Yingli in supporting their operating activities and was included in the carrying value of equity investments. Given the continuing losses sustained by Tibetan Yingli, the Company made full provision of RMB 8,720 (US\$1,385) for the equity investment as of December 31, 2011.

In July 2007, the Company acquired a 30% equity interest in Baoding Dongfa Tianying New Energy Resources, Co., Ltd. (Dongfa Tianying) for RMB 3,000. The purchase price approximated 30% of the fair value of Dongfa Tianying's net assets. Consequently, no investor level goodwill was recognized. In April 2009, the Company disposed the investment with proceeds of RMB 3,000 and loss of RMB 940 was recorded as equity in losses of affiliates, net for the year ended December 31, 2009.

In February 2009, Yingli China and two other entities, unrelated to the Company, established Beijing Badaling Green Photovoltaic Power Generation Co., Ltd.. Yingli China contributed RMB 600 to acquire a 10% equity interest. The investment is accounted for under cost method.

In September 2009, Yingli China and two other entities, unrelated to the Company, established Hainan Solar Power Company Limited. Yingli China contributed RMB 6,000 to acquire a 20% equity interest. In 2011, Yingli China further injected cash of RMB 20,362 (US\$3,235) while the other investors made proportional cash injection to remain the same ownership interest for each investor. The investment is accounted for under equity method.

In February 2010, Yingli China and two other entities, unrelated to the Company, established Beijing Jingyi Renewable Energy Engineering Co., Ltd.. Yingli China contributed RMB 10,000 to acquire a 10% equity interest. In July 2011, Yingli China injected cash of RMB 1,875 (US\$298) while the other investors made proportional cash injection to remain the same ownership interest for each investor. The investment is accounted for under cost method.

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In September 2011, Yingli Beijing and a subsidiary of Yingli Group, established Beijing Shuntong Wuliu Co., Ltd. Yingli Beijing contributed RMB 1,470 (US\$234) to acquire 49% equity interest. The investment is accounted for under equity method.

### (9) Borrowings

#### (a) Current

Short-term borrowings and current installments of long-term debt consist of the following:

	Year ended December 31,		
	2010 RMB	RMB	2011 US\$
Guaranteed by bank deposit	869,415	900,890	143,137
Guaranteed by related parties	1,647,241	3,197,817	508,082
Guaranteed by property, plant and equipment	853,000	475,245	75,509
Guaranteed by accounts receivable		12,978	2,062
Unsecured loans	1,826,160	1,911,687	303,736
Current portion of long-term debt (note b)	662,062	1,726,459	274,307
<b>Total short-term borrowings and current portion of long-term debt</b>	<b>5,857,878</b>	<b>8,225,076</b>	<b>1,306,833</b>

Short-term borrowings outstanding (including the current portion of long-term debt) as of December 31, 2010 and December 31, 2011 bore a weighted average interest rate of 4.85% and 6.23% per annum, respectively. All short-term borrowings mature and expire at various times within one year. These facilities contain no specific renewal terms. The Company has traditionally negotiated renewal of certain facilities shortly before they mature.

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b) *Non-current*

	Year ended December 31,		
	2010 RMB	RMB	2011 US\$
Long-term bank debt:			
Secured loan from China Development Bank	357,626	283,541	45,050
Unsecured loan	1,372,527	1,300,000	206,549
Guaranteed by related parties	198,681	1,312,225	208,492
Secured by multiple assets	929,710	2,183,167	346,870
Borrowings from other parties:			
Guaranteed by related parties	300,000		
Guaranteed by property, plant and equipment		99,425	15,797
	3,158,544	5,178,358	822,758
Less: current portion	(662,062)	(1,726,459)	(274,307)
<b>Total long-term borrowings</b>	<b>2,496,482</b>	<b>3,451,899</b>	<b>548,451</b>

In September 2008, Tianwei Yingli entered into a five-year loan of US\$75,000 at an interest rate of 6-month LIBOR plus 3% per annum with a European banking consortium. The loan is unsecured, guaranteed by Yingli Green Energy and repayable in semi-annual installment of US\$9,375 starting from March 15, 2010.

Under its debt agreement, the Company is required to maintain certain financial ratios, including current ratio and net debt to earnings before income taxes, depreciation and amortization ratio. Further, the debt agreements contain restrictions on transfers of assets, loans and contributions over RMB 20,000 to the borrower's subsidiaries and the sales, transfer or disposal of any assets over RMB 300,000.

In December 2011, the Company entered into an amendment to the aforementioned agreement, under which the remaining balance of the bank loan has been fully repaid in March 2012.

In December 2008, Yingli China entered into an eight-year US\$70,000 loan agreement at an interest rate of 6-month LIBOR plus 6% per annum with China Development Bank. The loan is guaranteed by Tianwei Yingli and Mr. Liansheng Miao, the Company's chairman and CEO, and secured by Yingli China's fixed assets. The loan is repayable in annual installment of US\$8,000 for the first two years and US\$9,000 for the remaining six years, respectively, commencing in December 2009.

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In May 2010, Tianwei Yingli entered into a three-year US\$20,000 loan agreement at an interest rate of 12-month LIBOR plus 1.7% per annum with Luso International Banking Ltd. The loan is secured by Yingli Green Energy and repayable upon maturity.

In May 2010, Hainan Yingli New Energy Resources Co., Ltd. ( Yingli Hainan) entered into a five-year RMB 180,000 loan agreement at an interest rate of 5.76% per annum with Industrial and Commercial Bank of China Limited. The loan is guaranteed by Yingli Green Energy and repayable in semi-annual installment of RMB 20,000 starting from August 2011.

In June 2010, Yingli Hainan entered into a five-year RMB 220,000 loan agreement at a floating interest rate of the five-year Renminbi benchmark loan rates as published by the People's Bank of China plus an additional surcharge of 2.5% per annum with Bank of Communications Co., Ltd. The loan is guaranteed by Yingli Green Energy and repayable in an annual installment of RMB 55,000 starting from June 2011.

In July 2010, Yingli China entered into a five-year RMB 500,000 loan agreement at an interest rate of the five-year Renminbi benchmark loan rates per annum with Bank of Communications Co., Ltd. The loan is guaranteed by Yingli Group and Yingli Green Energy and secured by Yingli China's fixed assets. The loan is repayable in annual installment of RMB 70,000, RMB 140,000, RMB 170,000 and RMB 120,000 in 2011, 2012, 2013 and 2014, respectively.

In August 2010, Tianwei Yingli entered into a two-year RMB 1,000,000 loan agreement at an interest rate applicable to the Export Seller's Credit which is renewed quarterly with the Export-Import Bank of China. The loan is unsecured and repayable upon maturity.

In February 2011, Yingli Hainan entered into a five-year RMB 400,000 (US\$63,554) loan agreement with China Merchants Bank at an interest rate of the five-year Renminbi benchmark loan rate per annum. As of December 31, 2011, the Company withdrew RMB 358,000 (US\$56,880) under this agreement. The loan is guaranteed by Yingli Hainan's fixed assets.

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In March 2011, Yingli China entered into a 45-month RMB 1,000,000 (US\$158,884) loan agreement with China Communications Bank at an interest rate of three- to five- year Renminbi benchmark loan rate plus an additional surcharge of 10% per annum. As of December 31, 2011, the Company withdrew RMB 367,480 (US\$58,387) under this agreement. The loan is guaranteed by multiple assets.

In May 2011, Yingli China entered into a 42-month RMB 1,160,000 (US\$184,305) loan agreement with Bank of China and China Citic Bank at an interest rate of three-five year Renminbi benchmark loan rate plus an additional surcharge of 5% per annum. As of December 31, 2011, the Company withdrew RMB 290,000 (US\$46,076) under this agreement. The loan is guaranteed by Yingli Green Energy and Yingli Group.

In October 2011, Tianjin Yingli New Energy Resources Co., Ltd. ( Tianjin Yingli ) borrowed an eight-year RMB 350,000 (US\$55,609) loan from China Development Bank at an interest rate of five-year Renminbi benchmark loan rate per annum and an eight-year US\$ 100,000 loan from China Development Bank at an interest rate of 6-month LIBOR plus 520 basis points per annum. The loan is guaranteed by multiple assets.

In November 2011, Yingli Hainan entered into an eight-year RMB 900,000 (US\$142,996) loan agreement with China Development Bank at an interest rate of five-year Renminbi benchmark loan rate per annum. As of December 31, 2011, the Company withdrew RMB 600,000 (US\$95,330) under this agreement. The loan is guaranteed by multiple assets.

