

YINGLI GREEN ENERGY HOLDING CO LTD  
Form 20-F  
April 11, 2014  
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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, 2013**

**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. 3399 Chaoyang North Street, Baoding 071051, People's Republic of China**  
(Address of principal executive offices)

**Yiyu Wang, Chief Financial Officer**

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

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

**No. 3399 Chaoyang North Street**

**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:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Ordinary Shares, par value US\$0.01 per share	New York Stock Exchange
American Depositary Shares, each representing one Ordinary Share	

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:

156,763,770 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

Other

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

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 the 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 following selected consolidated statement of comprehensive income (loss) data (other than ADS data) and other consolidated financial data for the years ended December 31, 2011, 2012 and 2013 and the following selected consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The following selected consolidated statement of comprehensive income (loss) data (other than ADS data) for the years ended December 31, 2009 and 2010 and the following selected balance sheet data as of December 31, 2009, 2010 and 2011 have been derived from our audited consolidated financial statements not included in this annual report.

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

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	Yingli Green Energy					
	For the Year Ended December 31,					
	2009	2010	2011	2012	2013	
	(In thousands, except share, ADS, per share and per ADS data )					
	RMB	RMB	RMB	RMB	RMB	US\$
<b>Consolidated Statement of Comprehensive Income (Loss) Data</b>						
Net revenues	7,254,869	12,499,987	14,667,965	11,391,928	13,418,093	2,216,511
Gross profit (loss)	1,714,373	4,152,785	2,449,679	(368,801)	1,458,854	240,986
Impairment of goodwill			273,382			
Impairment of long-lived assets	131,177		2,275,024	200,497		
Provision for inventory purchase commitments			851,694		480,182	79,320
Income (loss) from operations	318,550	2,780,598	(2,695,068)	(2,523,316)	(1,118,382)	(184,743)
Interest expense	(376,336)	(438,011)	(626,737)	(897,124)	(971,597)	(160,496)
Foreign currency exchange gains (losses)	38,389	(338,216)	(190,475)	(78,599)	(32,230)	(5,324)
Loss on debt extinguishment	(244,744)					
Loss from revaluation of embedded derivative	(231,345)					
Income tax benefit (expense)	31,831	(333,466)	133,413	205,742	(31,025)	(5,125)
Loss (earnings) attributable to the noncontrolling interests	(78,865)	(311,257)	56,866	127,475	110,473	18,249
Net income (loss) attributable to Yingli Green Energy(1)	(531,595)	1,386,776	(3,208,911)	(3,064,412)	(1,944,425)	(321,195)
Basic earnings (loss) per ordinary share and per ADS(1)	(3.83)	9.15	(20.46)	(19.59)	(12.41)	(2.05)
Diluted earnings (loss) per ordinary share and per ADS(1)	(3.83)	8.86	(20.46)	(19.59)	(12.41)	(2.05)
<b>Weighted average ordinary shares and ADSs outstanding</b>						
Basic	138,759,177	151,542,518	156,805,040	156,425,307	156,619,791	156,619,791
Diluted	138,759,177	156,558,197	156,805,040	156,425,307	156,619,791	156,619,791

	Yingli Green Energy					
	For the Year Ended December 31,					
	2009	2010	2011	2012	2013	
	(In percentages )					
<b>Other Consolidated Financial Data</b>						
Gross profit (loss) margin(2)		23.6%	33.2%	16.7%	(3.2)%	10.9%
Operating profit (loss) margin(2)		4.4%	22.2%	(18.4)%	(22.2)%	(8.3)%
Net profit (loss) margin(2)		(7.3)%	11.1%	(21.9)%	(26.9)%	(14.5)%



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	2009	2010	As of December 31,		2013	US\$
			2011	2012		
			(In thousands)			
	RMB	RMB	RMB	RMB	RMB	
<b>Consolidated Balance Sheet Data</b>						
Cash and cash equivalents	3,248,086	5,856,132	4,181,038	2,084,865	1,105,478	182,612
Accounts receivable, net	1,750,898	1,909,319	2,130,377	3,634,151	4,223,730	697,710
Inventories	1,665,021	2,524,956	2,670,919	2,523,550	2,164,902	357,616
Prepayments to suppliers	329,457	573,937	386,939	239,912	640,597	105,819
Total current assets	7,956,475	12,907,061	12,738,295	11,112,874	11,356,528	1,875,964
Long-term prepayments to suppliers	678,311	504,326	1,322,714	1,280,131	884,562	146,119
Property, plant and equipment, net	6,573,851	9,933,956	12,389,184	13,218,200	13,484,122	2,227,418
Total assets	16,257,105	24,188,494	27,483,413	27,153,586	27,449,544	4,534,342
Short-term borrowings, including current portion of long-term debt(3)	3,501,027	5,857,878	8,225,076	7,526,015	6,715,877	1,109,384
Convertible senior notes	1,291,843		9,218			
Total current liabilities	6,939,388	9,782,978	12,949,612	12,940,969	14,302,552	2,362,614
Senior secured convertible notes	100,139	83,213				
Long-term debt, excluding current portion	752,809	2,496,482	3,451,899	4,076,456	4,108,283	678,640
Reserve for inventory purchase commitments			771,102	851,694	1,100,661	181,816
Total liabilities	8,071,246	13,914,878	20,429,752	22,936,815	25,322,479	4,182,976
Shareholders' equity: ordinary shares	11,363	11,881	12,011	12,241	12,252	2,024
Noncontrolling interests	1,550,785	1,922,744	1,892,464	1,846,905	1,619,045	267,447
Total shareholders' equity	8,185,859	10,273,616	7,053,661	4,216,771	2,127,065	351,366

	For the Year Ended December 31,				
	2009	2010	2011	2012	2013
<b>Consolidated Operating Data</b>					
PV modules shipment (in megawatts)(4)	525.3	1,061.6	1,603.8	2,297.1	3,234.3

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

The decrease (increase) in net income (loss) attributable to Yingli Green Energy and decrease (increase) in basic and diluted earnings (loss) per share without the tax holidays for the years ended December 31, 2009, 2010, 2011, 2012 and 2013 are as follows:

	2009	2010	For the Year Ended December 31,		2013	US\$
			2011	2012		
			RMB	RMB		
	RMB	RMB	RMB	RMB	RMB	
Net income (loss) attributable to Yingli Green Energy	(51,226)	94,632	(52,951)		(15,030)	(2,483)

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Basic earnings (loss) per share	(0.37)	0.62	(0.34)	(0.10)	(0.02)
Diluted earnings (loss) per share	(0.37)	0.59	(0.34)	(0.10)	(0.02)

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

(3) Includes loans guaranteed or entrusted by related parties, which amounted to RMB370.0 million, RMB1,647.2 million, RMB3,197.8 million, RMB3,448.5 million and RMB 3,602.9 million (US\$595.2 million), as of December 31, 2009, 2010, 2011, 2012 and 2013, respectively.

(4) PV modules shipment for a given period represents the total PV modules, as measured in megawatts, delivered to customers 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 RMB6.0537 to US\$1.00, the noon buying rate in effect as of December 31, 2013. 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 4, 2014, the noon buying rate as set forth in the H.10 weekly statistical release of the Federal Reserve Board was RMB6.2118 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.

<b>Period</b>	<b>Period End</b>	<b>Noon Buying Rate(1) Average(2) (RMB per US\$1.00)</b>	<b>High</b>	<b>Low</b>
2009	6.8259	6.8307	6.8176	6.8470
2010	6.6000	6.7671	6.6000	6.8330
2011	6.2939	6.4630	6.2939	6.6364
2012	6.2301	6.3093	6.2221	6.3879
2013	6.0537	6.1478	6.0537	6.2438
September				
October	6.0943	6.1032	6.1209	6.0815
November	6.0922	6.0929	6.0903	6.0993
December	6.0537	6.0738	6.0537	6.0927
2014				
January	6.0590	6.0509	6.0402	6.0600
February	6.1448	6.0816	6.1448	6.0591
March	6.2117	6.1707	6.2273	6.1183
April (through April 4, 2014)	6.2118	6.2085	6.2118	6.2054

(1) Source: 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 have 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 subsequent 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 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, the third quarter of 2012 and the first quarter of 2013, primarily caused by the adjustment of subsidies and economic incentives for PV installations as part of government austerity measures in many countries. 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 a slowdown in demand for PV modules, resulted in a decline of prices of PV modules beginning in 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 16.7% for 2011 to negative 3.2% for 2012. 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. While the average selling price of our PV modules has stabilized since the second quarter of 2013 and our gross profit margin increased to 10.9% for 2013, there can be no assurance that we will not experience decreases in the average selling price of our PV modules in the future or further declines in demand for our products, which may materially and adversely affect our financial condition and results of operation.

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***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. Our ability to obtain additional financing in the future is subject to a variety of uncertainties, including (i) our future financial condition, results of operations and cash flows; (ii) general market conditions for financing activities by manufacturers of PV and related products; and (iii) economic, political and other conditions in China and elsewhere.

As a result of weakened macroeconomic conditions including adverse credit market conditions in recent years, 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 resulted and may continue to result in increased fixed obligations and has led and could continue to lead to the imposition of financial or other restrictive covenants that would restrict our operations.

***Our substantial indebtedness could adversely affect our business, financial condition and results of operations, as well as our ability to meet our payment obligations under our debt instruments and further grow our business.***

We have primarily relied on borrowings from commercial banks in China to fund a significant portion of our capital expenditure and working capital needs, and expect to continue to do so in the future. We have a significant amount of debt and debt service requirements. As of December 31, 2013, we had RMB6,715.9 million (US\$1,109.4 million) in outstanding short-term borrowings (including the current portion of long-term debt), RMB3,914.7 million (US\$646.7 million) in outstanding medium-term notes and RMB4,108.3 million (US\$678.6 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 our outstanding debt;
  
- resulting 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 other debt obligations which would lead to such other 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;
  
- limiting our ability to obtain additional financing;

- 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.

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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 our debt instruments.

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.

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

As of December 31, 2011, 2012 and 2013, our outstanding short-term borrowings (including the current portion of long-term debt) were RMB8,225.1 million, RMB7,526.0 million and RMB6,715.9 million (US\$1,109.4 million), respectively, and bore a weighted average interest rate of 6.2%, 5.9% and 5.8% per annum, respectively. 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 significant portion of our borrowings are arranged and guaranteed by our related parties. The deterioration of the guarantors' financial condition may materially and adversely affect our ability to maintain current borrowings or obtain additional borrowings when needed.***

As of December 31, 2011, 2012 and 2013, 38.9%, 45.8% and 53.6%, respectively, of our outstanding short-term borrowings (including the current portion of long-term debt), and 38.0%, 13.5% and 20.7%, respectively, of our outstanding long-term borrowings (excluding the current portion of long-term debt) were arranged or guaranteed by related parties, primarily including Yingli Group, a PRC company controlled by Mr. Liansheng Miao, and its affiliates. If the financial condition of these related-party guarantors deteriorates for any reason, the lenders of our borrowings may require us to provide additional guaranty or collateral to secure our performance under the existing loan agreements, which may not be immediately available at reasonable terms and conditions or at all. If we fail to do so, the banks may declare our breach of contract and accelerate the maturity of the affected borrowings. In addition, any change in these related-party guarantors' financial position or their willingness to provide further guarantees may materially and adversely affect our ability to obtain additional borrowings in the future, which may in turn materially and adversely affect our cash resources and liquidity.

***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 demand for our products, as reflected by 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 subsequent 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.



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***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, subsidies have been reduced or eliminated in some countries such as Germany, Italy and Spain. In June 2012, the German government passed the PV amendment to its renewable energy law (EEG) 2012, which changed the 52 gigawatts capacity threshold, reduced the available PV rate, revised volume-based degression schedule, and limited the amount of electricity that PV generators can export to the grid. On July 5, 2013, the Italian government discontinued feed-in tariff payments, and feed-in tariff for new solar PV projects are no longer available since July 2013. In August 2013, the National Development and Reform Commission, or NDRC, of China adjusted the feed-in tariff for utility scale PV projects from the nationwide benchmark price of RMB1.00 per kWh to three regional variations of RMB0.90 per kWh, RMB0.95 per kWh and RMB1.00 per kWh based on solar resources and construction costs in the relevant regions. The new feed-in tariff policy will apply to all PV plants approved after September 1, 2013 and those approved before that date but are not commissioned on or after January 1, 2014. 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.

***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 2011, 2012 and 2013, 77.8%, 76.7% and 66.1%, respectively, of our total net revenues were derived from our sales to customers outside of China, including customers in Germany, the United States, Greece, Spain, Italy, France, India, Japan, the Netherlands, the United Kingdom, Israel, South Korea and Belgium. We intend to further grow our business activities in China's domestic market and the various international markets, in particular in the United States, Japan, South Africa and selected countries in South America, Southeast Asia and the Middle East 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;
- 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.

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.

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*We are subject to risks relating to adverse trade policies imposed against exports from China in certain of important markets of our products.*

We export a substantial amount of our products to Europe. In 2013, our shipments to Europe accounted for 30.1% of our total revenue for 2013.

On September 5 and November 8, 2012, respectively, the European Union initiated anti-dumping and anti-subsidy investigations of crystalline silicon photovoltaic, or CSPV wafers, cells, and modules from China. On June 4, 2013, the European Commission issued its provisional anti-dumping determination and on August 2, 2013, the European Commission accepted an undertaking, or the Undertaking, made by a group of Chinese PV products exporters (including us) jointly with the China Chamber of Commerce for Import and Export of Machinery and Electronic Products, or CCCME. Pursuant to the Undertaking, the Chinese exporters will limit their exports of solar panels to the EU and set prices above a minimum price, in exchange for the EU agreeing to forgo the imposition of anti-dumping duties on these solar panels from China. CCCME is responsible for allocating the quota among these exporters, and we have been allocated a portion of the quota. On December 5, 2013, the Council of European Union adopted the final findings of the European Commission and imposed anti-dumping and anti-subsidy duties on CSPV modules and key components (i.e. cells) originating in or consigned from People's Republic of China. Wafers were excluded from the product scope. The anti-dumping duty rates ranged from 27.3% to 64.9%, while the anti-subsidy duty rates from 0% to 11.5%. The rates applicable to us are 35.5% and 6.3%, respectively. The definitive duties will be imposed for a two-year period starting from December 6, 2013. At the same time, the Council of European Union also confirmed the acceptance by European Commission of the Undertaking. While we are exempted from paying any anti-dumping and anti-subsidy duties to the EU starting from August 6, 2013, the increased selling price and the reduced consumption on the European market under the Undertaking may bring significant uncertainties to our business in the European market. For example, our customers in Europe may not be willing to purchase our products at a higher price or to accept other restrictions imposed on us by the Undertaking. In addition, if we breach or withdraw from the Undertaking, or the European Commission withdraws its acceptance of the Undertaking, the anti-dumping and anti-subsidy duties will automatically apply to us. Thus, there can be no assurance that our entry into and performance of the Undertaking will eliminate potential material adverse effects of anti-dumping and anti-subsidy duties on our business in Europe and our results of operation.