Future principal payments under the above long-term borrowings as of December 31, 2011 are as follows

Year ending December 31,	RMB	US\$
2012	1,726,459	274,307
2013	1,349,600	214,430
2014	881,184	140,006
2015	621,332	98,720
2016	342,451	54,410
Thereafter	257,332	40,885
<b>Total</b>	<b>5,178,358</b>	<b>822,758</b>

As of December 31, 2011, the Company has unused lines of credit of RMB 7,124 million (US\$1,132 million) with remaining terms less than 12 months and RMB 4,890 million (US\$777 million) with remaining terms beyond 12 months.

**(10) Structured Loan**

In January 2009, Yingli China entered into a credit agreement with a fund managed by Asia Debt Management Hong Kong Limited ( ADM Capital ) for a three-year loan facility of up to US\$80,000 with an interest rate of 12% per annum. In connection with the loan, the Company granted 4,125,000 detachable warrants to ADM Capital ( ADM warrants ), exercisable with respect to approximately one-fifth of the warrants every six months starting from the drawdown date of the loan to the third anniversary of the drawdown date of the loan. Each warrant grants the right to acquire one ordinary share at an initial strike price based on the 20-trading day volume weighted average closing price per ADS on the New York Stock Exchange for the period prior to the issuance of the warrant, subject to customary anti-dilution and similar adjustments. In addition, the strike price of the warrants was subject to adjustment based on the volume weighted average closing price per ADS on the New York Stock Exchange for the 20-trading day period commencing on the first business day following the announcement of the 2008 audited annual results if certain conditions as defined in the indenture agreement are met. The Company announced its 2008 audited annual results on June 15, 2009, which did not result in any adjustment to the strike price. The number of warrants to be granted will be determined based on the final size of the loan on the drawdown date but in no event will exceed 6,600,000. The warrant holder has a call option which requires the Company at its discretion to settle the warrants in cash, shares or a mix of cash and shares. The total settlement amount for any option equals the notional amount exercised (i.e. the number of shares issuable under exercised warrants) for such option multiplied by the greater of (i) zero and (ii) the difference between the exercise price relating to such warrant minus the strike price. Further, the warranty holder has a put option, which requires the Company to purchase all unexercised warrants on the termination date at a price of US\$7.00 per warrant. In addition, Yingli Power Holding Company limited ( Yingli Power ), an investment holding company, which held approximately 43% of the equity interest in Yingli Green Energy as of January 2009 and is controlled by Mr. Liansheng Miao, the Company's chairman and CEO, pledged certain ADS of the Company as the collateral for the loan and warrants. The pledged shares will be released upon the Company's repayment of the loan and the warrant holder's exercise or termination of the warrants.

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On April 7, 2009, the Company drew down US\$50,000 (RMB 341,795) of the loan facility and granted 4,125,000 warrants under the warrant agreement at an initial strike price of US\$5.64. Management determined that the warrants should be accounted for as a liability initially at fair value and measured subsequently at fair value with changes in fair value recognized in earnings. The amount of US\$35,021 (RMB 239,307) representing the fair value of the warrants as of April 7, 2009 was bifurcated from the proceeds and recognized as a debt discount. The debt discount is amortized as interest expense using the effective interest rate method over the three-year period the loan is expected to be outstanding. The fair value of the warrants increased to US\$55,811 (RMB 381,297) as of June 30, 2009, which took into account the adjustment to the initial strike price and other modifications as described below, and the change of US\$20,790 (RMB 141,990) in the fair value of the warrants was recognized as a loss from revaluation of embedded derivative in the statements of operations directly.

On June 29, 2009, the Company repaid the loan in full and paid an early repayment penalty of US\$1,000. Upon the repayment, the early repayment penalty, unamortized debt discount and unamortized issuance cost totaling US\$35,817 million (RMB 244,744) were charged to the statements of operations as loss on debt extinguishment.

On June 30, 2009, the Company and ADM Capital revised the warrant agreement and modified the terms as follows:

- The initial strike price decreased from US\$5.64 per share to US\$5.06 per share;
- Upon the exercise of the put option by the warrant holders, the Company may, at its sole discretion, elect to settle the put price in (i) cash, (ii) shares or (iii) a combination of cash and shares; and
- Established a limit on the number of ordinary shares the Company is obligated to issue upon the exercise of the put option by the warrant holder.

This modification allows the Company, at its discretion, to settle the obligation under the put option by issuing equity shares instead of transferring assets (i.e. cash). Management believes that it is more predominant that the warrant holder will exercise its call option under which the Company, at its discretion, could pay cash or issue a variable (but determinable) number of shares to settle the warrants. As a result, the warrants (without the written put option feature) would have been considered indexed to the Company's own stock and would be classified in shareholders' equity. The Company reclassified the entire liability balance of US\$55,811 to shareholders' equity accordingly.



In 2010 and 2011, 1,650,000 and 2,475,000 warrants were exercised and 1,010,211 and 1,444,060 ordinary shares were issued by the Company, respectively. There were no outstanding warrants as of December 31, 2011.

**(11) Convertible Senior Notes**

On December 13, 2007, the Company sold in a public offering an aggregate US\$172,500 principal amount zero coupon convertible senior notes due 2012 (the Convertible Senior Notes). The net proceeds from the offering, after deducting the offering expenses payable by the Company, were approximately US\$166,800. The Convertible Senior Notes are convertible, subject to dilution protection adjustment, at an initial conversion rate of 23.0415 ADSs per US\$1 principal amount of Convertible Senior Notes (equivalent to a conversion price of approximately US\$43.40 per ADS, and a total number of shares to be converted of 3,974,659). Unless previously redeemed, repurchased or converted, the Convertible Senior Notes mature on December 15, 2012, at a redemption price of US\$1.2883 which is equivalent to 128.83% of the US\$1 principal amount to be redeemed.

The Convertible Senior Notes become convertible if any of the following conditions are satisfied:

- (i) the closing sale price of the ADSs for 20 days in a 30 days period exceeds 120% of the conversion price in effect on the last trading day of a quarter end;
- (ii) the average trading price of the Convertible Senior Notes is equal to or less than 97% of the average conversion value of the Convertible Senior Notes. The conversion value is the product of the closing sales price per ADS and the conversion rate;
- (iii) the occurrence of certain corporate transactions; and
- (iv) at any time from October 15, 2012 to December 12, 2012.

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In lieu of delivery of ADSs in satisfaction of the Company's obligation upon conversion of the Convertible Senior Notes, the Company may elect to deliver cash or a combination of cash and ADS, as defined in the indenture agreement, based on the portion the Company elects to settle by ADS and the average ADS trading price.

The Company may, at its option, redeem the Convertible Senior Notes, at any time on or after December 15, 2008 and prior to December 15, 2010 at a price in cash equal to the early redemption amount ( Early Redemption Amount ) if the trading price of the ADSs for at least 20 days in a 30 days period exceeds 150% of the Early Redemption Amount of the notes divided by the conversion rate. The Early Redemption Amount is calculated pursuant to a formula to provide the Note Holders a return of 5.125% per annum, compounded semi-annually. Further, at any time on or after December 15, 2010, the Company has the right to redeem the Convertible Senior Notes at a price in cash equal to the Early Redemption Amount if the trading price of the ADSs for at least 20 trading days in the 30 consecutive trading day period ending on the date one trading day prior to the date of the notice of redemption exceeds 130% of the Early Redemption Amount of the notes divided by the conversion rate.

On December 15, 2010 (the Purchase Date ), the holders of the Convertible Senior Notes may require the Company to purchase all or a portion of their outstanding Convertible Senior Notes pursuant to a formula to provide the holders a return of 5.125% per annum, compounded semi-annually. If a fundamental change (as defined) occurs, the holders may be entitled to a make-whole premium in the form of an increase in the conversion rate or may require the Company to repurchase all or a portion of the Convertible Senior Notes for cash at a repurchase price equal to the Early Redemption Amount.

The Convertible Senior Notes are the Company's senior unsecured obligations and rank equally with all of its existing and future senior unsecured indebtedness, which are effectively subordinated to all of the Company's existing and future secured indebtedness and all existing and future liabilities of Yingli Green Energy's subsidiaries, including trade payables.

Management has determined that the conversion feature embedded in the Convertible Senior Notes should not be bifurcated and accounted for as a derivative pursuant to FASB ASC Topic 815-15, since the embedded conversion feature is indexed to the Company's own stock and would have been classified in shareholders' equity if it were a free-standing derivative instrument. Further, management has determined that the embedded call and put options that may accelerate the settlement of the Convertible Senior Notes are clearly and closely related to the debt host contract because the amount paid upon settlement is fixed at a price equal to the principal amount plus any unpaid guaranteed return to the note holders. Therefore, the embedded call and put options are not accounted for as a separate derivative pursuant to FASB ASC Topic 815-15.