We also export a substantial amount of our products to the United States. On November 7, 2012, the U.S. International Trade Commission (ITC) determined that CSPV modules produced from Chinese cells are materially injuring the U.S. CSPV cells and modules industry. The U.S. Department of Commerce, or the DOC, issued its final determinations on the rates of the anti-dumping, or AD, and countervailing duties, or CVD, on October 10, 2012, which became effective upon issuance of the final anti-dumping and countervailing duties orders in early December 2012. As a result of such final determinations, we, as a voluntary respondent, are subject to an average aggregated AD/CVD rate of 29.18%. However, this average aggregated AD/CVD rate might be subject to change due to the administrative review process initiated by DOC in early 2014. We are mandatory respondent and in cooperation with the DOC on its first administrative review on the anti-dumping investigation starting from February 3, 2014.

On January 23, 2014, the DOC initiated a parallel AD investigation on CSPV products from Mainland China and Taiwan and CVD investigation on CSPV products from Mainland China. The products concerned are crystalline silicon photovoltaic cells, and modules, laminates and/or panels consisting of crystalline silicon photovoltaic cells, whether or not partially or fully assembled into other products, including building integrated materials. Subject merchandise also includes modules, laminates and/or panels assembled in Mainland China and Taiwan consisting of crystalline silicon photovoltaic cells that are completed or partially manufactured within a customs territory other than Mainland China and Taiwan, using ingots, wafers that are manufactured in Mainland China and Taiwan, or cells where the manufacturing process begins in Mainland China and Taiwan and is completed in other countries. The preliminary CVD result will be published before June 2, 2014 and the preliminary AD result before the end of July, 2014. Since we have been maintaining our supply to the U.S. market sourcing cells from Taiwan to avoid those punitive tariffs imposed against cells and modules from Mainland China, our business in the U.S. market may be materially and adversely impacted if the DOC and ITC finally impose punitive tariffs in these new investigations.

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On November 23, 2012, the Department of Commerce of Government of India initiated its anti-dumping investigation concerning imports of photovoltaic products originating in or exported from Malaysia, China, Taiwan and the United States. Both crystalline silicon and thin-film products are under investigation. Although we have very limited shipment to India during the period that is subject to the investigation, and are therefore not selected as a mandatory respondent, if as the result of such investigation the Indian government imposes anti-dumping duty or other trade protection measures, our prospects in the Indian market may be materially and adversely affected.

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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.

***Our polysilicon cost may be higher than the market level as a result of our long-term polysilicon purchase commitment with fixed prices, and we have failed to perform certain of our long-term polysilicon supply contracts according to their original terms.***

In response to the industry-wide shortage of polysilicon supply in recent years until the third 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 polysilicon has decreased significantly as a result of increased industry-wide polysilicon manufacturing capacity and the pressure from decreasing average selling price of PV modules. To address the significant decrease in polysilicon price, we have renegotiated, and are still negotiating, with our polysilicon suppliers to reduce the purchase price for a substantial amount of polysilicon supplied under certain of our polysilicon supply contracts. However, the purchase prices under certain of our long-term polysilicon supply 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 on our inventory purchase commitment under long-term polysilicon supply contracts as a result of the decline in the polysilicon price. We did not recognize such provision in 2012. In 2013, we recognized an additional provision of RMB 480.2 million (US\$79.3 million) on our inventory purchase commitment under long-term polysilicon supply contracts as a result of our re-assessment of our purchase commitments under long-term polysilicon supply contracts based on then current market price of polysilicon and current status of our performance of, and negotiations with our suppliers under, the long-term supply contracts. Our management has been negotiating with our suppliers on adjusting the prices under these long-term contracts. Should the negotiation results be different from the assessment base on which we recognized such provisions, these provisions would be adjusted accordingly to reflect such a new assessment. If the prices under our current contracts remains to be higher than the market price of polysilicon, we may have higher cost of polysilicon compared with other competitors who purchase their polysilicon from the spot market.

We have not fully performed our long-term polysilicon supply contracts on their original terms due to the continuously declining market price of polysilicon. We have successfully renegotiated the pricing terms with some of our long-term polysilicon suppliers. Although we received various requests from some of our other suppliers for performing such contracts and notices of breach of contracts, up to the date of this annual report, some of these long-term polysilicon suppliers have agreed to supply polysilicon to us at prices comparable to spot market prices under tentative arrangements and on monthly or quarterly basis or continue to have active discussion. While we continue to negotiate with these suppliers on adjustments to the original pricing and supply terms under these contracts, our efforts may not be successful and these suppliers may require us to perform our obligations pursuant to the terms and conditions provided in the original contracts. In addition, they may bring lawsuits against us for damages they may have suffered from our failure to perform these contracts. If we are required to perform these long-term supply contracts according to their original pricing terms, or are ordered to pay substantial amounts of damages to these suppliers, our business, financial condition and results of operations may be materially and adversely affected.

***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 2011, 2012 and 2013, our five largest suppliers supplied in the aggregate approximately 82.6% , 86.6% and 83.4%, 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. Although we plan to refine the production process of Fine Silicon Co., Ltd., or Fine Silicon, in order to produce polysilicon at a cost comparable to or lower than prevailing market prices, we do not expect Fine Silicon to meet any meaningful portion of our polysilicon needs in the near future. See We may not be able to resume our in-house polysilicon production as cost-effective as expected or at all below. 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.

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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.

***Our failure to obtain polysilicon in sufficient quantities, of appropriate quality and in a timely manner could disrupt our operations, 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 third quarter of 2008, there was 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. 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 future capacity expansion plans, if any. 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 third 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 industry-wide 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 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 a result of increased polysilicon manufacturing capacity and the pressure from the decreasing average selling price of PV modules. In 2012, polysilicon prices continued to decline and reached a historical low of approximately US\$14 per kilogram in November 2012. Since June 2013, polysilicon prices began to increase and reached slightly above US\$20 per kilogram as of the date of this annual report.

In 2012, the Ministry of Commerce of People's Republic of China, or MOFCOM, initiated anti-dumping and anti-subsidy investigations on imports of solar-grade polysilicon originating in the United States, South Korea and the European Union. On January 20, 2014, MOFCOM issued its final determination imposing anti-dumping and anti-subsidy duties for 5 years on imports of solar-grade polysilicon originating in the United States and South Korea at aggregated rates ranging from 2.4% to 59.1%. On January 24, 2014, MOFCOM preliminarily ruled that imports of solar-grade polysilicon originating in European Union were subsidized at a rate of 10.7% and were selling at dumping prices margining from 21.8% to 68.9%. On March 20, 2014, MOFCOM announced that it accepted an Undertaking proposal submitted by Wacker Chemie AG, an EU based supplier. According to Wacker, the Undertaking agreement will enter into effect from May 1, 2014 and will last until the end of April 2016. In response to MOFCOM refraining from applying anti-dumping and anti-subsidy duties on its products, Wacker undertakes not to sell its polysilicon produced at its European plants below a specific minimum price in China. Polysilicon is one of our major

raw materials for the production of wafers, which also affects the production of PV cells and modules. A large portion of the sourcing of polysilicon is from the countries that are subject to the above mentioned investigations. Therefore, such anti-dumping and anti-subsidy duties (whether provisional or final) imposed by MOFCOM may increase our cost of production for solar modules. Partly due to China's anti-dumping and anti-subsidy investigations against the United States, South Korean and the European Union polysilicon manufactures, together with the increase in demand, since June 2013, polysilicon prices began to increase and reached slightly above US\$20 per kilogram as of the date of this annual report. There can be no assurance that the polysilicon price will not increase significantly 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.

*We depend, and expect to continue to depend, on a limited number of customers for a significant percentage of our revenues. 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.*



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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 2011, 2012 and 2013, sales to our five largest customers accounted for approximately 27.7%, 26.0% and 15.2%, respectively, of our net revenues. 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, 2011, 2012 and 2013, our five largest outstanding accounts receivable balance (net of provisions) accounted for approximately 33.8%, 24.2% and 20.1%, 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.***

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 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 started the 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.

Many of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do. Some of our competitors also have better brand name recognition or more established distribution networks in certain important markets, 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.

*We may not be able to establish a successful solar project development and operation business on a large scale or a timely basis or at all.*

We have started initial solar project development and operation business on a small scale in China since 2012 and plan to leverage our experience in PV system installation to quickly build up a solid capacity of PV project development and operation. The solar project business involves a high level of risks and uncertainties. We do not have a long track record of, or substantial prior experience with, solar project development and operation and face significant challenges relating to expansion into this business.

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Development and operation of solar projects require significant upfront investments in land use rights and interconnection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a project is economically, technologically or otherwise feasible. There are generally many months or even years between initial significant upfront investments in solar projects and the time those projects begin to generate revenue. The delay between generating revenue and upfront investments may adversely affect our cash flow, our other business and results of operations. In addition, we will need to rely on long-term financing, including equity and debt financing, to fund the solar project business. We may not be able to obtain necessary financing in sufficient amounts, on favorable terms or in a timely manner, if at all.

Solar projects require solar conditions that can only be found in a limited number of geographic regions and project sites. We may not be able to identify suitable sites in a timely manner or at all. Even if we do, our ability to obtain requisite land use rights with respect to the sites is subject to growing competition from other solar power producers that may have better access to local government support, financial or other resources. If we are unable to identify suitable sites or obtain land use rights for such sites, our ability to develop new solar projects on a timely basis, if at all, will be significantly and adversely affected.

Solar projects are often awarded through competitive bidding processes. It is difficult to predict whether and when we will be awarded a new solar project. The bidding and selection processes are affected by a number of factors, including factors beyond our control, such as market conditions or government incentive programs. Any increase in competition during the bidding process could have a significant adverse effect on our ability to secure solar projects as well as on the financial performance of our solar projects.

In addition to risks and uncertainties generally applicable to all other project development and operation business, we face many solar-project-specific risks and uncertainties, which relate to our abilities to, among other things, negotiate satisfactory engineering, procurement and construction agreements; obtain required land use rights and construction permits and approvals; obtain rights to interconnect the project to the electric grid or to transmit electricity generated; pay interconnection and other deposits, some of which are non-refundable; make financeable arrangements for the purchase of the electricity generated by our project; purchase and install appropriate equipment in a timely manner and on favorable terms; implement and complete the construction in a timely manner; handle potential challenges from project stakeholders, such as local residents, environmental organizations, and others who may not support the project; and address unforeseen engineering problems.

Development and operation of solar projects may also be adversely affected by many other factors outside of our control, such as inclement weather, acts of God, delays in regulatory approvals or in third parties' delivery of equipment or other materials on schedule. Shortages of skilled labor could also significantly delay a project or otherwise increase costs. Changes in project plans or defective execution may increase our costs and reduce our margins. The solar project business may also significantly divert our resources and management attention, which may affect the performance of our other business.

If we fail to address the above risks and uncertainties, our ability to establish a large-scale solar project development and operation business in a timely manner will be harmed, and our financial condition, results of operations and growth prospects may be materially and adversely affected.

***We had in the past breached, and may in the future breach, certain restrictive covenants of some of our loan agreements, which may result in acceleration of repayment of the affected loans and may trigger cross-default provisions of other loans and borrowings and, as a result, adversely and materially affect our liquidity position and ability to obtain bank loans or to borrow in the future.***

Our loan agreements with commercial banks in China contain restrictive covenants, some of which require us to maintain certain financial ratios, such as debt-to-asset ratios and coverage ratios. Other restrictive covenants in our loan agreements require us to obtain written consents from the commercial banks before we conduct certain transactions, such as providing guarantee to third parties and disposal of material assets. These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and we may have to curtail some of our operations and growth plans to comply with these covenants. In addition, any global or regional economic deterioration, or adverse changes to the solar industry, may cause us to incur significant net losses or force us to assume considerable liabilities, which would adversely impact our ability to comply with the covenants of our outstanding loans. Such breach may constitute an event of default, and if the relevant creditors do not grant waivers for any covenant breach, it may trigger an acceleration of the amounts due under the relevant loan agreements. Some of our loan agreements also contain cross-default provisions enabling creditors under such loan agreements to declare an event of default and/or accelerate repayment when there is a default in other debt instruments. These cross-default provisions may be triggered if any breach of covenants of other loans is not waived in time.

We had been in breach of certain financial covenants, such as debt-to-asset ratios, under certain loan agreements with commercial banks in China, which would have triggered cross-default provisions under certain other relevant loan agreements. As of the date of this annual report, we have obtained written waivers from all the relevant banks with which we have these affected loan agreements, waiving such past breaches and/or cross-defaults. All these waivers also prospectively waived any future breach of such financial covenants for the remaining terms of the affected loans, except for the waiver for one affected loan in the principal amount of US\$50 million and due 2019 which waived prospectively future breach of financial covenants until December 2014. We cannot assure you that we will be able to comply with the financial covenants under this affected loan agreement when this waiver expires, and in such case, we will need to seek a new waiver, which we may not be able to obtain on a timely basis or at all.

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In addition, while we have been in compliance with financial covenants under all our other loan agreements, depending on our future business, financial condition and results of operations, we may not be able to continue to comply with such financial covenants in the future. In the event of a future breach, we may not be able to cure the breach or obtain a waiver on a timely basis or at all, which could result in an event of default. An event of default under any agreement governing our existing or future debt, if not cured by us or waived by our creditors, could result in an acceleration of the repayment of all or a portion of the loan. If we are required to repay all or a significant portion of the affected loans, we may not have sufficient financial resources to do so, which will adversely and materially affect our liquidity position. Moreover, it is also possible that our failure to comply with restrictive covenants in existing loan agreements may significantly and adversely affect our ability to obtain additional loans from commercial banks in the future. The occurrence of any of these events could have a material adverse effect on our financial condition and business prospects.

***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, 2013, we had long-term prepayment balances for polysilicon in a total amount of RMB884.6 million (US\$146.1 million) under such long-term contracts. Currently, we are renegotiating with some of our polysilicon suppliers on the purchase price of a substantial amount of polysilicon supply under certain long-term contracts. See [Item 19](#). Our polysilicon cost may be higher than the market level as a result of our long-term polysilicon purchase commitment with fixed prices, and we have failed to perform certain of our long-term polysilicon supply contracts according to their original terms [above](#). If we fail to reach agreements with such suppliers on the quantities and price of the polysilicon supply under those contracts, the suppliers may hold the advance payment and claim for further damages. In addition, under existing 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 future 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 partially depends on our ability to expand our manufacturing capacity as needed to meet market demands on our products promptly and in a cost-efficient manner. 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 business expansions. For example, we completed an aggregate of 750 megawatts capacity expansion projects in the third quarter of 2012, bringing our total annual production capacity to 2,450 megawatts. We believe that our actual annual manufacturing capacity can reach approximately 4,000 megawatts for PV modules for 2014. 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:

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- 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 future capacity expansion.

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 future manufacturing capacity expansion plans, if any, 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 future manufacturing capacity expansion if we do not sufficiently increase sales.

***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. 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;
- our inability to achieve the intended cost efficiency, level of profitability or other intended strategic goals for the acquisitions, strategic investments, joint ventures or other strategic alliances; and
- potential loss of, or harm to, employees or customer relationships.



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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 resume our in-house polysilicon production 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 capacity of 3,000 tons of polysilicon per year. However, as market prices of polysilicon decreased sharply in recent years, Fine Silicon's designed production was no longer cost-effective. Currently, Fine Silicon is not manufacturing any meaningful amount of polysilicon. We recorded a non-cash impairment of long-lived assets of Fine Silicon in an amount of RMB2,275.0 million and RMB200.5 million for 2011 and 2012, respectively, which in the aggregate represented a write-down of the entire equipment of Fine Silicon. We plan to refine Fine Silicon's production process and resume its normal production when Fine Silicon can produce polysilicon at a cost comparable to or lower than prevailing market prices of polysilicon, which, if achieved, is expected to have a positive effect on our results of operations. However, we cannot assure you that we will be able to successfully resume Fine Silicon's normal polysilicon production or achieve the desired cost-efficiency in the near future or at all. If we fail to do so, we will not be able to realize the expected positive effect on our results of operations, and our supply of polysilicon will remain to be subject to market volatilities.

***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 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 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.

***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.

*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 2013, we recognized a net foreign currency exchange loss of RMB32.2 million (US\$5.3 million) primarily due to the depreciation of the Euro 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.

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In addition, the 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 2011, 2012 and 2013, 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. By the end of 2013, we achieved an average cell conversion efficiency rate of 19.7% on the PANDA commercial production lines and a record cell conversion efficiency rate of 21.0% on the PANDA trial 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 technologies 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 beyond 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. 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.



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***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. For example, in the fourth quarter of 2012, due to the challenging solar market conditions and continuing decline in average selling prices of PV modules, we recognized an impairment of long-lived assets of Fine Silicon in an amount RMB200.5 million and a loss of RMB61.7 million related to disposal of certain equipment. These non-cash charges significantly and adversely affected our results of operations in the fourth quarter and full year 2012. 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 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 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. In 2012, we entered into a module performance warranty insurance agreement with Munich Re's specialty primary insurers. According to the agreement, both of us provided additional economic security for large-scale commercial and utility project developers, investors and debt providers during the period from October 1, 2012 to September 30, 2013 in connection with our multicrystalline PV modules. In December 2013, we entered into a similar module performance warranty insurance agreement with another insurance company for the same scope of beneficiaries for 2014. Nevertheless, 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, 2011, 2012 and 2013, our accrued warranty costs amounted to RMB457.7 million, RMB555.4 million and RMB666.9 million (US\$110.2 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. Such natural disasters could also cause a material economic downturn in the affected area or internationally. Although we have limited exposure to any 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 tensions within the Middle East and the Korean Peninsula and the territorial disputes between China and other countries, could affect international or regional 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.

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***We obtain some of the equipment used in our manufacturing process from a small number of selected suppliers. 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.***

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 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 may need for our future expansion may be 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 future capacity expansion and otherwise disrupt our production schedule or increase our production costs.

***If the practice of requiring certain customers to make advance payments when they place orders with us ceases, or if our customers fail to meet their payment obligations, 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 help us manage our accounts receivable, prepay our suppliers and reduce the amount of funds that we need to finance our working capital requirements. We cannot assure you that this practice will not cease 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 four 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, 2011, 2012 and 2013, our five largest outstanding accounts receivable balance accounted for approximately 33.8%, 24.2% and 20.1%, 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 a result of certain customers' prolonged failure to settle accounts receivable and the continuing deterioration of their financial condition and creditworthiness, we made a total provision of RMB3.1 million (US\$0.5 million) in 2013 for the doubtful accounts receivable related to these customers. Besides, we may need to from time to time commence legal proceedings to recover accounts receivables from customers, which may also increase our cost. Although we have been able to maintain adequate working capital primarily through short-term borrowing, our prior convertible senior notes offering, follow-on offering and medium-term notes 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 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 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 in connection with our acquisition of Cyber Power. 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 Energy (China) Company Ltd., or 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. No convertible securities are outstanding as of the date of this annual report. Any future issuance of equity securities or securities convertible into or exchangeable for our equity securities may cause further dilution to our existing shareholders. If our future acquisition, expansions, or market changes or other developments cause us to require additional funding, we may issue additional securities convertible into or exchangeable for our ordinary shares, and our existing shareholders could incur substantial dilution.



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*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. 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.

*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 the 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 33.3% 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.

*Baoding Tianwei Baobian Electric Co., Ltd., or Tianwei Baobian, our joint venture partner as to Tianwei Yingli, has significant influence over Tianwei Yingli, one of our principal operating entities, and Tianwei Baobian may prevent 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 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 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 have 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 Joint Venture Contract 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 Joint Venture Contract Transfer of Equity Interests in Tianwei Yingli Right of First Refusal. In January 2014, Tianwei Baobian entered into an equity interest transfer agreement with Baoding Tianwei Group Co., Ltd., or Tianwei Group, Tianwei Baobian's controlling shareholder. According to the transfer agreement, Tianwei Baobian intended to transfer 7% of the equity interests of Tianwei Yingli to Baoding Tianwei Group Limited. The transfer is subject to the approval of governmental authority.

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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 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. After the completion of the equity transfer from Tianwei Baobian to Tianwei Group, Tianwei Group may enjoy the same rights of Tianwei Baobian over the 7% equity interests held by it in Tianwei Yingli.

***Negative publicity, rumors or media coverage of Tianwei Baobian, our company, 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.

In addition, negative publicity of our company or our affiliates or business partners, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation, business and financial condition. We cannot assure you that there will not be negative rumors or media coverage related to Tianwei Baobian, our company, 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 the 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.

Tianwei Baobian is our minority joint venture partner which owns 25.99% equity interest in one of our operating subsidiaries, Tianwei Yingli. Based on publicly available information, Tianwei Group was acquired by China South in March 2008, and Tianwei Group and China South collectively own 51.3% of the outstanding shares of Tianwei Baobian.

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 in the United States 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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As a result of China South's acquisition of Tianwei Group discussed above, Tianwei Yingli, our subsidiary, became an affiliate (as defined under the rules of the Exchange Act) of China South and Norinco. Neither our company nor any of our other subsidiaries is an affiliate of China South or Norinco. We have no control over Tianwei Baobian, Tianwei Group, China South, Norinco or their respective affiliated entities, 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 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 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 the ADSs may be affected. Although neither we nor any of our other subsidiaries are an affiliate of China South or Norinco, investors in the United States may believe that the value of their investment in us may be adversely affected due to Tianwei Yingli's affiliation with such entities or our connection with such entities through Tianwei Yingli, 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 the 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 do 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, 659 employees and four independent directors options to purchase 7,314,129 ordinary shares in the aggregate (excluding forfeited and cancelled options) and an aggregate of 2,631,268 restricted (excluding forfeited restricted shares) to DBS Trustee Limited, or the trustee, for the benefit of seven executive officers and 74 employees and non-employees. 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 the ADSs 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 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 the ADSs may materially decline.

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***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.***

We have been granted 698 patents and are applying for 342 patents as of the date of this annual report. 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.

***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.

*We are exposed to various risks related to legal or administrative proceedings or claims that could adversely affect our financial condition, results of operations and reputation, and may cause loss of business.*

Litigation in general can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. We may be involved in allegations, litigation or legal or administrative proceedings from time to time.

For example, 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 commenced the arbitration seeking recovery of certain unpaid accounts receivable of approximately US\$7.04 million and 14.47 million by INCEISA under the terms of a written settlement agreement. On October 11, 2011, the arbitral tribunal granted an award directing INCEISA to pay us over US\$2.29 million and 15.98 million, respectively, as damages for breach of contractual obligations, as well as associated legal and arbitration cost.



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In October 2012, we received notice of an antitrust and unfair competition lawsuit filed by Solyndra, LLC (a U.S.-based solar company) against us and two other China-based solar manufacturers in the U.S. District Court for the Northern District of California. We filed our joint motion to dismiss all of the claims in an amended complaint by Solyndra's liquidation trustee with our co-defendants (Suntech Power Holdings Co., Ltd., Suntech America, Inc., Trina Solar Ltd. and Trina Solar (U.S.) Inc.) in early March 2013. On April 9, 2014, we received an order denying defendants' joint motion to dismiss Solyndra's claims. A case management conference has been set for April 23, 2014, at which the court will likely set a schedule for the remainder of the Solyndra litigation. See Item 8.A. Consolidated Statements and Other Financial Information - Legal and Administrative Proceedings .

In October 2013, we received notice of an antitrust lawsuit with similar claims filed another U.S.-based solar company, by Energy Conversion Devices Liquidation Trust, or ECD, through its liquidating trustee, against us and the same China-based solar manufacturers in the U.S. District Court of the Eastern District of Michigan. See Item 8.A. Consolidated Statements and Other Financial Information - Legal and Administrative Proceedings .

In addition, we entered into several slurry processing and supply contracts with a supplier in the past. Starting from late 2011, due to certain quality control issues of the supplier and substantial changes in the slurry processing market, we and this supplier had disputes over the performance of the contracts and payments of accounts receivable. While we have been in discussion on the resolution of the disputes, this supplier has threatened to initiate legal actions against us. As of the date of this annual report, we have not received any summons or notice from any court or arbitration body. While it is premature at this stage to evaluate our potential liabilities or losses, if any, relating to such disputes, if we are found to be liable in legal actions or other proceedings this supplier may bring against us, our financial position may be adversely affected.

Regardless of the merits, responding to allegations, litigation or legal or administration proceedings and defending against litigation can be time consuming and costly, and may result in us incurring substantial legal and administrative expenses, as well as divert the attention of our management. Any such allegations, lawsuits or proceedings could have a material adverse effect on our business operations. Further, unfavorable outcomes from these claims or lawsuits could materially and adversely affect our business, financial condition and results of operations.

***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, Yiyu Wang, our chief financial officer, Xiaoqiang Zheng, our chief operating officer, Dengyuan Song, our chief technology officer, Jingfeng Xiong, our vice president, and Zongwei Li, our vice president and chief strategic officer. 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 suspensions 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 and environmental approvals as required under the relevant regulations. We also started constructing certain other facilities as part of our prior capacity expansion projects while applying for the relevant construction permits and environmental approvals. Both our prior and current failure to obtain the relevant construction permits and environmental approvals for construction of our facilities may prevent us from obtaining ownership certificates for our facilities. Our failure to obtain the construction permits, environmental approvals, and ownership certificates may subject us to fines or penalties, which may adversely affect our construction process, business operations and results of operations. Further, we started manufacturing without passing the examination and acceptance procedures as required under the relevant regulations. Our failure to pass the examination and acceptance procedures before commencement of manufacturing may subject us to penalties, such as monetary fines or suspension of our business operations. Moreover, on March 6 and March 12, 2014, Hainan Yingli received notices from the Department of Land, Environment and Resources of Hainan Province and Haikou Municipal Environmental Protection Bureau, respectively, requesting Hainan Yingli to (i) suspend partially its production lines, and (ii) apply for new environmental impact assessments for the increase in its production capacity due to equipment upgrades. See Item 4.B. Business Overview Environmental Matters . 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. Except as disclosed in this annual report, we believe we are currently in compliance with present environmental protection requirements in all material respects, and have obtained or in the process of obtaining 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 Governmental Regulations Environmental Regulations .

***We are subject to cyber security risks and breaches, which could adversely affect our business and disrupt our operations.***

We are subject to cyber security risks and may incur substantial costs to minimize those risks. Cyber security breaches, such as unauthorized access, accidents, employee errors or malfeasance, computer viruses, computer hackings or other disruptions, could compromise the security of our data and infrastructure, thereby exposing such information to unauthorized access by third parties. Techniques used to obtain unauthorized access to, or to sabotage systems, change frequently and generally are not recognized until launched against a target. We may be required to expend significant capital and other resources to remedy, protect against or alleviate these and related problems, and we may not be able to remedy these problems in a timely manner, or at all. Any security breaches that occur could disrupt our operations, increase our security costs, or expose us to potential losses due to data corruption or information leakage, which could have a material adverse effect on our business.

***Our independent registered public accounting firm s audit documentation related to their audit report included in this annual report may include audit documentation located in the People s 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 an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board ( 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

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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.

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 auditors 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.

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***The Chinese member firm of the KPMG network, of which our independent registered public accounting firm is also a member, may be temporarily suspended from practicing before the SEC. If a delay in completion of our audit process occurs as a result, we could be unable to timely file certain reports with the SEC, which may lead to the delisting of our stock.***

In the year ended December 31, 2013, significant portion of our sales were to customers in China, and we have significant operations in China. Certain of our independent registered public accounting firm's audit documentation related to their audit reports included in this annual report may be located in China, and certain audit procedures take place within China's borders. The PCAOB is currently unable to conduct inspections in China or review audit documentation located within China without the approval of Chinese authorities. Like many U.S. companies with significant operations in China, our independent registered public accounting firm may rely on a Chinese member firm for assistance in completing the audit work associated with our operations in China.