Since the conversion price of the Convertible Senior Notes exceeds the market price of the Company's ordinary shares on the date of issuance, no portion of the proceeds from the issuance was accounted for as the conversion feature. Costs incurred by the Company that were directly attributable to the issuance of Convertible Senior Notes, were deferred and being charged to the consolidated statements of operations using the

effective interest rate method.

On January 1, 2009, the Company adopted FASB ASC Topic 470-20, *Debt with conversion and Other Option*, which requires recognition of both the liability and equity components of convertible debt instruments with cash settlement features. As a result of the adoption of ASC 470-20, the accompanying financial statements reflect the retroactive adjustments to separately account for the debt and equity components (conversion option) of the Convertible Senior Notes as of the date of issuance. The equity component (conversion option) of the Convertible Senior Notes was determined to be US\$6,046 (RMB 44,479) at the issuance date and, accordingly, the initial carrying amount of the Convertible Senior Notes was reduced to US\$166,454 (RMB 1,224,569). The resulting debt discount of US\$6,046 (RMB 44,479) is amortized and interest expense is recognized using an effective interest rate of 6.46%. Further, the Convertible Senior Notes are classified as a current liability as of December 31, 2009 due to the holder's option to require the Company to repurchase the Convertible Senior Notes on December 15, 2010.

On December 15, 2010, US\$171,300 (RMB 1,140,276) aggregate principle amount of the Convertible Senior Notes plus the accrued unpaid interest payable of US\$28,145 (RMB 187,347) was repurchased by the Company and settled in cash, and the remaining principle balance of US\$1,200 (RMB 7,561) will be settled upon the maturity on December 13, 2012.

The Convertible Senior Notes as of December 31, 2010 and 2011 are summarized in the following table:

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	Year ended December 31,		
	2010 RMB	RMB	2011 US\$
Principal amount of Convertible Senior Notes	7,947	7,561	1,202
Cumulative interest payable	174	1,657	263
<b>Net carrying amount</b>	<b>8,121</b>	<b>9,218</b>	<b>1,465</b>
Carrying amount of additional paid-in-capital	43,016	43,016	6,835

Conversion option subject to cash settlement or debt discount is amortized as interest expense through December 15, 2010, the earliest date the holders of the Convertible Senior Notes can demand payment. Debt issuance costs of US\$5,473 as of December 13, 2007 have been capitalized and are being amortized on a straight-line basis, which approximate the effective interest rate method from the date the convertible notes were issued to December 15, 2010.

Interest relating to the Convertible Senior Notes was recognized as follows:

	Year ended December 31,			
	2009 RMB	2010 RMB	RMB	2011 US\$
Contractual coupon interest	65,263	64,786	1,483	236
Amortization of debt discount	12,871	14,103		
Amortization of debt issuance costs	12,453	11,846		
Interest cost capitalized	(25,092)	(34,789)	(362)	(58)
<b>Total interests expense</b>	<b>65,495</b>	<b>55,946</b>	<b>1,121</b>	<b>178</b>

**(12) Senior Secured Convertible Notes**

In 2009, the Company entered into a note purchase agreement with Trustbridge Partners II, L.P. ( Trustbridge ), for up to US\$50,000 in senior secured convertible notes ( Notes ). A first tranche of US\$20,000 (RMB 136,560) Notes was issued in connection with the financing of the Cyber Power acquisition on January 16, 2009 ( First Tranche ). Additional Notes, which are referred to as the Second Tranche , for an aggregate principal amount of US\$29,449 (RMB 201,084) was issued on July 2, 2009.

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The Notes carry an interest rate of 10% per annum which is paid on a quarterly basis and were convertible into the Company's ordinary shares at an initial conversion rate of 17,699 ordinary shares per US\$100 principal amount of Notes (equivalent to a conversion price of approximately US\$5.65 per ADS), subject to certain adjustments. At issuance, each of the Second Tranche Notes will initially be convertible at the conversion rate applicable to the outstanding First Tranche Notes. Unless previously redeemed, repurchased or converted, the Notes mature on January 25, 2012 at a redemption price equal to 152% of the principal amount which guaranteed a rate of return of 15% per annum in addition to the stated coupon rate of 10% per annum aforementioned.

The holders of the Notes have the right, at any time prior to the maturity date of the Notes, to convert the principal amount of the Note plus any accrued but unpaid interest, into shares of the Company.

In addition to the standard dilution protection adjustments, the conversion rate shall be adjusted under the following conditions:

- (i) If the Company issues shares at a price less than the ten day average share price, the conversion rate shall be increased such that the conversion price is equal to such issuance price. No adjustment is made to decrease the conversion rate;
  
- (ii) The conversion rate shall be increased such that the conversion price is equal to the average daily volume-weighted average share price ( VWAP ) (20 day forward looking) as of each of the following dates: (a) the date the Company releases its earnings results for fiscal year 2008; (b) the date the Company releases its earnings results for the second fiscal quarter 2009, and (c) the date the Company releases its earnings results for fiscal year 2009. No adjustment is made to decrease the conversion rate. On February 10, 2009, the Company released its earnings results for fiscal year 2008 and the conversion rate was increased to 22,933 per US\$100 (approximately US\$4.36 per ADS); and

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(iii) On March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2010, the conversion rate shall be increased such that the conversion price is equal to the average daily VWAP of the share (20 day backward looking). No adjustment is made to decrease the conversion rate. The conversion price was adjusted to US\$4.06 per ADS based on the average daily VWAP for 20 days up to December 31, 2011.

Upon a change of control or a termination of trading, the holders of the Notes can require the Company to repurchase all or any portion of the Notes in cash at a price that guarantees a rate of return of 15% per annum in addition to the stated coupon rate of 10% per annum.

The Notes are guaranteed by Mr. Liansheng Miao, the chairman and CEO of the Company, and Yingli Power. In addition, Yingli Power pledged certain ADS of the Company as the collateral for the Notes. Upon any conversion of the Notes into shares of the Company, the collateral shares will be released based on a formula as defined in the indenture agreement. In no event is Yingli Power required to put any additional collateral shares.

Management determined that the conversion feature embedded in the Notes is required to be bifurcated and accounted for as a derivative pursuant to FASB ASC Topic 815, *Derivatives and Hedging*. The fair value of the conversion feature for the First Tranche as of January 16, 2009 was US\$11,969 (RMB 81,538) and bifurcated from the Notes of US\$20,000 (RMB 136,766) as a debt discount. The debt discount of US\$11,969 (RMB 81,538) is amortized over the three-year period the Notes are expected to be outstanding as interest expense using the effective interest rate method. The fair value of the conversion feature increased to US\$25,033 (RMB 170,893) as of May 18, 2009, the modification date as described below. The change of US\$13,064 (RMB 89,355) in the fair value of the embedded derivative liability was recognized as a loss from revaluation of embedded derivative in the statements of operations directly.

On May 18, 2009, the Company entered into a supplemental indenture that established a limit on the number of ordinary shares the Company is obligated to issue, as well as a covenant that prohibits the Company from issuing equity at below market price, subject to certain exceptions. As a result the embedded conversion feature of the Notes discontinued derivative accounting. The fair value of the embedded conversion feature of the First Tranche of the Notes has been classified in shareholders' equity, with amount of US\$25,033 (RMB 170,893) on the date of modification.

At the issuance date, which is also the commitment date of the Second Tranche of the Notes, given that the market price of the ADS was far above the conversion price, all the proceeds from the Second Tranche on July 2, 2009 was recorded as beneficial conversion feature and thus credited to additional paid-in capital. The resulting debt discount of US\$29,449 (RMB 201,210) is amortized over 2.5 years, representing the period of the senior secured convertible note is expected to be outstanding as additional non-cash interest expense using the straight line method.

On June 10, 2009, US\$8,721 (RMB 59,596) of the First Tranche of the Notes was converted to 2,000,000 ordinary shares. In accordance with FASB ASC Topic 815-10, *Derivatives and Hedging-Overall*, US\$4,520 (RMB 30,890), representing the relevant unamortized debt discount remaining at the date of conversion, was recorded as interest expense for the year ended December 31, 2009.