On January 22, 2014, an initial administrative law decision was issued, suspending the Chinese member firms of the Big Four accounting firms, including KPMG, from, among other things, practicing before the SEC for six months. The decision is not yet effective and will only become effective when and if the SEC endorses it. If the decision takes effect, the work of our auditors could be delayed and it will be difficult for us to identify and engage other qualified independent auditors. A delay in the completion of the audit process could delay the timely filing of our annual reports with the SEC. A delinquency in our filings with the SEC may result in NYSE initiating delisting procedures, which could have a material adverse effect on our results of operation and financial condition.

***The ordinary shares underlying the ADSs you purchased 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 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 the 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 the 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.*

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 such 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 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 the ADSs.

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*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 a minority of our shares may discourage investors from making an investment in us, which may have a material adverse effect on the price of the ADSs.

*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.

### **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. 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 7.8% in 2012 to 7.7% in 2013. The Chinese government has set the gross

domestic product growth rate at 7.5% for 2014. 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.



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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 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, or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008, are triggered. 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 Circular No. 6, 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. 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 relevant SAFE guidance.

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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, October 2009 and January 2014, 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, the change of Mr. Miao's shareholding in Yingli Power Holding Company Ltd. and us in 2014, 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 relevant SAFE guidance. 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 relevant SAFE guidance 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 Governmental 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 withholding tax at a rate of 10% is 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, or the MOF, 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 Green Energy (International) Holding Company Limited, or Yingli International, is a British Virgin Islands intermediate holding company and Cyber Lighting Holding Company Limited, or 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%, if 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% withholding tax or, in the case of the dividends paid to Cyber Lighting, 5% withholding 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 since 2008 and therefore have not recognized a deferred income tax liability for those earnings. If we are subject under the EIT Law to such withholding 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 withholding tax at a 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. PRC withholding tax at a rate of 20% is applicable to payments of dividends to investors who are non-resident individuals, to the extent such payments of dividends have their sources within the PRC. Any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to the 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 if we were treated as a PRC resident enterprise. Furthermore, 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.

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

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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.

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***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 their working capital and expansion projects and meet their 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 major PRC operating subsidiaries, including Tianwei Yingli, Yingli China, Fine Silicon and Hainan Yingli New 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, Hainan Yingli, Tianjin Yingli or Lixian 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, Hainan Yingli, Tianjin Yingli and Lixian 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, 2013, such restricted reserves of Tianwei Yingli amounted to RMB236.9 million (US\$39.1 million) and its accumulated profits that were unrestricted and were available for distribution amounted to RMB2,227.2 million (US\$367.9 million).

As a foreign investment enterprise, 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, 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, 2013, such restricted reserves of Yingli China amounted to RMB183.9 million (US\$30.4 million), and its accumulated losses amounted to RMB104.4 million (US\$17.2 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, 2013, such restricted reserves of Hainan Yingli amounted to RMB54.1 million (US\$8.9 million) and its accumulated profits that were unrestricted and were available for distribution amounted to RMB454.9 million (US\$75.1 million).

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As a PRC domestic company, Tianjin 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, 2013, such restricted reserves of Tianjin Yingli were nil and its accumulated profits that were unrestricted and were available for distribution amounted to RMB24.4 million (US\$4.0 million).

As a PRC domestic company, Lixian 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, 2013, such restricted reserves of Lixian Yingli amounted to RMB2.0 million (US\$0.3million) and its accumulated profits that were unrestricted and were available for distribution amounted to RMB1.2 million (US\$0.2 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. On November 19, 2012, SAFE promulgated the Circular on Further Improving and Adjusting the Policies on Administration of Foreign Exchange under Direct Investment, or Circular 59, which came into force on December 17, 2012. Circular 59 relaxes the foreign exchange controls over inbound and outbound investments by PRC companies and simplifies the current administrative system, especially in foreign currency capital settlement and foreign exchange registration procedures of foreign invested enterprises. However, the restrictions imposed by the SAFE Notice 142 are still effective. 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.

***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.

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*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 were 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. Recently, there have been reports on the occurrences of avian flu, caused by the H7N9 virus, in certain regions in China. 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 The ADSs**

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

The market price for the ADSs has been and will continue to be highly volatile. Since the ADSs became listed on the NYSE on June 8, 2007, the trading prices of the ADSs have ranged from US\$1.25 to US\$41.50 per ADS, and the last reported trading price on April 9, 2014 was US\$4.33 per ADS.

The price of the 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;

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- 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 the ADSs.

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

As of the date of this annual report, we had 156,763,770 ordinary shares outstanding, including 103,592,337 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 the 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.

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***Holders of ADSs have fewer rights than shareholders and must act through the depositary 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 depositary will be treated as the holder of the shares underlying your ADSs. However, you may exercise some shareholders' rights through the depositary, 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 depositary 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 depositary 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 depositary to vote your ADSs. Furthermore, the depositary 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.

***The depositary for the 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.

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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 the ADSs has agreed to pay you the cash dividends or other distributions it or the custodian for the 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 the ADSs, ordinary shares, rights or anything else to holders of the 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.

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

Your ADSs are transferable on the books of the depository. However, the depository 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 depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository 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.

***As a holder of the 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 depository 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 the ADSs, you may be unable to participate in our rights offerings and may experience dilution in your holdings. In addition, the depository of the 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 depository may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depository 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 depository 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 depository who is treated as the holder of the shares underlying your ADSs.

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

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 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, Shandong, Guangxi and Shenzhen, 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:





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- 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.
- 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 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.
- Yingli Green Energy Capital Holding (Hong Kong) Company Limited or Yingli Capital, a Hong Kong liability company, as a wholly-owned subsidiary of Yingli International. Yingli Capital is principally engaged in import and export trading and investments holding.
- 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 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 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.

Our principal executive offices are located at No. 3399 Chaoyang North Street, 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.

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 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, 2012, the convertible senior notes due 2012 had been fully redeemed.

#### **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.

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**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.

**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 ADSs, raising a total of US\$227.3 million in net proceeds, and Yingli Power sold 3,000,000 ordinary shares of ADSs.

**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. Revenue generated by Tianwei Yingli in 2013 represents a small portion of our total revenue in 2013.

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, September 28, 2007 and November 15, 2012, 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***

## Edgar Filing: YINGLI GREEN ENERGY HOLDING CO LTD - Form 20-F

*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 reappointed 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. We are entitled to appoint a director to serve as the chairperson and vice chairperson of the board, respectively.

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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.

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*

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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 reappointed 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 reappointed 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*

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.

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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.

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:

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

(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 our 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.

*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.

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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.

*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.

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Notwithstanding the right of first refusal as described above, after completion of our initial public offering and listing of the 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 the 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 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.

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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 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, (i) the party seeking arbitration must send a written notice to the other party requesting arbitration and describing the nature of the dispute and (ii) 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 the largest vertically integrated photovoltaic, or PV, module supplier in the world in terms of shipments of PV modules in 2013 based on public information. As of the date of this annual report, we have an annual nameplate capacity of 2,450 megawatts covering most of photovoltaic value chain from ingot casting and wafering through PV cell production and PV module assembly. As a result of our efforts in continuous technology innovations at all levels of our operation and progressive equipment upgrade, our overall actual manufacturing utilization rate was able to exceed 100% as of the date of this annual report based on various conditions, such as market demand and our inventory. We believe that our actual annual manufacturing capacity for PV modules can reach approximately 4,000 megawatts for 2014. Our current products and services substantially cover the entire PV industry value chain, ranging from crystalline polysilicon ingots and wafers, PV cells and PV modules to the manufacture of PV systems and the installation of PV systems, and starting from 2012, to development and operation of solar projects. 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 China, the United States, Germany, Greece, Spain, Italy, France, India, Japan, the Netherlands, the United Kingdom, Israel, South Korea and Belgium.

In January 2009, we acquired Cyber Power Group Limited, or Cyber Power, a development stage enterprise designed to produce polysilicon, and its principal operating subsidiary in China, Fine Silicon Co., Ltd., or Fine Silicon, with an intention to establish our own in-house polysilicon production capacity. However, due to the sharp decline in polysilicon prices in recent years, Fine Silicon was not able to achieve cost-effective production. We plan to refine Fine Silicon's production process and resume its normal production when Fine Silicon can produce polysilicon at a cost comparable to or lower than prevailing market prices of polysilicon. Currently, Fine Silicon is not producing any meaningful amount of polysilicon.



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**Our Products and Services**

Our products and services include the manufacture of polysilicon ingots and wafers, PV cells, PV modules and integrated PV systems and development and operation of solar projects, which encompass substantially the entire PV industry value chain, with the manufacture of polysilicon feedstock being the only significant exception.

***Polysilicon Ingots and Blocks***

A polysilicon ingot is formed by melting, purifying and solidifying polysilicon feedstock into a brick-shaped ingot. Now we mainly produce 400 kilogram, 540 kilogram, 560 kilogram, 600 kilogram and 800 kilogram multicrystalline polysilicon ingots, which account for approximately 90% of our ingots. The polysilicon ingots are then cut into blocks. Our polysilicon blocks are generally available in cuboid with the same face size of 156 millimeters x 156 millimeters and different heights. 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 lower the cost per watt of power produced. The thickness of our wafers was 180 microns as of December 31, 2013. The diameter of our wafers was 130 microns as of December 31, 2013. 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 years 2011, 2012 and 2013, 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.

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 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 19.7% on the PANDA commercial production lines and a record cell conversion efficiency rate of 21.0% on the PANDA trial

line in 2013.

We generally use all of our PV cells in the production of our PV modules.

***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. Because the utilization rate of our PV module production capacity slightly exceeded the utilization rate of our PV cell production capacity, a small portion of our PV modules were made with PV cells we purchased from 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 190 to 330 watts. The following table sets forth the major types of modules produced by us:

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<b>Dimensions (mm x mm)</b>	<b>Weight (Kilograms)</b>	<b>Maximum Power (Watts)</b>	<b>Optimum Operating Voltage (Volts)</b>
1310 x 990	14.7	190 - 210	23
1330 x 990	14.9	205 - 225	24
1640 x 990	18.5	240 - 260	29
1650 x 990	18.5	240 - 260	29
1650 x 990	18.5	260 - 280	30
1970 x 990	26	280 - 310	35
1970 x 990	26	310 - 330	36

***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.

***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 an annual nameplate capacity of 2,450 megawatts covering most of photovoltaic value chain from ingot casting and wafering through PV cell production and module assembly. As a result of our efforts in continuous technology innovations at all levels of our operation and progressive equipment upgrade, our overall actual manufacturing utilization rate was able to exceed 100% as of the date of this annual report based on various conditions, such as market demand and our inventory. We use our polysilicon wafers and PV cells as materials in the production of PV modules.

***Manufacturing 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:

*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.

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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 midsized 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***

As of the date of this annual report, we have an annual nameplate capacity of 2,450 megawatts covering most of photovoltaic value chain from ingot casting and wafering through PV cell production and PV module assembly. As a result of our efforts in continuous technology innovations at all levels of our operation and progressive equipment upgrade, our overall actual manufacturing utilization rate was able to exceed 100% as of the date of this annual report based on various conditions, such as market demand and our inventory. We believe that our actual annual manufacturing capacity can reach approximately 4,000 megawatts for PV modules for 2014. We use our polysilicon wafers and PV cells as materials in the production of PV modules at our production facilities located in Baoding and Hengshui, Hebei Province, Haikou, Hainan Province and Tianjin.

***Solar Project Development and Operation***

*Project Development in China*

We started solar project development and operation business on a small scale in China in 2012 and plan to leverage our experience in PV system installation to quickly build up a solid pipeline of solar projects. We are considering various strategies in such downstream businesses including selling self-developed solar projects to third parties upon completion, retaining and operating self-developed solar projects, forming joint ventures with third parties to develop and operate solar projects, and providing engineering, procurement and construction, or EPC services, to third parties.

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As of the date of this annual report, we have a pipeline of approximate one gigawatt solar projects under different approval stages across ten provinces in China such as Hebei, Xinjiang, Yunnan, Guangxi and Shandong province and continue to develop actively new pipeline for solar projects in other provinces including Inner Mongolia, Qinghai, Gansu and Ningxia province. We are evaluating various approaches to hold or sell these projects.

### *Project Development Overseas*

As of the date of this annual report, we have a pipeline of 200 megawatts utility-scale solar projects outside China. We have project developments in Europe and are expanding into emerging markets in the sun-belt regions of Africa, the Middle East, Central and South America, through various business models include co-development and joint ventures with existing or new partners.

### *Raw Materials*

Raw materials required in our manufacturing process include 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.

In 2011, 2012 and 2013, we purchased the substantial majority of our raw materials and other consumables (other than polysilicon) from approximately 20 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. In 2012, the polysilicon prices continued to decline and reached a historical low of approximately US\$14 per kilogram in November 2012. Partly due to China's anti-dumping and anti-subsidy investigations against U.S., South Korean and European polysilicon manufactures, polysilicon prices rebounded slightly since December 2012 and reached slightly above US\$20 per kilogram as of the date of this annual report. However, any significant increase of the price for polysilicon in the future would materially and adversely affect our profitability and results of operations.

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 meet the requirements of our existing production capacity or support future expansion of our manufacturing capacity, if any.



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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 supplies of polysilicon 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. Due to the fluctuating polysilicon prices, we successfully negotiated and executed amendments for current purchases on a quarterly or monthly basis with some of these vendors that amended certain commercial terms such as total contract quantity, advance payment arrangement and unit prices for the relevant quarter or month several times in 2011, 2012 and 2013. In October 2013, we also entered into agreement with a vendor to amend our long-term supply contracts with the vendor to include a price adjustment mechanism that allows the vendor and us to renegotiate purchase price on a quarterly basis within a specified price range based on market price. 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 we have failed to perform certain of our long-term polysilicon supply contracts according to their original terms.