On August 10, 2010, US\$11,279 (RMB 76,410) of the First Tranche of the Notes and US\$ 1,804 (RMB 12,221) of the Second Tranche of the Notes were converted to 2,586,630 and 413,714 ordinary shares, respectively. On September 21, 2010, US\$13,083 (RMB 87,652) of the Second Tranche of the Notes was converted to 3,000,344 ordinary shares. US\$7,514 (RMB 50,857), representing the relevant unamortized debt discount remaining at the dates of conversion was recorded as interest expense for the year ended December 31, 2010.

**(13) Medium-term notes**

Tianwei Yingli has registered its plan to issue up to RMB 2,400,000 RMB-denominated unsecured five-year medium-term notes (the Registered Issue ) with the PRC National Association of Financial Market Institutional Investors ( NAFMII ) on October 13, 2010. The Registered Issue allows Tianwei Yingli to issue RMB-denominated unsecured five-year medium-term notes in two tranches on the PRC inter-bank debenture market. The First Tranche Issue with RMB 1,000,000 was completed on October 13, 2010 and will mature on October 13, 2015. Tianwei Yingli has an option to call the notes at the end of the third year from issuance. Upon exercise of the call option, the re-purchase amount equals to the par value of the notes plus any unpaid interest. The First Tranche bears a fixed annual interest rate of 4.3% per annum in the first three years, which will increase to 5.7% per annum in the remaining two years if Tianwei Yingli chooses not to call the notes on October 13, 2013.

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Management believes that the Company will not exercise the call option at the end of the third year from issuance and computed the effective interest rate of 4.82% evenly for the entire contract term of 5 years.

On May 10, 2011, the second tranche of the medium-term notes with a principle amount of RMB 1,400,000 (US\$222,438), or the Second Tranche Issue, was issued and will mature on May 12, 2016. The Second Tranche Issue bears a fixed annual interest rate of 6.15%.

**(14) Long-term payable**

In September 2009, Yingli China and two other entities, unrelated to the Company, contributed RMB 100,000, RMB 60,000 and RMB 40,000, to establish Yingli Hainan, with equity interest of 50%, 30% and 20%, respectively. In 2010, Yingli China and these two entities, contributed RMB 150,000, RMB 90,000 and RMB 60,000 to Yingli Hainan, respectively. Through an agreement with the 30% equity owner, Yingli China is committed, within a period of three years, to purchase the 30% equity ownership at RMB 150,000 plus interest expenses at a 3-year bank borrowing rate. Any equity return distributed to the 30% equity owner prior to the purchase will be refunded to Yingli Hainan, which is exclusively for the beneficiary of Yingli China.

Yingli Hainan was determined to be a variable interest entity ( VIE ). Through the agreement, Yingli China absorbs 80% of Yingli Hainan s expected losses and receives 80% of Yingli Hainan s expected residual returns and therefore Yingli China has determined that it is the primary beneficiary of Yingli Hainan. The financial statements of Yingli Hainan have been included in the consolidated financial statements of the Company and 20% variable interest not held by the Company is shown as noncontrolling interest. RMB 150,000 cash contribution from the 30% equity owner was accounted for by the Company as a financing arrangement pursuant to *FASB ASC Subtopic 480-10, Distinguishing Liabilities from Equity-Overall*. A liability of RMB 157,654 representing the 30% equity owner s cash contribution of RMB 150,000 plus accrued unpaid interest was included in other liabilities in the consolidated balance sheet as of December 31, 2010.

In January 2011, Yingli China purchased the 30% equity interest at RMB 150,000 (US\$23,833). As a result, Yingli Hainan ceased to be a VIE and became a majority-owned subsidiary of Yingli China. The unpaid interest of RMB 6,419 (US\$1,020) is included in other liabilities in the consolidated balance sheet as of December 31, 2011.

**(15) Share Repurchase Program**



On September 30, 2011, the Company announced that a share repurchase program has been authorized by its board of directors. Under the terms of the approved program, Yingli Green Energy may repurchase up to US\$100 million worth of its issued and outstanding American Depositary Shares ( ADSs ) from time to time over the next 12 months in the open market or in negotiated transactions, subject to market conditions and other factors, as well as relevant rules under the Securities Exchange Act of 1934, as amended. As of December 31, 2011, the Company had repurchased approximately 5.6 million of outstanding ADSs from the open market for a total consideration of US\$19.6 million under the share repurchase program.

**(16) Financial Obligations**

In July 2011, the Company sold certain newly purchased equipments ( leased assets ) with carrying amount of RMB 91,959 (US\$14,611) to a third party (the purchaser-lessor ) for cash consideration of RMB 90,000 (US\$14,300) and simultaneously entered into a five-year contract to lease back the leased assets from the purchaser-lessor. Pursuant to the terms of the contract, the Company is required to pay to the purchaser-lessor quarterly lease payment over five years and is entitled to obtain the ownership of these equipments at a nominal price upon the expiration of the lease. The lease is classified as capital lease. In connection with this sale-leaseback transaction, the Company recognized a loss of approximately RMB 1,959 (US\$311), which is being deferred and amortized in the consolidated statements of operation over the remaining useful lives of the leased assets.

As of December 31, 2011, the gross amount of the equipments and related depreciation recorded under capital lease were as follows:

	RMB	US\$
Equipments	95,034	15,099
Less: accumulated depreciation	(3,205)	(509)
Net Value	91,829	14,590

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As of December 31, 2011, future minimum payments required under non-cancellable sale-leaseback are:

	RMB	US\$
Year ending December 31,		
2012	21,616	3,434
2013	21,616	3,434
2014	21,616	3,434
2015	21,616	3,434
2016	16,333	2,596
Total minimum lease payments	102,797	16,332
Less: Amount representing interest (at interest rate of 7.245%)	15,357	2,440
Present value of net minimum lease payments	87,440	13,892
Current portion	(15,612)	(2,480)
Non-current portion	71,828	11,412

**(17) Provision for Inventory Purchase Commitments**

Until the third quarter of 2008, an industry-wide shortage of high purity polysilicon coupled with growing demand for PV modules caused the increases of polysilicon prices. In order to ensure the adequate supply of polysilicon, the Company entered into several long-term fixed price supply contracts from 2006 to 2011 under which the polysilicon would be delivered from 2009 to 2020. However, from the second quarter of 2011, the polysilicon price has decreased significantly as the result of increased polysilicon manufacturing capacity and the pressure from the decreasing average selling price of PV modules. As a result, the Company recognized a provision of RMB 851,694 (US\$135,321) on its firm purchase commitments under the long-term fixed price polysilicon contracts. RMB 80,592 (US\$12,805) of which is in respect of an obligation to be fulfilled within 12 months and is included in other current liabilities and accrued expenses. The provision was determined by applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory. Given the uncertainty of future polysilicon prices, this loss may or may not be recovered and further losses on the outstanding purchase commitments may be recorded in future periods.

**(18) Income Taxes***Cayman Islands and British Virgin Islands*

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Under the current laws of the Cayman Islands and British Virgin Islands, the Company is not subject to tax on income or capital gains. In addition, upon any payment of dividend by Yingli International, no British Virgin Islands withholding tax is imposed.

### *PRC*

The Company's PRC subsidiaries file separate income tax returns. Effective from January 1, 2008, under the new Enterprise Income Tax Law (the new EIT law), the Company's PRC subsidiaries are subject to PRC income tax at the statutory rate of 25%, except for the followings.

- Prior to January 1, 2008, Tianwei Yingli was entitled to a 2-year full exemption from income tax followed by a 3-year 50% reduction in the income tax rate ( 2+3 tax holiday ) starting from its first profit-making year from a PRC income tax perspective. Tianwei Yingli commenced its 2+3 tax holiday in 2007. The new EIT law and its relevant regulations grandfather the 2+3 Holiday. Accordingly, Tianwei Yingli is subject to income tax at 12.5% from 2009 to 2011.

In 2008, Tianwei Yingli was recognized by the Chinese government as a High and New Technology Enterprise ( HNTE ) under the new EIT law and its relevant regulations.

In 2011, Tianwei Yingli renewed its HNTE qualification, which entitled it to the preferential income tax rate of 15% for 2012 and 2013.

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- In 2008, Yingli China was recognized by the Chinese government as a HNTE under the new EIT law and its relevant regulations, which entitled it to the preferential income tax rate of 15% from 2008 to 2010. In 2011, Yingli China renewed its HNTE qualification, which entitled it to the preferential income tax rate of 15% from 2011 to 2013.
- In 2009, Fine Silicon Co., Ltd. ( Fine Silicon ) was recognized by the Chinese government as a HNTE under the new EIT law and its relevant regulations, which entitled it to the preferential income tax rate of 15% from 2009 to 2011.
- In 2011, Yingli Hainan was recognized by the Chinese government as a HNTE under the new EIT law and its relevant regulations. Being a HNTE located in the Hainan Special Economic Zone, Yingli Hainan is entitled to a 2+3 tax holiday starting from the year in which it first generates operating income. Yingli Hainan elected and was approved to commence its 2+3 tax holiday in 2011. Therefore, Yingli Hainan is entitled to income tax exemption for 2011 and 2012 and subject to the reduced income tax rate of 12.5% from 2013 to 2015.

*Other countries*

The followings are the major tax jurisdictions where the Company's non-PRC subsidiaries are subject to income taxes:

- Yingli Green Energy Europe GmbH ( Yingli Europe ) and Yingli Green Energy Greece Sales GmbH ( Yingli Greece ), two major overseas subsidiaries of the Company, are located in Germany and subject to a corporation income tax rate of 15% plus a solidarity surcharge of 5.5% on corporation income taxes and a trade income tax rate of 12.775%, resulting in an aggregate income tax rate of 28.6%.
- Yingli Green Energy Americas, INC ( Yingli US ), an overseas subsidiary of the Company, is located in New York city of the United States of America and is subject to a federal corporation tax rate of 34% and a state corporation tax rate of 6.8%, resulting in an aggregate income tax rate of 40.8%.

The components of earnings (loss) before income taxes for the years ended December 31, 2009, 2010 and 2011 are as follows:

	Year ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	US\$
Cayman Islands	(654,814)	(341,512)	(255,912)	(40,660)
PRC	116,646	2,304,362	(3,122,969)	(496,190)
U.S.	(668)	(14,006)	17,024	2,705
Other foreign countries	54,275	82,655	(37,333)	(5,932)
<b>Total earnings (loss) before income taxes and noncontrolling interest</b>	<b>(484,561)</b>	<b>2,031,499</b>	<b>(3,399,190)</b>	<b>(540,077)</b>

Income tax expense (benefit) in the consolidated statements of operations consists of the following:

	Year ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	US\$
Current tax expense:				
PRC	94,169	323,539	135,848	21,584
U.S.	40	50	7,380	1,173
Other foreign countries	9,213	24,948	38,855	6,173
Total current income tax expense	103,422	348,537	182,083	28,930
Deferred income tax benefit:				
PRC	(135,253)	(15,071)	(322,506)	(51,241)
Other foreign countries			7,010	1,114
Sub-total	(135,253)	(15,071)	(315,496)	(50,127)
<b>Total income tax expense (benefit)</b>	<b>(31,831)</b>	<b>333,466</b>	<b>(133,413)</b>	<b>(21,197)</b>

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The actual income tax expense (benefit) reported on the consolidated statements of operations differs from the amounts computed by applying the PRC statutory income tax rate of 25% in 2009, 2010 and 2011 to earnings (loss) before income taxes as a result of the following:

	Year ended December 31,			
	2009	2010	2011	US\$
	RMB	RMB	RMB	
Computed expected tax expense (benefit)	(121,140)	507,875	(849,798)	(135,019)
PRC tax rate differential, preferential rate	22,923	(98,715)	17,995	2,859
Tax rate differential for non-PRC entities	140,327	107,259	95,814	15,223
Tax holiday	(69,218)	(127,864)	(61,357)	(9,748)
Research and development tax credit	(27,468)	(78,525)	(56,391)	(8,960)
Non-deductible expenses:				
Impairment of goodwill			68,346	10,859
Staff welfare in excess of allowable limits	1,666	1,099	2,672	425
Share based compensation	19,006	18,688	18,483	2,937
Entertainment expenses	1,075	1,502	1,335	212
Change in valuation allowance			627,295	99,667
German dividend withholding tax			10,400	1,652
Others	998	2,147	(8,207)	(1,304)
<b>Actual income tax expense (benefit)</b>	<b>(31,831)</b>	<b>333,466</b>	<b>(133,413)</b>	<b>(21,197)</b>

Without the tax holiday the Company's net income (loss) attributable to Yingli Green Energy would have decreased (increased) by RMB (51,226), RMB 94,632 and RMB (52,951) (US\$8,413) for the years ended December 31, 2009, 2010 and 2011, respectively. Basic and diluted earnings (loss) per share for such years would have decreased (increased) as follows:

	Year ended December 31,			
	2009	2010	2011	US\$
	RMB	RMB	RMB	
Basic earnings (loss) per share	(0.37)	0.62	(0.34)	(0.05)
Diluted earnings (loss) per share	(0.37)	0.59	(0.34)	(0.05)

The income tax payable was RMB 113, 219 and RMB (145,029) (US\$ 23,043) as of December 31, 2010 and 2011, which were included in other current liabilities and accrued expenses and prepaid expenses and other current assets in the consolidated balance sheet, respectively.

The principal components of the deferred income tax assets and deferred income tax liabilities are as follows:

	Year ended December 31		
	2010 RMB	2011 RMB	US\$
<b>Gross deferred income tax assets:</b>			
Accounts receivable and prepayments to suppliers	62,534	69,818	11,093
Inventories	2,954	25,761	4,093
Employee benefits	1,692	2,964	471
Accrued warranty	71,869	100,950	16,039
Property, plant and equipment	10,903	623,573	99,076
Change in fair value of derivative instruments	7,955	5,861	932
Net operating loss carryforwards	13,858	102,775	16,329
Investment loss		5,296	841
Provision for inventory purchase commitment		177,373	28,182
<b>Total gross deferred income tax assets</b>	<b>171,765</b>	<b>1,114,371</b>	<b>177,056</b>
Valuation allowance		(627,295)	(99,667)
<b>Net deferred income tax assets</b>	<b>171,765</b>	<b>487,076</b>	<b>77,389</b>
<b>Gross deferred income tax liabilities:</b>			
Property, plant and equipment	(37,041)	(37,698)	(5,990)
Intangible assets	(33,143)	(21,312)	(3,386)
Change in fair value of derivative instruments	(525)		
Withholding income tax		(7,010)	(1,114)
<b>Total gross deferred income tax liabilities</b>	<b>(70,709)</b>	<b>(66,020)</b>	<b>(10,490)</b>
<b>Net deferred tax assets</b>	<b>101,056</b>	<b>421,056</b>	<b>66,899</b>

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	Year ended December 31		
	2010 RMB	RMB	2011 US\$
Current deferred income tax assets, included in prepaid expenses and other current assets	85,117	168,256	26,733
Non-current deferred income tax assets, included in other assets	15,939	293,794	46,679
Current deferred income tax liabilities, included in other current liabilities and accrued expenses		(7,010)	(1,114)
Non-current deferred income tax liabilities, included in other liabilities		(33,984)	(5,399)
<b>Net deferred income tax assets</b>	<b>101,056</b>	<b>421,056</b>	<b>66,899</b>

Tax loss carryforwards of the Company's PRC subsidiaries amounted to RMB70,862 (US\$90,701) as of December 31, 2011, of which RMB 8,020, RMB 25,464, RMB 55,486 and RMB 481,892 will expire if unused by December 31, 2013, 2014, 2015 and 2016, respectively.

For the year ended December 31, 2011, there is an increase in the valuation allowance by RMB 627,295 (US\$99,667). Given the continuing decline in the spot market price of polysilicon, management does not expect Fine Silicon is able to generate sufficient income in the foreseeable future to utilize its deferred income tax assets. Accordingly, as of December 31, 2011, a full valuation allowance was provided for its deferred income tax assets of RMB 627,295 (US\$99,667).

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of the remaining deductible temporary differences recognized as of December 31, 2010 and 2011. The amount of the deferred income tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The new EIT law and its relevant regulations impose a withholding income tax at 10%, unless reduced by a tax treaty, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on January 1, 2008 and undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. As of December 31, 2011, the Company has not recognized a deferred income tax liability of RMB 335,636 (US\$53,327) for the undistributed earnings of RMB 3,356,355 (US\$533,271) generated by the PRC subsidiaries as of December 31, 2011 as the Company plans to indefinitely reinvest these earnings in the PRC.



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The German tax law and its relevant regulations impose a withholding income tax at 26.375% for dividends distributed by a Germany-resident enterprise to its immediate holding company outside Germany. As of December 31, 2011, the Company has not recognized a deferred income tax liability of RMB 10,251 (US\$1,629) for the undistributed earnings of RMB 38,865 (US\$6,175) generated by the subsidiaries in Germany.

For each of the years ended December 31, 2009, 2010 and 2011, the Company did not have any unrecognized tax benefits and thus no interest and penalties related to unrecognized tax benefits were recorded. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months. According to the

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PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances where the underpayment of taxes is more than RMB 100 (US\$16). In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. The tax returns of the Company's PRC subsidiaries for the tax years 2006 to 2011 are open to examination by the relevant tax authorities.