***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.

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:



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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, September 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, March 2011, April 2011, June 2011, November 2011, December 2011, April 2012 and May 2012	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 :2004, factory inspection certification, IEC 61215:2005 and IEC 61730:2004, salt mist corrosion testing, IEC 61701:2011, and ammonia corrosion testing, IEC EN 61215 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
November 2009	CEC-California, conducted by UL, against UL and IEC standard.	Certain models of our PV modules
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 and August 2012	JET certification, conducted by Japan Electrical Safety & Environment Technology Laboratories, an independent approval agency in Japan, against the requirement of IEC61215:2005 and IEC61730:2004	Certain models of PV modules
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	Certain models of PV modules

MSC 005-2.3.		
September 2011	KEMCO certification, conducted by South Korea Energy Management Corporation in South Korea, against the requirement of IEC61215:2005 and IEC61730:2004.	PANDA series modules
October 2011	Inmetro certification, conducted by Inmetro in Brazil, against IEC or UL standard.	Certain models of PV modules
July 2012	PCCC certification, conducted by Power (Beijing) Product Certification Center Co., Ltd, against IEC 61215:2005 and IEC 61730:2004.	Certain models of PV modules
August 2012	TÜV certification, conducted by TÜV Rheinland Japan Ltd, against the requirement of JIS Q 8901:2012.	PV modules requirement for reliability assurance system (design, production and performance gurantee)
May 2013	CEC-Australian certification, conducted by Clean Energy Council Limited, against IEC 61215:2005 and IEC 61730:2004.	Certain models of PV modules
May 2013	SGS certification, conducted by SGS-CSTC Standard Technical Service (Shanghai) Co., Ltd, against IEC 61215:2005, IEC 61730:2004 and IEC 60068-2-68 blowing sand test.	Certain models of PV modules
June 2013	TÜV certification, conducted by TÜV SUD Product Service GmbH, against the requirement of IEC 61215:2005, IEC 61730:2004 and IEC 82/685/NP PID-free.	Certain models of PV modules

## Markets and Customers

Our products are sold in China's domestic market and in various international markets, such as the United States, Germany, Greece, Spain, Italy, France, India, Japan, the Netherlands, the United Kingdom, Israel, South Korea, Chile, South Africa, Mexico, Malaysia, Australia, and Belgium. 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,		
Germany	44.9	41.8	18.2
PRC	22.2	23.3	33.9
United States	14.6	14.1	21.7

For a breakdown of our net revenue by geographic regions for 2011, 2012 and 2013, see Note (24) to our audited consolidated financial statements included elsewhere in this annual report.

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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 more than 400 marketing and sales personnel at our headquarters in Baoding and also in Haikou, Tianjin, Hengshui, Lhasa, Urumqi, Hohhot, Daqing, Fuxin, Lanzhou, Kunming, Nanning, Shenzhen, Beijing, Suzhou, Yantai and Yiwu. We believe the adoption of China's Renewable Energy Law and the PRC government's commitment to develop 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 191 representatives located in Germany, Spain, Italy, Greece, France, Luxembourg, Switzerland, Turkey, South Africa, Morocco, Singapore, Japan, Australia, Chile, Brazil, Mexico 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. In August 2011, we became the first official renewable energy partner of U.S. 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. In 2012, we hosted the first Yingli Cup in Beijing, China, which was a match between FC Bayern München, one of the most successful football clubs in the world, and Beijing Guoan, one of the most popular football clubs in China. Yingli Cup was appointed as part of the official activities for the Fortieth Anniversary of Sino-German Diplomatic Relations. In 2013, we sponsored junior football players from China and Japan to compete with other talented young football players from all over the world in the final tournament of the FC Bayern Youth Cup at FC Bayern's home site in Germany. The Youth Cup is an international charity youth competition initiated by the FCB with support from several sponsors around the world such as us. On December 10, 2013, we launched the 2014 FIFA World Cup official campaign "All Under One Sun" in Hangzhou, Zhejiang Province of the PRC. With the theme of "All Under One Sun", we will promote solar and the concept of sustainability through the FIFA World Cup, one of the most influential marketing platforms around the world.

## 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, Nanning, Shenzhen, Beijing, Suzhou, Yantai and Yiwu. 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 United States, Japan, Germany, Spain, Italy, Greece, France, Singapore, Brazil and Chile. 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 term 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. In 2012, we entered into a module performance warranty insurance agreement with Munich Re's specialty primary insurers. According to the agreement, both of us will provide additional economic security for large-scale commercial and utility project developers, investors and debt providers during the period from October 1, 2012 to September 30, 2013. In December 2013, we entered into a similar module performance warranty insurance agreement with another insurance company for the same scope of beneficiaries during the period from January 1, 2014 to December 31, 2014. Nevertheless, 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. We have been granted 698 patents and are applying for 342 patents as of the date of this annual report. 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 Factors 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 supply of PV products 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 in recent years, has caused the price of PV modules to decline beginning in the fourth quarter of 2008. Since the last quarter of 2012, the price of PV modules has remained at a relatively stable level primarily due to the shake-out of certain uncompetitive production capacity and increased demand worldwide and demand started to increase since the second half of 2013. We expect that the prices of PV products, including PV modules, may gradually stabilize or slightly increase due to the increased demand as a result of fast development of emerging markets and the rationalized supply of PV products in the market. 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 2011, 2012 and 2013, a significant portion of our revenues have been derived from overseas markets, including Germany, the United States, Greece, Spain, Italy, France, India, Japan, the Netherlands, the United Kingdom, Israel, South Korea and Belgium. 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 and Trina Solar Limited. In 2013, sales to China accounted for approximately 33.9% of our total revenues, compared to approximately 23.3% in 2012. 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.

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. We face competition from other providers of renewable energy solutions, including developers of PV, solar thermal and concentrated solar power systems, and developers of other forms of renewable energy projects, including wind, hydropower, geothermal, biomass, and tidal. In particular, to the extent other solar module manufacturers become more vertically integrated, we expect to face increased competition from such companies in the PV system project market. We also face competition from other EPC companies and joint venture type arrangements between EPC companies and solar companies. While the decline in PV modules prices over the last several years has increased demand in solar electricity worldwide, competition at the systems level can be intense, thereby exerting downward pressure on systems level profit margins industry-wide, to the extent competitors are willing and able to bid aggressively low prices for new projects and power purchase agreements, or PPAs, using low cost assumptions for modules, Balance of System components, installation, maintenance and other costs. 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.

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**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, impose 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.

We have devoted significant efforts in technology innovation and progressive equipment upgrades in some of our manufacturing facilities to improve our production efficiency. Due to these technology innovation and equipment upgrades, our utilization rate in these manufacturing facilities have been increasing and the actual production capacity of Hainan Yingli's manufacturing facilities exceeded the original capacity permitted by their existing environmental assessment approvals. On March 6 and March 12, 2014, Hainan Yingli received notices from the Department of Land, Environment and Resources of Hainan Province, or the Hainan LER Department, and Haikou Municipal Environmental Protection Bureau, respectively, requesting Hainan Yingli to (i) suspend partially its production lines, and (ii) apply for new environmental impact assessments for the increase in its production capacity due to equipment upgrades. In addition, Hainan Yingli was levied with three fines with a total amount of RMB155.5 thousand. Hainan Yingli has been working closely with the relevant local governmental authorities for the new environmental impact assessments and to re-obtain the trial production permits. The new environmental impact assessment reports have been submitted to Hainan LER Department on April 3, 2014, short versions of which were publicized by Hainan LER on April 8, 2014. Based on the process and procedures that have been taken by Hainan Yingli and the relevant local governmental authorities, we expect Hainan Yingli to receive new environmental assessment approvals and trial production permits in April or May 2014 and we do not foresee any material impediment for Hainan Yingli to obtain all the necessary approvals and permits. We believe that the penalties or provisional measures taken by the relevant local governmental authorities against Hainan Yingli will have limited impact on our operation and financial results. We are not aware of any other pending or threatened environmental investigation proceeding or action by any governmental agency or third party against us.

Except as disclosed above, 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 or been in the process of obtaining 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 ongoing projects amounted to approximately RMB 21,203.8 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.

#### ***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.



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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 NDRC implemented the National Medium- and Long-Term Programs for Renewable Energy, or MLPRE, which highlights the government's long-term commitment to the development of renewable energy.

On April 1, 2008, the PRC Energy Conservation Law came into effect. Among other objectives, this law encourages the utilization and installation of solar power facilities in buildings for energy-efficiency purposes.

On March 23, 2009, the MOF, 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 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 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 MOF, the NDRC and the National Energy Administration, or the NEA, jointly issued 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.

On January 1, 2013, the State Council adopted a Circular on the Twelfth Five-Year Plan for the Energy Development, which sets out key development objectives for the industry during the 12th Five-Year Plan. In accordance with this plan, to optimize the structure of energy consumption, the proportion of non-fossil energy consumption shall be increased to 11.4 percent of total energy consumption by 2015.

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In March 2013, NDRC issued the Notice on Improving the Pricing Scheme for Photovoltaic Power Generation. According to this notice, the NDRC proposed to reduce the feed-in tariff for utility scale PV projects from RMB 1/kWh to RMB 0.75/kWh, RMB 0.85/kWh and RMB 0.95/kWh, depending on the project's location of construction. The feed-in tariff for PV projects constructed in specific regions would remain at RMB 1/kWh. In addition, the NDRC proposed a subsidy of RMB 0.35/kWh for distributed PV generation projects and the purchase price of electricity generated to be in line with the coal-electricity tariffs.

In March 2013, NDRC, the NEA and the MOF, jointly issued measures to standardize settlement of feed-in tariffs, which are believed to help address the delay in payment of solar subsidies and settlement of accounts payable experienced by solar project developers. In addition, pursuant to a July 2013 MOF notice, starting from August 2013, subsidies for distributed PV power generation stations (excluding distributed PV power generation projects) are required to be paid directly from the MOF to the State Grid Corporation of China and the China Southern Power Grid Co., Ltd., rather than through the MOF's provincial counterparts. As a result of such measures, the collection period for feed-in-tariffs is expected to be significantly shortened.

The MOF has proposed to almost double the renewable energy surcharge for end-users of electricity from RMB0.008 per kWh to RMB0.015 per kWh, effective since September 25, 2013.

On August 26, 2013, the Department of Price of the NDRC released subsidy details for PV projects. Transmission-grid-connected projects will receive a feed-in-tariff of RMB0.90 to RMB1.00 per kWh, and distribution-grid-connected projects will receive a premium of RMB0.42 per kWh in addition to the desulphurized coal benchmark price. Distribution-grid-connected projects are expected to represent the majority of China's new PV installation in the next few years. Unlike the rest of the world, capital expenditures for distribution-grid-connected projects are higher than transmission-grid-connected projects, since labor costs for scaffolding and work on rooftops are low in China and rooftop space is currently free. Meanwhile, the NDRC announced that the feed-in tariff will be valid, in principle, for 20 years.

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On September 23, 2013, the MOF and the State Administration of Taxation jointly issued a notice that ordered a 50% refund of value-added tax on sales by PV manufacturers of their PV products. This VAT refund will be effective from October 1, 2013 through December 31, 2015.

On November 26, 2013, the MOF announced that the electricity generated by the distributed PV system for its own use is exempted from paying four governmental charges. On the same date, the NEA promulgated the Interim Measures for the Administration of PV Power Generation, which clarify that the state department in charge of energy and its local counterparts are responsible for the supervision of PV projects.

On February 12, 2014, the NEA circulated the target of national solar installations for 2014 to be 14GW, 6GW of which would be targeted for utility scale, 8GW for distributed generation.

On the same day, the NEA released a list of 81 New Energy Demonstration Cities and eight industrial demonstration parks in 28 and 8 provinces respectively. These cities and zones are required to achieve their respective mandatory targets in terms of solar PV installations and the percentage of installed renewable energy power generation capacities by the end of 2015, or the end of the 12th Five-Year-Plan.

In February 2014, the Certification and Accreditation Administration and the NEA jointly issued the Implementation Opinions on Strengthening the Testing and Certification of PV Products. The implementation opinions provide that only certified PV products may be connected to the public grid or receive government subsidies. The institutions that certify PV products must be approved by the Certification and Accreditation Administration. According to the implementation opinions, PV products that are subject to certification include PV battery parts, inverters, control devices, confluence devices, energy storage devices and independent PV systems.

***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 and the PRC Law on Appraising Environment Impacts.

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.

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.



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*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 adopted 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 MOF 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 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 a rate of 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 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 was recognized by the Chinese government in November 2009 as a High and New Technology Enterprise. As a result, Fine Silicon was entitled to the preferential enterprise income tax rate of 15% from 2009 to 2011. Fine Silicon renewed the certificate of High and New Technology Enterprise for another three years starting from 2012. 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 the 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. Yingli Tianjin, located in Tianjin, was established in March 2011 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Yingli Tianjin, located in Tianjin, was established in March 2011 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Therefore, Yingli Tianjin is entitled to a preferential EIT rate of 15% from 2013 to 2015. Yingli Lixian, located in Lixian, Hebei Province, was established in June 2010 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Therefore, Yingli Lixian is entitled to a preferential EIT rate of 15% from 2013 to 2015. Yingli Hengshui, located in Hengshui, Hebei Province, was established in April 2011 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Therefore, Yingli Hengshui is entitled to a preferential EIT rate of 15% 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. If renewed after our reapplication and relevant government authorities review and annual evaluation a High and New Technology Enterprise status will enable

Tianwei Yingli, Yingli China, Fine Silicon, Yingli Tianjin, Yingli Lixian, Yingli Hengshui and Yingli Hainan to continue to enjoy the preferential income tax rate of 15% for another three years. These entities have passed all previous review and evaluation by relevant PRC government authorities for this qualification, and we expect them to continue to pass such review and evaluation in the future.

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 latter 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 resident enterprises under the EIT Law and be subject to PRC taxation as to our worldwide income

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Pursuant to Circular 698, issued by the State Administration of Taxation on December 10, 2009, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly via disposing of the equity interests of an overseas holding company, or Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of such Indirect Transfer. Using a substance over form principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of evading PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to adjust the taxable income of the transaction.

*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.

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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 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.

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 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.

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 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.

Failure to comply with the registration procedures set forth in SAFE Notice 75 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.

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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.