**(19) Share-Based Compensation**

On December 28, 2006, the Company adopted the 2006 Stock Incentive Plan (the Plan). The Plan provides for both the granting of stock options and other stock-based awards such as restricted shares to key employees, directors and consultants of the Company. The Plan was subsequently amended by the Company's board of directors and shareholders to increase the number of ordinary shares that the Company is authorized to issue. The amendment did not change any other provisions of 2006 Stock Incentive Plan. As of December 31, 2011, the Company is authorized to issue under the 2006 Stock Incentive Plan 12,745,438 shares. Among these shares, up to 2,715,243 shares may be issued for the purposes of granting awards of unvested shares and up to 10,030,195 shares may be issued for the purpose of granting stock option.

***Restricted shares***

On January 19, 2007, the Company's board of directors granted 2,576,060 unvested shares for the benefit of 68 participants, consisting of 1,576,300 unvested shares granted to eight directors and officers of Yingli Green Energy and Tianwei Yingli and 999,760 unvested shares granted to 60 other employees of the Company. The unvested shares have been placed in a trust, which is controlled and managed by the Company. The shares vest with continued employment and ratably in 20% increments over a five-year period, beginning on January 19, 2008, the first anniversary following the award grant date. The unvested shares fully vest upon termination of service resulting from death or disability of the participant that is due to work-related reasons or upon a change of control in the Company. For a period of six months after any shares are vested, the Company has the option to purchase all or part of the vested shares at the then fair market value. Any vested shares that are not repurchased by the Company during the six-month period would be distributed to the participant.

Share-based compensation expense with respect to the unvested shares was measured based on the estimated fair value of the Company's ordinary shares at the date of grant of US\$4.96 and is recognized on a straight-line basis over the five-year period. The estimated fair value of the ordinary shares on the date of the above grant was determined by management with reference to the issuance price of the preferred shares since there was no existence of a public or active market of the Company's ordinary shares and the preferred shares convert to ordinary shares on a one to one basis. Further, the estimated per ordinary share fair value of US\$4.96 approximated the issuance price of the preferred shares of US\$4.835 issued in December 2006 and January 2007, which was negotiated and agreed between the Company and a group of third party

investors on an arm's length basis.

In April, 2007, the Board of Directors of the Company approved the granting of 30,000 and 15,000 non-vested shares to one executive and one third-party consultant, respectively. Share-based compensation expense with respect to the unvested shares granted to the employee was measured based on the estimated stock issuance price of the Company's IPO of US\$11 at the date of grant and is recognized on a straight-line basis over the five-year period. The Company granted unvested shares to the consultant in exchange for certain services to be provided. The Company accounts for equity instrument issued to non-employee vendors in accordance with the provisions of FASB ASC Topic 505-50, *Equity-based Payments to Non-employees* (ASC Topic 505-50) under the fair value method. The measurement date of the fair value of the equity instrument issued is the date on which the consultant's performance is completed. Prior to the measurement date, the equity instruments are measured at their then-current fair values at each of the reporting dates. Share-based expense recognized over the service period is adjusted to reflect changes in the fair value of the Company's ordinary shares between the reporting periods up to the measurement date.

A summary of the non-vested restricted share activity for the years ended December 31, 2009, 2010 and 2011 is as follows:

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	Number of Non-vested Shares	Grant date Weighted Average Fair Value
<b>Outstanding as of December 31, 2008</b>	<b>2,096,848</b>	<b>US\$ 5.22</b>
Granted	24,000	US\$ 3.89
Vested	(530,212)	US\$ 5.24
Forfeited	(31,344)	US\$ 9.59
<b>Outstanding as of December 31, 2009</b>	<b>1,559,292</b>	<b>US\$ 5.10</b>
Vested	(527,764)	US\$ 4.97
<b>Outstanding as of December 31, 2010</b>	<b>1,031,528</b>	<b>US\$ 5.00</b>
Granted	20,000	US\$ 5.95
Vested	(525,764)	US\$ 5.02
Forfeited	(2,448)	US\$ 4.96
<b>Outstanding as of December 31, 2011</b>	<b>523,316</b>	<b>US\$ 5.02</b>

The total fair value of the restricted shares vested for the years ended December 31, 2009, 2010 and 2011 is US\$2,778, US\$2,623 and US\$2,639, respectively.

The amount of compensation cost recognized for restricted shares for the years ended December 31, 2009, 2010 and 2011 is as follows:

	Year ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	US\$
Cost of revenues	1,113	1,103	1,047	166
Selling expenses	724	717	612	97
General and administrative expenses	16,712	15,206	14,606	2,321
Research and development expenses	205	225	192	30
<b>Total compensation cost recognized for restricted shares</b>	<b>18,754</b>	<b>17,251</b>	<b>16,457</b>	<b>2,614</b>

*Stock options*

A summary of stock options activity for the years ended December 31, 2009, 2010 and 2011 is as follows:

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	Number of Stock options	Weighted Average exercise price	Weighted Average remaining contractual term	Aggregate intrinsic Value
<b>Outstanding as of December 31, 2008</b>	<b>4,363,213</b>	<b>US\$ 10.32</b>		
Granted	503,000	US\$ 6.65		
Exercised	(159,417)	US\$ 4.16		US\$ (1,857)
Forfeited	(147,557)	US\$ 7.16		
<b>Outstanding as of December 31, 2009</b>	<b>4,559,239</b>	<b>US\$ 10.23</b>		
Granted	426,500	US\$ 11.63		
Exercised	(139,200)	US\$ 4.28		US\$ (780)
Forfeited	(33,652)	US\$ 3.18		
<b>Outstanding as of December 31, 2010</b>	<b>4,812,887</b>	<b>US\$ 10.58</b>		
Granted	4,030,306	US\$ 5.19		
Exercised	(25,250)	US\$ 3.66		US\$ (4)
Forfeited or cancelled	(2,993,837)	US\$ 14.95		
<b>Outstanding as of December 31, 2011</b>	<b>5,824,106</b>	<b>US\$ 4.63</b>	<b>7.21 years</b>	<b>US\$ 1,427</b>
Vested and expected to vest as of December 31, 2011	5,824,106	US\$ 4.63	7.21 years	US\$ 1,427
Exercisable as of December 31, 2011	2,566,125	US\$ 4.56	6.68 years	US\$ 1,234

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The weighted average option fair value of US\$4.51 per share or an aggregate of US\$2,271 on the date of grant during the year ended December 31, 2009, the weighted average option fair value of US\$7.70 per share or an aggregate of US\$3,284 on the date of grant during the year ended December 31, 2010 and the weighted average option fair value of US\$2.47 per share or an aggregate of US\$9,938 on the date of grant during the year ended December 31, 2011 were determined based on the Black-Scholes option pricing model, using the following weighted average assumptions :

	<b>Year ended December 31,</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Expected volatility	73%	73%	94%
Expected dividends yield	0%	0%	0%
Expected term	5.96 years	6.20 years	6.07 years
Risk-free interest rate (per annum)	3.58%	2.10%	1.74%
Estimated fair value of underlying ordinary shares (per share)	US\$4.51	US\$7.70	US\$6.72

Prior to 2011, the Company does not have a sufficient historical transaction data to calculate the volatility following its IPO. The expected volatility was based on historical volatilities of comparable publicly traded companies engaged in similar industry. Starting in 2011, the Company's calculation of expected volatility was based on the historical volatility of the Company's stock price. Other computational methodologies and assumptions remained unchanged.

The total fair value of the stock options vested for the years ended December 31, 2009, 2010 and 2011 is US\$ 7,628, and US\$7,834 and US\$2,586, respectively.

In November 2011, the Company reduced the exercise price and extended the vesting periods of 2,811,306 share options held by employees and management. The total incremental fair value related to the modification amounted to US\$1,749, which was calculated based on the excess of the fair value of the modified share options over the fair value of the original share options at the date of the modification. The Company has separately accounted for the incremental fair value and recognizes the incremental fair value as share-based compensation expense over the period from the modification date to the date when the modified share option vest, with the unamortized compensation cost from original award recognized over the remainder of the original vesting period. The modified share options were included in the number of share options forfeited or cancelled and number of share options granted for the year ended December 31, 2011.

The Company accounts for stock options in accordance with ASC Topic 718, by recognizing compensation cost based on the grant-date fair value over the period during which an employee is required to provide service in exchange for the award. No income tax benefit was recognized in the statements of operations for these share options as such compensation expenses are not deductible for PRC tax purposes. The amount of

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compensation cost recognized for stock options for the years ended December 31, 2009, 2010 and 2011 is as follows:

	2009	Year ended December 31,		2011	US\$
	RMB	2010 RMB	RMB		
Cost of revenues	2,562	3,236	5,128		815
Selling expenses	8,839	9,672	9,212		1,464
General and administrative expenses	44,157	42,152	39,104		6,212
Research and development expenses	1,715	2,442	3,957		629
<b>Total compensation cost recognized for stock options</b>	<b>57,273</b>	<b>57,502</b>	<b>57,401</b>		<b>9,120</b>

As of December 31, 2011, US\$11,060 of unrecognized compensation expense related to stock options and unvested shares are expected to be recognized over a weighted average period of approximately 1.41 years.

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**(20) Earnings per share***Basic and diluted earnings per share*

Basic earnings per share and diluted earnings per share have been calculated in accordance with ASC Topic 260, *Earnings Per Share*, for years ended December 31, 2009, 2010 and 2011 as follows:

	2009	Year ended December 31,		2011	
	RMB	2010	RMB	RMB	US\$
<b>Numerator:</b>					
Numerator for basic and diluted earnings (loss) per share	(531,595)	1,386,776	(3,208,911)		(509,845)
<b>Denominator:</b>					
Denominator for basic earnings per share - Weighted-average ordinary shares outstanding	138,759,177	151,542,518	156,805,040		156,805,040
Stock options		1,770,501			
Restricted shares		829,171			
ADM warrants		2,416,007			
Denominator for diluted earnings (loss) per share	138,759,177	156,558,197	156,805,040		156,805,040
Basic earnings (loss) per share	(3.83)	9.15	(20.46)		(3.25)
Diluted earnings (loss) per share	(3.83)	8.86	(20.46)		(3.25)

The following table summarizes potential common shares outstanding excluded from the calculation of diluted earnings (loss) per share for the years ended December 31, 2009, 2010 and 2011, because their effect is anti-dilutive:

	Year ended December 31,		
	2009	2010	2011
Shares issuable pursuant to convertible senior notes	3,974,659	27,650	27,650
Shares issuable pursuant to senior secured convertible notes	9,340,967	3,339,525	3,339,525
Shares issuable under stock options and restricted shares	6,118,531		2,556,742
Shares issuable upon exercise of ADM warrants	4,125,000		1,540,773



Baoding Tianwei Baobian Electric Co., Ltd. ( Tianwei Baobian ), a related party, holds 25.99% equity interest in Tianwei Yingli. Under a Sino-foreign equity joint venture company contract with Tianwei Baobian, the Company granted to Tianwei Baobian a right to subscribe for newly issued ordinary shares of the Company in exchange for all but not part of Tianwei Baobian's equity interest in Tianwei Yingli. Tianwei Baobian may exercise this subscription right after certain conditions are satisfied following the completion of the Company's IPO. Tianwei Baobian's subscription rights to subscribe for newly issued ordinary shares of the Company in exchange for all but not part of Tianwei Baobian's equity interest in Tianwei Yingli did not have an effect on earnings per share as these rights are contingent on the fulfillment of certain conditions in the future.

**(21) Related-Party Transactions**

For the years presented, in addition to the transaction described in note (8) and note (9), the principal related party transactions and amounts due from and due to related parties are summarised as follows:

	<b>2009</b>	<b>Year ended December 31,</b>		<b>2011</b>	
	<b>RMB</b>	<b>2010</b>	<b>RMB</b>		<b>US\$</b>
		<b>RMB</b>			
Sales of products to related parties (note (a))	49,144	293,101	343,226		54,533
Purchase of raw materials from related parties (note (b))	771,158	1,435,562	1,322,363		210,102

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	2010 RMB	December 31, RMB	2011 US\$
Accounts receivable from related parties (note (a))	190,486	281,509	44,727
Prepayments for materials to related party suppliers (note (b))	97,566	157,226	24,981
Other amounts due from related parties (note (c))	3,512	116,807	18,560
<b>Total due from related parties</b>	<b>291,564</b>	<b>555,542</b>	<b>88,268</b>
Prepayments for construction of property, plant and equipment to related party suppliers (note (d))		70,744	11,240
<b>Total other due from related parties</b>		<b>70,744</b>	<b>11,240</b>
Amounts due to related parties (note (b))	(84,481)	(242,575)	(38,541)
<b>Total due to related parties</b>	<b>(84,481)</b>	<b>(242,575)</b>	<b>(38,541)</b>

## Notes:

(a) The Company sold PV modules of RMB 2,854, RMB 14,020 and RMB 9,439 (US\$1,500) to its affiliate, Tibetan Yingli, for the years ended December 31, 2009, 2010 and 2011. The Company sold products of RMB 36,589, RMB 105,598 and RMB 96,386 (US\$15,314) to the subsidiaries of Yingli Group for the years ended December 31, 2009, 2010 and 2011, respectively. These subsidiaries of Yingli Group are controlled by Mr. Liansheng Miao, the Company's chairman and CEO. The Company sold PV modules of RMB 4,007, RMB 173,483 and RMB 5,844 (US\$928) to an entity whose equity shareholder is a noncontrolling interest holder of the Company's foreign subsidiary for the years ended December 31, 2009, 2010 and 2011, respectively. The Company sold PV modules of RMB 231,557 (US\$36,791) to an affiliate for the year ended December 31, 2011.

(b) The Company purchased raw materials of RMB 250,054, RMB 733,189 and RMB 1,090,362 (US\$173,241) from the subsidiaries of Yingli Group for the years ended December 31, 2009, 2010 and 2011, respectively. The company purchased the services of RMB 62,798 (US\$9,977) from the subsidiaries of Yingli Group for the year ended December 31, 2011. The Company imported the polysilicon of RMB 475,178, RMB 663,012 and RMB 169,203 (US\$26,884) from an entity whose equity shareholder is a noncontrolling interest holder of the Company's foreign subsidiary for the years ended December 31, 2009, 2010 and 2011, respectively.

(c) Other amounts due from related parties mainly represent the entrusted loan and advances to Yingli Group and its subsidiaries. In 2011, Tianwei Yingli made a one-year entrusted loan of RMB 100,000 (US\$15,888) at an interest rate of 7.22% per annum to a subsidiary of

Yingli Group.

(d) The balance as of December 31, 2011 mainly represents the prepayments to subsidiaries of Yingli Group for the construction of plants, which is included in property, plant and equipment in the consolidated balance sheets.

**(22) Commitments**

As of December 31, 2011, commitments outstanding for the purchase of property, plant and equipment approximated RMB 4,316,866 (US\$685,881).

In order to secure adequate and timely supply of polysilicon, the Company entered into a number of multi-year supply agreements from 2006 through 2011.

A portion of the Company's multi-year supply agreements are structured as "take or pay" arrangements which allow the supplier to invoice the Company for the full purchase price of polysilicon the Company is obliged to purchase each year at predetermined prices, whether or not the Company actually ordered the required volume, purchase obligations under "take or pay" arrangements are as follows:

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Year ending December 31,	RMB	US\$
2012	1,301,955	206,860
2013	2,271,241	360,864
2014	2,397,492	380,923
2015	2,859,348	454,305
2016	2,253,202	357,998
Thereafter	6,792,370	1,079,199
<b>Total</b>	<b>17,875,608</b>	<b>2,840,149</b>

Besides the take or pay arrangements, future minimum obligations under other polysilicon supply agreements amounted to RMB 10,224,888 (US\$1,624,571) as of December 31, 2011.

**(23) Goodwill and Other Intangible Assets****(a) Goodwill**

The Company accounted for its acquisitions of additional equity interests in Tianwei Yingli and Chengdu Yingli prior to December 31, 2008 using the purchase method. This method required that the acquisition cost to be allocated to the assets, including separately identifiable intangible assets, and liabilities assumed based on a pro-rata share of their estimated fair values. The Company made estimates and judgments in determining the fair value of the assets acquired and liabilities assumed based on independent appraisal reports as well as its experience in valuation of similar assets and liabilities. If different judgments or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

Goodwill arose resulting from the Company's acquisition of noncontrolling interest in both Tianwei Yingli (as described below) and Chengdu Yingli. Goodwill is not deductible for tax purposes. The following table sets forth the changes in goodwill for the years ended December 31, 2009, 2010 and 2011:

	RMB
Balances as of December 31, 2009	273,666
Balances as of December 31, 2010	273,666
Impairment	(273,382)

Disposal of a subsidiary	(284)
Balances as of December 31, 2011	
US\$	

On November 20, 2006, December 18, 2006, June 25, 2007 and March 14, 2008, the Company made equity contributions of RMB 130,940, RMB 484,840, RMB 908,600 and RMB 1,750,840 into Tianwei Yingli, respectively, which increased the Company's equity interest in Tianwei Yingli to 53.98%, 62.13%, 70.11% and 74.01%, accordingly. The acquisitions of the noncontrolling interest were accounted for by the Company using the purchase method of accounting. The purchase price allocation for the acquisitions is determined by the management, with reference to their experience in photovoltaic manufacturing business in the PRC.