On November 19, 2012, SAFE promulgated the Circular on Further Improving and Adjusting the Policies on Administration of Foreign Exchange under Direct Investment, or Circular 59, which came into force on December 17, 2012. Circular 59 further relaxes the foreign exchange controls over inbound and outbound investments by PRC companies and simplifies the current administrative system, especially in foreign currency capital settlement and foreign exchange registration procedures of foreign-invested enterprises

***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.

**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.
  
- (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 China is the research, manufacture, sale and installation of renewable energy products.
  
- (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 Green Energy Capital (Hong Kong) is import and export trading and investments holding.

- (12) The principal business of Yingli Beijing is the sale and manufacture of PV modules and PV systems.
- (13) The principal business of Yingli Singapore is the research and experimental development of electronics.
- (14) The principal business of Yingli Brazil is the sale and marketing of PV products and relevant accessories in Brazil.
- (15) The principal business of Fine Silicon is the manufacture of solar-grade and electronic-grade polysilicon.
- (16) The principal business of Hainan Yingli is the research, manufacture, sale and installation of renewable energy products.
- (17) The principal business of Yingli Japan is the sale and marketing of PV products and relevant accessories in Japan.
- (18) The principal business of Yingli Luxembourg is import and export trading and investments holding in Luxembourg.
- (19) The principal business of Yingli Australia is the sale and marketing of PV products and relevant accessories in Australia.
- (20) The principal business of Yingli Italia is the sale and marketing of PV products and relevant accessories in Italy.
- (21) The principal business of Yingli South East Europe is the sale and marketing of PV products and relevant products in Greece, Cyprus, the Balkans and the Middle East.
- (22) The principal business of Yingli d.o.o. is the sale and marketing of PV products and relevant products in Croatia.
- (23) The principal business of Yingli Europe is the sale and marketing of PV products and relevant accessories in Europe, Germany, Austria, Denmark and the Netherlands.
- (24) The principal business of Yingli Green Energy International AG is import and export trading and investments holding in Switzerland.



(25) 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.

(26) The principal business of Yingli Green Enerji Ürünleri San. ve Tic.Ltd.Şti.is the sale and marketing of PV products and relevant accessories in Turkey.

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

(28) The principal business of Yingli North Africa is the sale and marketing of PV products and relevant accessories in Morocco.

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**D. Property, Plant and Equipment**

Our principal executive offices are located at No. 3399 Chaoyang North Street 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, Hengshui, Hebei Province, Tianjin, and Haikou, Hainan Province:

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Facility Number	Products	Location	Plant Size (Square Meters)	Duration of Land Use Right	Major Equipment
1.	Ingots, wafers, cells, modules	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)	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.		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)	
3.		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)	
4.		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)	
5.		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)	
6.		Tianjin Ninghe Modern Industry Area	291,238	August 2011 to July 2061 (a plot of 233,296 square meters); August 2011 to June 2061 (a plot of 38,868 square meters)	
7.		North Part of Hengshui Economic Development Zone	292,508	February 2012 to December 2061 (a plot of 82,603.2 square meters) May 2012 to April 2062 (a plot of	

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			209,905.23 square meters)	
8.	Lixian, Baoding, Hebei Province	199,732	June 2011 to December 2060(a plot of 67,665.08 square meters) June 2012 to November 2054 (a plot of 65,400 square meters, Feburary 2013 to May 2062 (a plot of 66,666.7 square meters)	
9.	Shiziling Industrial Park, National Hi-Tech Development Zone, Haikou, Hainan Province	408,926	March 2010 to September 2057(a plot of 181,339.31 square meters), June 2011 to September 2057 (a plot of 167,712.57 square meters), June 2011 to September 2057 (a plot of 59,875.92 square meters)	
10.	Polysilicon Baoding, Hebei Province	544,534	February 2009 to February 2059	SAH reactor, STF reactor, salane reactor, CVD reactor

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**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 the United States, Germany, Greece, Spain, Italy, France, India, Japan, the Netherlands, the United Kingdom, Israel, South Korea and Belgium. 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 all of the polysilicon ingots and wafers and PV cells we produce for the production of PV modules, which we sell to third-party customers. Our shipment, including PV modules, were 1,603.8 megawatts, 2,297.1 megawatts and 3,234.3 megawatts in 2011, 2012 and 2013, respectively.

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.

### ***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 *Global Market Outlook for Photovoltaics until 2016*, published by the European Photovoltaic Industry Association in May 2012, the policy-driven scenario for the global PV system installations was expected to increase from 1.4 gigawatts in 2005 to 40.2 gigawatts in 2012 and 77.3 gigawatts in 2016. The policy-driven scenario assumes the continuation or introduction of adequate support mechanisms, accompanied by a strong political will to consider PV as a major power source in the coming years. 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 in 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, the third quarter of 2012 and the first quarter of 2013, 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. 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.

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***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, Czech Republic, Brazil, Peru, Mexico, Chile and Saudi Arabia, 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 MOF 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. In March 2013, the NDRC issued the Notice on Improving the Pricing Scheme for Photovoltaic Power Generation. In this notice, the NDRC proposed to reduce the feed-in tariff for utility scale PV projects from RMB 1/kWh to RMB 0.75/kWh, RMB 0.85/kWh or RMB 0.95/kWh, depending on the project's location. The feed-in tariff for PV projects constructed in specific regions would remain at RMB 1/kWh. In August 2013, the National Development and Reform Commission, or NDRC, of China adjusted the feed-in tariff for utility scale PV projects from the nationwide benchmark price of RMB1.00 per kWh to three regional variations of RMB0.90 per kWh, RMB0.95 per kWh and RMB1.00 per kWh based on solar resources and construction costs in the relevant regions. The new feed-in tariff policy will apply to all PV plants approved after September 1, 2013 and those approved before that date but are not commissioned on or after January 1, 2014.

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

PV systems projects generally require significant up-front expenditures, and as a result, our customers have historically relied on financing for the purchase of our products. If financing for solar applications becomes 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 to 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. We expanded our manufacturing capacity for each of polysilicon ingots and wafers, PV cells and PV modules to 1,700 megawatts as of December 31, 2011, 2,450 megawatts as of December 31, 2012. As a result of our efforts in continuous technology innovations at all levels of our operation and progressive equipment upgrade, our overall actual manufacturing utilization rate was able to exceed 100% as of the date of this annual report based on various conditions, such as market demand and our inventory. We believe that our actual annual manufacturing capacity can reach approximately 4,000 megawatts for PV modules for 2014.

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.



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***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 to adjust 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, second and third quarters, 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. The average selling price of PV modules continued to decline in 2012 due to reduced government subsidies and excessive supply of PV products. However, the average selling price of our PV modules has stabilized since the first quarter of 2013 and demand began to increase in the second quarter of 2013. We expect that the prices of PV products, including PV modules, may gradually stabilize or increase slightly due to the increased demand caused by the quick development of new and emerging markets and the rationalized supply of PV 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 increase at a slower pace than the cost of PV modules 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 predetermined 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 continuously 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 a recovery of demand for PV products in the main markets. From the second quarter of 2011, the polysilicon price has decreased significantly as a result of increased industry-wide polysilicon manufacturing capacity and the pressure from the decreasing average selling price of PV modules. In 2012, polysilicon prices continued to decline and reached a historical low of approximately US\$14 per kilogram in November 2012. Partly due to China's anti-dumping and anti-subsidy investigations of the United States, South Korean and European polysilicon manufacturers, polysilicon prices rebounded slightly since December 2012. Our average purchase price of polysilicon per kilogram decreased by 57.8% in 2012 compared to 2011 and decreased by 25.1% in 2013 compared to 2012.

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 industries 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.

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Historically, we had relied on spot market purchases to meet a significant portion of our polysilicon needs. In order to secure an 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 prices since the fourth quarter of 2008, we have renegotiated, and are still negotiating, with our polysilicon suppliers to reduce the purchase price for a substantial amount of polysilicon supplied under certain of our polysilicon supply contracts. However, the purchase prices under certain of our long-term polysilicon supply 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 on our inventory purchase commitment under long-term polysilicon supply contracts as a result of the decline in the polysilicon price. We did not recognize such provision in 2012. In 2013, we recognized an additional provision of RMB 480.2 million (US\$79.3 million) on our inventory purchase commitment under long-term polysilicon supply contracts as a result of our re-assessment of our purchase commitments under long-term polysilicon supply contracts based on then current market price of polysilicon and current status of our performance of, and negotiations with our suppliers under, the long-term supply contracts. Our management has been negotiating with our suppliers on adjusting the prices under these long-term contracts. Should the negotiation results be different from the assessment base on which we recognized such provisions, these provisions would be adjusted accordingly to reflect such a new assessment. If the prices under our current contracts remains to be higher than the market price of polysilicon, we may have higher cost of polysilicon compared with other competitors who purchase their polysilicon from the spot market. On the other hand, we cannot assure you that we will be able to secure sufficient quantities of polysilicon to meet the requirements of our existing production capacity or support the future expansion of our manufacturing capacity, if any. 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 we have failed to perform certain of our long-term polysilicon supply contracts according to their original terms 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.

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 contract with Hemlock for supplies of polysilicon from 2013 through 2020. In November 2011, we entered into an amendment to this long-term supply contract with Hemlock to purchase polysilicon starting from 2012 through 2020 instead of 2013 through 2020. Due to fluctuating polysilicon prices, we successfully negotiated and executed amendments for current purchases on a quarterly or monthly basis with some of these vendors that amended certain commercial terms such as total contract quantity, advance payment arrangements and unit prices for the relevant quarter or month several times in 2011, 2012 and 2013. In October 2013, we also entered into an agreement with a vendor to amend our long-term supply contracts with the vendor to include a price adjustment mechanism that allows the vendor and us to renegotiate the purchase price on a quarterly basis within a specified price range based on market price.

***Vertically Integrated Manufacturing Capabilities***

We believe that 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 a 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.

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 600 megawatts of PANDA production capacity for each of monocrystalline ingots and wafers, cells and modules in Baoding, Hebei Province has started initial production in the second quarter of 2011. We achieved an average cell conversion efficiency rate of 19.7% on the PANDA commercial production lines and a record cell conversion efficiency rate of 21.0% on the PANDA trial line in 2013.

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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.

We export a substantial amount of our products to Europe. In 2012, our sales to European countries accounted for over 40% of our total net revenues for 2012, compared to approximately 30% in 2013. On September 5 and November 8, 2012, respectively, the European Union initiated anti-dumping and anti-subsidy investigations of crystalline silicon photovoltaic, or CSPV wafers, cells, and modules from China. On June 4, 2013, the European Commission issued its provisional anti-dumping determination and on August 2, 2013, the European Commission accepted an undertaking, or the Undertaking, made by a group of Chinese PV products exporters (including us) jointly with the China Chamber of Commerce for Import and Export of Machinery and Electronic Products, or CCCME. Pursuant to the Undertaking, the Chinese exporters will limit their exports of solar panels to the EU and set prices above a minimum price, in exchange for the EU agreeing to forgo the imposition of anti-dumping duties on these solar panels from China. CCCME is responsible for allocating the quota among these exporters, and we have been allocated a portion of the quota. On December 5, 2013, the Council of European Union adopted the final findings of the European Commission and imposed anti-dumping and anti-subsidy duties on CSPV modules and key components (i.e. cells) originating in or consigned from People's Republic of China. Wafers were excluded from the product scope. The anti-dumping duty rates ranged from 27.3% to 64.9%, while the anti-subsidy duty rates from 0% to 11.5%. The rates applicable to us are 35.5% and 6.3%, respectively. The definitive duties will be imposed for a two-year period starting from December 6, 2013. At the same time, the Council of European Union also confirmed the acceptance by European Commission of the Undertaking. While we are exempted from paying any anti-dumping and anti-subsidy duties to the EU starting from August 6, 2013, the increased selling price and the reduced consumption on the European market under the Undertaking may bring significant uncertainties to our business in the European market. For example, our customers in Europe may not be willing to purchase our products at a higher price or to accept other restrictions imposed on us by the Undertaking. In addition, if we breach or withdraw from the Undertaking, or the European Commission withdraws its acceptance of the Undertaking, the anti-dumping and anti-subsidy duties will automatically apply to us. Thus, there can be no assurance that our entry into and performance of the Undertaking will eliminate potential material adverse effects of anti-dumping and anti-subsidy duties on our business in Europe and our results of operation.

We also export a substantial amount of our products to the United States. On November 7, 2012, the U.S. International Trade Commission (ITC) determined that CSPV modules produced from Chinese cells are materially injuring the U.S. CSPV cells and modules industry. The U.S. Department of Commerce, or the DOC, issued its final determinations on the rates of the anti-dumping, or AD, and countervailing duties, or CVD, on October 10, 2012, which became effective upon issuance of the final anti-dumping and countervailing duties orders in early December 2012. As a result of such final determinations, we, as a voluntary respondent, are subject to an average aggregated AD/CVD rate of 29.18%. However, this average aggregated AD/CVD rate might be subject to change due to the administrative review process initiated by DOC in early 2014.

On January 23, 2014, the DOC initiated a parallel AD investigation on CSPV products from China and Taiwan and CVD investigation on CSPV products from China. The products concerned are crystalline silicon photovoltaic cells, and modules, laminates and/or panels consisting of crystalline silicon photovoltaic cells, whether or not partially or fully assembled into other products, including building integrated materials. Subject merchandise also includes modules, laminates and/or panels assembled in China and Taiwan consisting of crystalline silicon photovoltaic cells that are completed or partially manufactured within a customs territory other than China and Taiwan, using ingots, wafers that are manufactured in China and Taiwan, or cells where the manufacturing process begins in China and Taiwan and is completed in other countries. The preliminary CVD result will be published before June 2, 2014 and the preliminary AD result before the end of July, 2014. Since we have been maintaining our supply to the U.S. market sourcing cells from Taiwan to avoid those punitive tariffs imposed against cells and modules from China, our business in the U.S. market may be materially and adversely impacted if the USDOC and ITC finally impose punitive tariffs in these new investigations.

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On November 23, 2012, the Department of Commerce of the Government of India initiated its anti-dumping investigation concerning imports of photovoltaic products originating in or exported from Malaysia, Mainland China, Taiwan and the United States. Both crystalline silicon and thin-film products are under investigation. Although we have very limited shipments to India during the period that is subject to the investigations, and are therefore not designated as a sampled exporter and producer, if as the result of such investigation the Indian government imposes anti-dumping or other trade protection measures, our prospects in the Indian market may be materially and adversely affected.

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 lose customer 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.

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

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	2011		2012		2013		% 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	14,397,086	98.1%	10,989,767	96.5%	12,510,809	2,066,638	93.2%
Sales of PV systems	53,731	0.4	171,013	1.5	408,630	67,501	3
Other revenues	227,148	1.5	231,148	2.0	498,654	82,372	3.8
Total net revenues	14,677,965	100.0%	11,391,928	100.0%	13,418,093	2,216,511	100%

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 2011, 2012 and 2013, sales to our five largest customers accounted for approximately 27.7%, 26.0% and 15.2%, 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 States. The following table sets forth our total consolidated net revenues by geographic region for the periods indicated:

Country/Region	2011		2012		2013		% of Total Revenues
	Revenues RMB	% of Total Revenues	Revenues RMB	% of Total Revenues	Revenues RMB	US\$	
(In thousands, except percentages)							
Europe:							
Germany	6,595,109	44.9%	4,765,312	41.8%	2,439,058	402,904	18.2%
Spain	511,757	3.5	381,910	3.4	131,414	21,708	1.0
France	352,107	2.4	75,898	0.7	156,557	25,861	1.2
Italy	700,646	4.8	389,218	3.4	95,013	15,695	0.7
Netherlands	222,413	1.5	502,843	4.4	227,163	37,525	1.7
Greece	210,487	1.4	477,138	4.2	325,619	53,788	2.4
United Kingdom	227,122	1.5	117,381	1	403,014	66,573	3.0
Rest of Europe	249,651	1.7	156,142	1.4	259,256	42,826	1.9
Subtotal Europe	9,069,292	61.8	6,865,842	60.3	4,037,094	666,880	30.1
China	3,261,886	22.2	2,653,341	23.3	4,546,482	751,025	33.9
United States	2,137,219	14.6	1,600,695	14.1	2,906,262	480,080	21.7
Japan	51,236	0.3	81,911	0.7	972,604	160,663	7.2
Rest of World	158,332	1.1	190,139	1.7	955,651	157,862	7.1
Total net revenues	14,677,965	100%	11,391,928	100%	13,418,093	2,216,511	100%

Most 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 has material effect on our cost of raw materials. 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 arrangements 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 manufacturing activities.
- *Overhead.* Overhead costs include utilities, maintenance of production equipment, land use rights and other ancillary expenses associated with 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 twenty-five 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.



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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/Loss and Gross Profit/Loss 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 RMB1,458.9 million (US\$241.0 million) in 2013. Our gross profit margin was 10.9% in 2013, compared to our gross loss margin of negative 3.2% in 2012 and gross profit margin of 16.7% in 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, 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. We expect that selling expenses will decrease as a percentage of net revenues over time as we achieve greater economies of scale.

Before September 30, 2011, our PV modules were 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 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 a linear-based warranty, which guarantees each year's power output during the twenty-five-year warranty period. In December 2013, we entered into a similar module performance warranty insurance agreement with another insurance company for the same scope of beneficiaries during the period from January 1, 2014 to December 31, 2014. These warranties require us to fix or replace the defective products. We currently accrue the equivalent of 1% of gross revenues for warranty obligations. In 2013, we recorded warranty expense of RMB125.9 million (US\$20.8 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 the 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 to determine the amount of such provision.
- *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. As of December 31, 2012, we had accrued a total impairment provision of RMB2,475.5 million for Fine Silicon's entire property, plant and equipment.
- *Impairment of goodwill*, which relates to the impairment charge of RMB 273.4 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. As a result, we recorded an impairment charge to fully write off the carrying value of the goodwill as of December 31, 2011. No such provision was made in 2012 and 2013.
- *Provision on the inventory purchase commitment under long-term polysilicon supply contracts*. In 2011, we recognized a provision of RMB851.7 million on our inventory purchase commitment under the long-term polysilicon supply contracts as a result of the continuing decline in the polysilicon purchase price. No such provision was made in 2012. In 2013, we recognized a provision of RMB480.2 million (USD79.3 million) on our inventory purchase commitment under the long-term polysilicon supply contracts as a result of our re-assessment of its purchase commitments under long-term polysilicon supply contracts based on current market price of polysilicon and current status of our performance of, and negotiations with our suppliers under, the long-term supply contracts. Should the negotiation progress be different from the current assessment, the provision would be adjusted accordingly to reflect such a new assessment.

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**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 in 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 MOF 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%, resulting in a tax rate of 0% for 2008, and 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. Thus, 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 was entitled to the preferential enterprise income tax rate of 15% from 2009 to 2011. Fine Silicon renewed the certificate of High and New Technology Enterprise and extended the preferential income tax period for another three years starting from 2012. 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 the EIT Law in September 2011. Therefore, Yingli Hainan was entitled to the tax exemption for the first two years and half the EIT rate for the subsequent three years upon generating any operational revenues. Yingli Hainan elected to defer the commencement of the above-mentioned tax holidays until January 1, 2011. Therefore, Yingli Hainan is entitled to the EIT exemption from 2011 to 2012 and a preferential EIT rate of 12.5% from 2013 to 2015. Yingli Tianjin, located in Tianjin, was established in March 2011 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Therefore, Yingli Tianjin is entitled to a preferential EIT rate of 15% from 2013 to 2015. Yingli Lixian, located in Lixian, Hebei Province, was established in June 2010 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Therefore, Yingli Lixian is entitled to a preferential EIT rate of 15% from 2013 to 2015. Yingli Hengshui, located in Hengshui, Hebei Province, was established in April 2011 and recognized by the Chinese government as a High and New Technology Enterprise under the EIT Law in July 2013. Therefore, Yingli Hengshui is entitled to a preferential EIT rate of 15% from 2013 to 2015.

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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. If renewed after our reapplication and relevant government authorities review and annual evaluation a High and New Technology Enterprise status will enable Tianwei Yingli, Yingli China, Fine Silicon, Yingli Tianjin, Yingli Lixian, Yingli Hengshui and Yingli Hainan to continue to enjoy the preferential income tax rate of 15% for another three years. These entities have passed all previous reviews and evaluations by relevant PRC government authorities for this qualification, and we expect them to continue to pass such reviews and evaluations in the future.

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 latter 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 since 2008 and therefore have not recognized a deferred tax liability for those earnings.

Yingli Green Energy Europe GmbH ( Yingli Europe ) and Yingli Green Energy South East Europe GmbH (formerly known as Yingli Green Energy Greece Sales GmbH) ( Yingli South East Europe ), 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. In addition, Yingli Europe and Yingli South East Europe are subject to a trade income tax rate of 17.15% and 12.775%, respectively. The aggregate statutory income tax rate in Yingli Europe and Yingli South East Europe is 32.975% and 28.6%, respectively.

Yingli Green Energy Americas, INC ( Yingli Americas ), 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 6.6%, resulting in an aggregate income tax rate of 38.4%.

**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 were 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 industry practice, 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 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 a linear-based warranty, which guarantees each year's power output during the twenty-five-year warranty period. In December 2013, we entered into a similar module performance warranty insurance agreement with another insurance company for the same scope of beneficiaries during the period from January 1, 2014 to December 31, 2014. 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 that 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 accrue the estimated cost of our warranty obligations. During 2013, RMB14.3 million (US\$2.4 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, 2011, 2012 and 2013, our accrued warranty costs amounted to RMB457.7 million, RMB555.4 million and RMB666.9 million (US\$110.2 million), respectively. As of December 31, 2011, 2012 and 2013, RMB425.4 million, RMB519.5 million and RMB626.3 million (US\$103.5 million), respectively, in warranty costs were classified as noncurrent 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.

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

	2011 RMB	For the Year Ended December 31,		2013	US\$
		2012 RMB	(In thousands)		
Beginning balance	303,641	457,733	555,357	91,738	
Warranty expense for current year sales	154,091	109,915	125,900	20,797	
Warranty costs incurred or claimed		(12,291)	(14,311)	(2,364)	
Total accrued warranty cost	457,732	555,357	666,946	110,171	
Less: accrued warranty cost, current portion	32,383	35,819	40,632	6,712	
Accrued warranty cost, excluding current portion	425,349	519,538	626,314	103,459	

**Long-Lived Assets**

As of December 31, 2011, 2012 and 2013, our intangible assets primarily consisted of technical know-how, customer relationships, long-term supplier agreements and trademarks.

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 future periods. There has been no change to the estimated useful lives or salvage values during 2011, 2012 and 2013.

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. 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 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 in an amount of RMB2,275.0 million to reflect the above change.

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For the year ended December 31, 2012, 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 in an amount of RMB200.5 million to reflect the above change.

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

No impairment on our long-lived assets was recognized in 2013 as the average selling price of PV module stabilized in 2013.

***Share-Based Compensation***

As further described in Note (18) 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 vesting 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.

For the share options granted after our initial public offering, the fair value of our ordinary shares 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.



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We had 5,824,106, 5,349,942 and 5,169,567 employee share options outstanding as of December 31, 2011, 2012 and 2013, respectively. The following table sets forth information regarding our outstanding employee share options as of December 31, 2011, 2012 and 2013:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term		Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2011	5,824,106	US\$	4.63	7.21 years	US\$	1,427
Granted or Reissued		US\$				
Exercised		US\$				
Forfeited or Cancelled	(474,164)	US\$	5.46			
Outstanding as of December 31, 2012	5,349,942	US\$	4.55			
Granted	(178,750)	US\$	3.65			
Exercised	(1,625)	US\$	8.31		US\$	638
Forfeited or Cancelled	5,169,567	US\$	4.58	5.21 years		
Vested and expected to vest as of December 31, 2013		US\$			US\$	8,218
Exercisable as of December 31, 2013	3,982,437	US\$	3.33	5.13 years	US\$	7,200

In addition to share options, we have granted a total of 2,665,060 restricted shares under our 2006 stock incentive plan for the benefit of 81 participants, consisting of 755,840 restricted shares granted to seven directors and officers of Yingli Green Energy and 1,909,220 restricted shares to 74 other employees and nonemployees, consisting of 33,792 restricted shares forfeited, as of December 31, 2013. None of these restricted shares remained unvested as of December 31, 2013.

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We recorded noncash share-based compensation expense of RMB73.9 million, RMB35.5 million and RMB15.9 million (US\$2.6 million) as translated at the applicable average exchange rate prevailing during the period) for the year ended December 31, 2011, 2012 and 2013.

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 (loss) and the net income available to our ordinary shareholders.

Based on the closing price of our ordinary shares of US\$5.05 per share as of December 31, 2013, the aggregate intrinsic value of the options outstanding as of December 31, 2013 was approximately US\$8.2 million.

***Valuation of Inventories***

Our inventories are stated at the lower of cost or market 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 market 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 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 changes 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, 2011, 2012 and 2013, inventory write-downs, which are included in the cost of revenues, were RMB469.9 million, RMB665.4 million and RMB5.0 million (US\$0.8 million), respectively.

***Accrual for Loss on 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, 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 RMB851.7 million on our firm purchase commitments under the long-term fixed price polysilicon contracts as of December 31, 2011. The provision was determined by applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory. During the years ended December 31, 2011 and 2012, notwithstanding that the firm purchase commitments under the long-term fixed price contracts continued to be in effect, through negotiations with the vendors, we were able to obtain various pricing concessions from the vendors, which resulted in the actual purchase price paid by us to be less than the stated contract price. Our management believes that we will be able to continue to purchase from the polysilicon vendors at lower, renegotiated prices that are in line with the prevailing market price. We have therefore reclassified the accrual for potential losses on inventory firm purchase commitments of RMB851.7 million as of December 31, 2012 to an accrual for loss contingency related to the inventory purchase commitments. The accrued amount of RMB851.7 million represents our best estimate for the loss contingency, taking into consideration the expected future

renegotiated purchase prices to execute the contracts.

During the year ended December 31, 2013, we continued to negotiate and execute amendments for current purchases on a quarterly or monthly basis with two of the vendors and obtained price concessions that allowed us to purchase polysilicon at renegotiated prices that were close to market price and significantly lower than the stated contract prices under the long-term fixed price supply contracts with these vendors.

In addition, we continued to negotiate with these two vendors for an overall amendment to each long-term fixed price supply contract with such vendors to eliminate fixed price arrangements. In October 2013, we entered into agreements with one of the vendors to amend the long-term supply contract with such vendor to include a price adjustment mechanism that allows us and the vendor to renegotiate purchase price on a quarterly basis within a specified price range set forth in the amendments based on market price. We have not reached similar agreement with the other vendor, but continued to renegotiate prices on a quarterly or monthly basis to purchase polysilicon from such vendor at close to market prices. We failed, however, to accept deliveries from the vendor for a total of six months in 2012 and 2013 under the long-term fixed price supply contracts as our management determined after taking into consideration all relevant factors that it would be in our best interest not to accept those deliveries when they were due. As a result, the vendor claimed that it had forfeited certain advance payments made by us. Notwithstanding our failure to accept deliveries for six months and the vendor's claim as described above, we and the vendor continued our monthly or quarterly negotiations and we have accepted deliveries from the vendor after our failure to accept deliveries in those six months.

We did not purchase from a third vendor with whom we have entered into a long-term fixed price supply contract that provided for purchase from 2013 to 2020 due to the uncertainty caused by anti-dumping and anti-subsidy investigation against solar-grade polysilicon imported from the U.S. and South Korea launched by the Ministry of Commerce of the People's Republic of China in July 2012. We have received invoices on our take-or-pay obligation under this contract for failing to take the shipments in 2013 and we are currently in discussion with this vendor to seek an acceptable solution to both parties on the performance of the long-term supply contract.

We reassessed the probability of the incurrence of a loss under our long-term fixed price polysilicon contracts based on all the developments in 2013 and recognized an additional provision of RMB480.2 million (US\$79.3 million) on the firm purchase commitments under the long-term fixed price polysilicon contracts as of December 31, 2013. The provision was determined by applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory, using our management's best estimates of future purchase prices over the remaining terms of the contracts and applying such estimated purchase prices in the lower of cost or market evaluation. In estimating the renegotiated purchase prices, we considered the pertinent terms of each of the long-term supply contracts, the history and progress of renegotiation with the relevant vendors and the actual price concessions granted, the polysilicon market development based on available industry research data and the likelihood of achieving different levels of renegotiated prices for future periods. In addition to the estimated renegotiated purchase price, certain other key assumptions were used in measuring the loss accrual, which included but were not limited to (i) the estimated net realizable value of the PV modules manufactured from the polysilicon expected to be purchased under the long-term supply contracts; and (2) the normal profit margin of the PV modules for purposes of estimating the replacement cost (i.e., market) under the lower of cost or market model. In accordance with ASC 450-20, we did not take into consideration the discounting of the resultant accrual. We also considered the quantities that were required to be purchased and amounts due on take or pay arrangements, as well as the history and progress of renegotiation with the relevant vendors and the actual concessions granted in developing the amount of the estimated loss contingencies.