Based upon indicators of impairment in 2011, which included a significant decrease in market capitalization and a decline in recent operating results, the Company performed an impairment test as of December 31, 2011. The Company represents the single reporting unit as at December 31, 2011 for goodwill impairment test. The first step test resulted in the determination that the fair value of the Company was less than the carrying value of its net assets, including goodwill. The fair value of the Company is determined based on quoted market prices and a control premium. As a result of the second step test, the Company estimated the implied fair value of the goodwill compared to carrying amounts and recorded an impairment charge of RMB 273,382 (US\$43,436) to fully impair the goodwill as of December 31, 2011.

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**(b) Intangible assets**

As of December 31, 2010 and 2011, the Company's intangible assets related to the Company's acquisitions of equity interest in Tianwei Yingli and technical know-how contributed by a noncontrolling interest holder of a subsidiary of the Company, and consisted of the followings:

	December 31, 2010				
	Weighted average amortization period Years	Gross carrying amount RMB	Accumulated amortization RMB	Impairment RMB	Intangibles, net RMB
Trademark	Indefinite	57,672			57,672
Technical know-how	5.7	209,084	(132,803)		76,281
Customer relationship	5.8	66,671	(40,130)		26,541
Order backlog	1.3	23,274	(23,274)		
Short-term supplier agreements	0.5	4,303	(4,303)		
Long-term supplier agreements	9.0	137,820	(6,643)	(131,177)	
<b>Total</b>		<b>498,824</b>	<b>(207,153)</b>	<b>(131,177)</b>	<b>160,494</b>

	December 31, 2011					
	Weighted average amortization period Years	Gross carrying amount RMB	Accumulated amortization RMB	Impairment RMB	Intangibles, net RMB	US\$
Trademark	Indefinite	57,672			57,672	9,163
Technical know-how	5.7	209,084	(171,327)		37,757	5,999
Customer relationship	5.8	66,671	(51,714)		14,957	2,377
Order backlog	1.3	23,274	(23,274)			
Short-term supplier agreements	0.5	4,303	(4,303)			
Long-term supplier agreements	9.0	137,820	(6,643)	(131,177)		
<b>Total</b>		<b>498,824</b>	<b>(257,261)</b>	<b>(131,177)</b>	<b>110,386</b>	<b>17,539</b>

Technical know-how represents self-developed technologies, which were feasible at the acquisition date and technologies contributed by a noncontrolling interest holder of a subsidiary of the Company. These technologies included the design and configuration of the Company's PV

manufacturing line, manufacturing technologies and process for high efficiency silicon solar cells and provision of innovations for continuous improvement of cell efficiencies and manufacturing cost reduction. Management estimated that the economic useful life of technical know-how by taking into consideration of the remaining life cycle of the current manufacturing technologies.

Management estimated the useful life of the customer relationships based primarily on the historical experience of the Company's customer attrition rate and estimated sales to these customers in future years. The straight-line method of amortization has been adopted as the pattern in which the economic benefit of the customer relationship are used, cannot be reliably determined. Order backlog represented several unfulfilled sales agreements where delivery of goods was scheduled through March 2009.

The estimated fair values of short-term and long-term supply agreements were determined based on the present values of the after-tax cost savings of the Company's short-term and long-term supply agreements. The after-tax cost savings of the Company's short-term and long-term supply agreements were based on the difference of price of polysilicon between the agreed purchase price per the supply contracts and the forecasted spot market price at time of the forecasted inventory acquisition. The after-tax costs savings also considered the interest impact of making the pre-payments in accordance with the supply agreements payment terms. Management estimated the useful life of the short-term and long-term supply agreements based upon the contractual delivery periods specified in each agreement. The long-term supply agreements relate to four long-term polysilicon supply agreements with delivery period commencing in 2009.

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The impairment of intangible assets related to long-term supply agreements arising from the aforementioned step-up acquisitions of Tianwei Yingli. Due to the continuous decrease in the price of polysilicon, the Company recognized an impairment loss of RMB 131,177 to reflect the difference between the carrying amount and the fair value of the intangible assets for the year ended December 31, 2009.

The aggregated amortization expense for intangible assets for the years ended December 31, 2009, 2010 and 2011 is as follows:

	2009	Year ended December 31,		2011	
	RMB	2010	RMB		US\$
		RMB			
Cost of revenues					
Long-term supplier agreements	6,643				
Selling expenses					
Customer relationship	11,585	11,585	11,585		1,841
Order back-log	979				
General and administrative expenses					
Technical know-how	37,179	37,229	38,523		6,120
<b>Total amortization expense</b>	<b>56,386</b>	<b>48,814</b>	<b>50,108</b>		<b>7,961</b>

As of December 31, 2011, the estimated amortization expense for the next five years is as follows:

	December 31, 2011 RMB
2012	47,574
2013	3,928
2014	250
2015	250
2016	250

**(24) Acquisition**



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On April 8, 2011, the Company injected RMB 80 million into Baoding Zhongtai New Energy Resources Co., Ltd. ( Baoding Zhongtai ), a private PRC manufacturer of solar products, and acquired 80% of the ownership in Baoding Zhongtai. Baoding Zhongtai was established in June 2010 and started business operations in December 2010 by providing processing services to the Company. The Company intends to further expand its production capacity through this acquisition.

The deemed cash consideration for this acquisition was RMB 16 million, which is calculated based on the 20% noncontrolling interest in the RMB 80 million cash injection. Acquisition related costs, which were not material, have been expensed and included in the general and administrative expenses.

The following table summarizes the acquisition-date fair value of the identifiable assets acquired, the liabilities assumed and the noncontrolling interest (excluding the effect of the RMB 80 million cash capital injection) in connection with the business combination:

	April 8, 2011
	RMB
Total assets	184,382
Total liabilities	(99,129)
<b>Net assets acquired</b>	<b>85,253</b>
<b>Less: noncontrolling interest</b>	<b>17,051</b>
Deemed cash consideration	16,000
<b>Gain on bargain purchase</b>	<b>52,202</b>

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These assets and liabilities were recorded at the acquisition-date fair value. The Company recognized a gain on bargain purchase of RMB 52,202 (US\$8,294) upon the completion of the acquisition.

The results of Baoding Zhongtai's operations are included in the condensed consolidated financial statements for the year ended December 31, 2011 from the date of acquisition on April 8, 2011.

**(25) Geographic Revenue Information**

The following summarizes the Company's revenue from the following geographic areas (based on the location of the customer):

	Year ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	2011 US\$
Europe:				
- Germany	4,575,675	7,078,239	6,595,109	1,047,857
- Spain	431,520	704,355	511,757	81,310
- France	99,915	236,522	352,107	55,944
- Italy	445,861	853,788	700,646	111,321
- Belgium	163,091		70,236	11,159
- Holland	348,710	471,889	222,413	35,338
- Czech	174,405	286,901	9,899	1,573
- Cyprus	162,064	5,264		
- Greece	76,984	453,050	210,487	33,443
- England	9,331	174,875	227,122	36,086
- Others	5,087	41,582	169,516	26,933
<b>Subtotal- Europe</b>	<b>6,492,643</b>	<b>10,306,465</b>	<b>9,069,292</b>	<b>1,440,964</b>
PRC (excluding HK SAR, Macau and Taiwan)	328,505	745,917	3,261,886	518,263
HK SAR	56,862	16,500		
United States of America	147,383	1,216,962	2,137,219	339,570
Japan	1,819	22,854	51,236	8,141
South Korea	218,135	154,769	13,036	2,071
Other countries	9,522	36,520	145,296	23,085
<b>Total net revenues</b>	<b>7,254,869</b>	<b>12,499,987</b>	<b>14,677,965</b>	<b>2,332,094</b>

**(26) Subsequent events**

In January 2012, the Company issued 3,588,025 ordinary shares to Trustbridge at the price of US\$ 4.06 per ADS upon the conversion of the remaining US\$14.6 million senior secured convertible notes due 2012. As a result, the senior secured convertible notes have been fully converted accordingly.