#### *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, 2011, 2012 and 2013, our provision for doubtful accounts amounted to RMB45.6 million, RMB74.0 million and RMB20.0 million (US\$3.3 million), respectively. We recorded a reversal of allowance for doubtful accounts of RMB6.6 million, RMB5.4 million and RMB17.0 million (US\$2.8 million) in 2011, 2012 and 2013, respectively, primarily due to the collection of a previously reserved amount from customers.



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The following table presents the movement of allowance for doubtful accounts for the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,			
	2011 RMB	2012 RMB	RMB	2013 US\$
(In thousands)				
Beginning balance	(309,482)	(343,306)	(287,351)	(47,467)
Additions	(45,612)	(73,962)	(20,063)	(3,314)
Reversal of allowance for doubtful accounts	6,624	5,401	16,998	2,808
Write-off of accounts receivable charged against the allowance	5,164	124,516	3,419	564
Ending balance	(343,306)	(287,351)	(286,997)	(47,409)

**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.

	2011		For the Year Ended December 31,				
	RMB	%	2012		RMB	2013 US\$	%
(In thousands, except percentages)							
Net revenues:							
Sales of PV modules	14,397,086	98.1%	10,989,767	96.5%	12,510,809	2,066,638	93.2%
Sales of PV systems	53,731	0.4	171,013	1.5	408,630	67,501	3
Other revenues	227,148	1.5	231,148	2	498,654	82,372	3.8
Total net revenues	14,677,965	100%	11,391,928	100%	13,418,093	2,216,511	100%
Cost of revenues:							
Cost of PV modules sales							
	(11,905,502)	(81.1)	(11,329,951)	(99.5)	(11,078,733)	(1,830,076)	(82.6)
Cost of PV systems sales							
	(43,280)	(0.3)	(155,310)	(1.4)	(374,350)	(61,838)	(2.8)
Cost of other revenues							
	(279,504)	(1.9)	(275,468)	(2.4)	(506,156)	(83,611)	(3.7)
Total cost of revenues	(12,228,286)	(83.3)	(11,760,729)	(103.2)	(11,959,239)	(1,975,525)	(89.1)
Gross profit (loss)	2,449,679	16.7	(368,801)	(3.2)	1,458,854	240,986	10.9
Operating expenses:							
Selling expenses							
	(818,022)	(5.6)	(893,332)	(7.8)	(1,064,263)	(175,804)	(7.9)
General and administrative expenses							
	(602,728)	(4.1)	(804,587)	(7.1)	(741,168)	(122,433)	(5.5)
Research and development expenses							
	(284,909)	(1.9)	(187,538)	(1.6)	(288,558)	(47,666)	(2.2)
Provisions for doubtful accounts receivable							
	(38,988)	(0.3)	(68,561)	(0.6)	(3,065)	(506)	
Impairment of goodwill							
	(273,382)	(1.9)					
Impairment of long-lived assets							
	(2,275,024)	(15.5)	(200,497)	(1.8)			
Provision for inventory purchase commitments							
	(851,694)	(5.8)			(480,182)	(79,320)	(3.6)
	(5,144,747)	(35.1)	(2,154,515)	(18.9)	(2,577,236)	(425,729)	(19.2)

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Total operating expenses							
Loss from operations	(2,695,068)	(18.4)	(2,523,316)	(22.2)	(1,118,382)	(184,743)	(8.3)
Equity in income(loss) of affiliates, net	(9,557)	(0.1)	507	0.0	1,197	198	
Interest expense, net	(597,885)	(4.1)	(850,678)	(7.5)	(940,225)	(155,314)	(7.0)
Foreign currency exchange losses, net	(190,475)	(1.3)	(78,599)	(0.7)	(32,230)	(5,324)	(0.2)

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	2011		For the Year Ended December 31, 2012				2013	
	RMB	%	RMB	%	RMB	US\$	%	
	(In thousands, except percentages)							
Gain on bargain purchase from an acquisition	52,202	0.4						
Other income	41,593	0.3	54,457	0.50	65,767	10,864	0.4	
Income tax (expense) benefit	133,413	0.9	205,742	1.80	(31,025)	(5,125)	(0.2)	
Net loss	(3,265,777)	(22.2)	(3,191,887)	(28.00)	(2,054,898)	(339,444)	(15.3)	
Less: Loss attributable to the noncontrolling interests	56,866	0.4	127,475	1.10	110,473	18,249	0.8	
Net loss attributable to Yingli Green Energy	(3,208,911)	(21.9)	(3,064,412)	(26.90)	(1,944,425)	(321,195)	(14.5)	

**Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

*Net Revenues.* Our total net revenues were RMB13,418.1 million (US\$2,216.5 million) in 2013, which increased by 17.8% from RMB11,391.9 million in 2012. The PV module shipment volume (including shipments for PV systems) in 2013 was 3,234.3 megawatts, an increase of 40.8% from 2,297.1 megawatts in 2012. The increase in total shipments was primarily due to higher recognition of our brand, proven performance of our products, our differentiated market channels and end market diversification. The increase in total net revenues year-over-year was mainly due to a significant increase in PV module shipments that driven by demand growth in China, United States and Japan, partially offset by an industry-wide decline in the average selling price for PV modules compared to 2012..

Net revenues from sales of PV modules were RMB12,510.8 million (US\$2,066.6 million), or 93.2% of total net revenues in 2013, compared to RMB10,989.8 million, or 96.5% of total net revenues in 2012. Our PV module sales in Germany were RMB2,439.1 million (US\$402.9 million), or 18.2% of our total net revenues in 2013, which decreased from RMB4,765.3 million, or 41.8% of total net revenues in 2012. Our PV module sales in the United States in 2013 were RMB2,906.3 million (US\$480.1 million), or 21.7% of our total net revenues which increase from RMB1,600.7 million, or 14.1% of our total net revenues in 2012. Our PV module sales in China in 2013 were RMB4,546.5 million (US\$751.0 million), or 33.9% of our total net revenues, which increased from RMB2,653.3 million, or 23.3% of our total net revenues in 2012.

Net revenues from sales of PV systems were RMB408.6 million (US\$67.5 million), or 3.0% of total net revenues in 2013, increased from RMB171.0 million, or 1.5% of total net revenues in 2012. Most of our net revenues from sales of PV systems in 2013 were derived from China. Other revenues amounted to RMB498.7 million (US\$82.4 million) in 2013, primarily from sales of raw materials and low efficiency PV cells, compared to RMB231.1 million in 2012. Other revenues as a percentage of total net revenues was 3.8% in 2013 and 2.0% in 2012.

*Cost of Revenues.* The cost of PV modules sales as a percentage of net revenues from PV modules was 88.6% in 2013, compared to 103.1% in 2012. The decrease in the cost of PV modules as a percentage of net revenues from PV modules in 2013 from 2012 was primarily a result of the decrease in polysilicon cost and our continuous efforts in reducing polysilicon consumption per watt and non-polysilicon processing costs.

The cost of PV systems sales as a percentage of net revenues from PV systems was 91.6% in 2013, as compared to 90.8% in 2012.

*Gross Loss (Profit).* As a result of the factors described above, our gross profit was RMB1,458.9 million (US\$241.0 million) in 2013, improved from gross loss of RMB368.8 million in 2012. Our gross margin was 10.9% in 2013, improved from negative 3.2% in 2012.

*Operating Expenses.* Our operating expenses were RMB2,577.2 million (US\$425.7 million) in 2013, which increased from RMB2,154.5 million in 2012. Operating expenses as a percentage of net revenue increased to 19.2% in 2013 from 18.9% in 2012. The increase in operating expenses from 2012 to 2013 was primarily due to the following reasons:

- *Selling Expenses.* Our selling expenses were RMB1,064.3 million (US\$175.8 million) in 2013, which increased from RMB893.3 million in 2012. This increase was primarily due to the increased PV module shipment volume. Selling expenses as a percentage of net revenues increased to 7.9% in 2013 from 7.8% in 2012.

- *General and Administrative Expenses.* Our general and administrative expenses were RMB741.2 million (US\$122.4 million), which decreased from RMB804.6 million in 2012. The decrease in general and administrative expenses in 2013 was primarily caused by our effort in cost controls. General and administrative expenses as a percentage of net revenues decreased to 5.5% in 2013 from 7.1% in 2012.

- *Research and Development Expenses.* Our research and development expenses were RMB288.6 million (US\$47.7 million) in 2013, compared to RMB187.5 million in 2012. Our research and development expenses in 2013 primarily resulted from our continuous and more focused research and development efforts.

- *Impairment of Long-Lived Assets.* In 2012, we recognized an impairment of long-lived assets of Fine Silicon of RMB200.5 million, and we did not recognize any impairment of long-lived assets in 2013 as the average of selling price of PV module stabilized in 2013.

- *Provision on the Inventory Purchase Commitments under Long-Term Polysilicon Supply Contracts.* In 2013, we recognized a provision of RMB 480.2 million (US\$79.3 million) on our inventory purchase commitment under long-term polysilicon supply contracts as a result of our re-assessment of our purchase commitments under long-term polysilicon supply contracts based on current market price of polysilicon and current status of our performance of, and negotiations with our suppliers under, the long-term supply contracts. We did not recognize any such provision in 2012.



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*Loss from Operations.* Loss from operations was RMB1,118.4 million (US\$184.7 million) in 2013, compared to RMB2,523.3 million in 2012. As a result of the cumulative effect of the above factors, operating loss margin was 8.3% in 2013, compared to 22.2% in 2012.

*Interest Expense, Net.* Net interest expense was RMB940.2 million (US\$155.3 million) in 2013, which increased from RMB850.7 million in 2012. The increase in interest expense in 2013 was mainly a result of slightly increased weighted average interest rate and a reduced level of capitalised interest expense relating to construction in progress which was transferred into fixed assets in 2013. The weighted average interest rate for our borrowings in 2013 was 6.31%, which slightly increased from 6.25% in 2012..

*Foreign Currency Exchange Losses.* Foreign currency exchange loss was RMB32.2 million (US\$5.3 million) in 2013, compared to RMB78.6 million in 2012. The foreign currency exchange loss was primarily due to the depreciation of the Euro and U.S. dollars against the Renminbi in 2013.

*Income Tax Expense (Benefit).* We recognized an income tax expense of RMB31.0 million (US\$5.1 million) in 2013, compared to income tax benefit of RMB205.7 million in 2012.

*Loss Attributable to the Noncontrolling Interests.* In 2013, loss attributable to the noncontrolling interests was RMB110.5 million (US\$18.2 million), compared to RMB127.5 million in 2012.

*Net Loss Attributable to Yingli Green Energy.* As a result of the cumulative effect of the above factors, our net loss was RMB1,944.4 million (US\$321.2 million) in 2013, compared to RMB3,064.4 million in 2012.

**Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

*Net Revenues.* Our total net revenues were RMB11,391.9 million in 2012, which decreased by 22.4% from RMB14,678.0 million in 2011. The PV module shipment volume in 2012 was 2,297.1 megawatts, an increase of 43.2% from 1,603.8 megawatts in 2011. The increase in total shipments was primarily due to higher recognition of our brand, proven performance of our products, our differentiated market channels and end market diversification. The decrease in net revenues was mainly due to the significant industry-wide decline in the average selling price for PV modules compared to 2011, partially offset by an increase in the PV module shipment volume. The average selling price of PV modules for 2012 was US\$0.77 per watt, compared to the average selling price of US\$1.43 per watt in 2011.

Net revenues from sales of PV modules were RMB10,989.8 million, or 96.5% of total net revenues in 2012, compared to RMB14,397.1 million, or 98.1% of total net revenues in 2011. Our PV module sales in Germany were RMB4,765.3 million, or 41.8% of our total net revenues in 2012, which decreased from RMB RMB6,595.1 million, or 44.9% of total net revenues in 2011. Our PV module sales in the United States in 2012 were RMB1,600.7 million, or 14.1% of our total net revenues, which decreased from RMB2,137.2 million, or 14.6% of our total net revenues in 2011. Our PV module sales in China in 2012 were RMB2,251.2 million, or 23.3% of our total net revenues, which decreased from RMB2,985.3 million, or 20.3% of our total net revenues in 2011.

Net revenues from sales of PV systems were RMB171.0 million, or 1.5% of total net revenues in 2012, compared to RMB53.7 million, or 0.4% of total net revenues in 2011. All of our net revenues from sales of PV systems in 2012 were derived from China. Other revenues amounted to RMB231.1 million in 2012, primarily from sales of raw materials and low efficiency PV cells, compared to RMB227.1 million in 2011. Other revenues as a percentage of total net revenues were 2.0% in 2012 and 1.5% in 2011.

*Cost of Revenues.* The cost of PV modules sales as a percentage of net revenues from PV modules was 103.1% in 2012, compared to 82.7% in 2011. The increase in the cost of PV modules as a percentage of net revenues from PV modules in 2012 from 2011 was primarily a result of the decrease in the average selling price for PV modules and an increase in inventory provision from RMB 469.9 million in 2011 to RMB 665.4 million in 2012, 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.

The cost of PV systems sales as a percentage of net revenues from PV systems was 90.8% in 2012, as compared to 80.5% in 2011. The increase in cost of PV systems as a percentage of net revenues from PV systems in 2012 from 2011 was primarily a result of the decrease in the average selling price for PV systems.

*Gross Loss (Profit).* As a result of the factors described above, our gross loss was RMB368.8 million in 2012, compared to gross profit of RMB2,449.7 million in 2011. Our gross margin was negative 3.2% in 2012, compared to 16.7% in 2011. The significant decrease in gross margin in 2012 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 RMB2,154.5 million in 2012, which decreased from RMB5,144.7 million in 2011. Operating expenses as a percentage of net revenue significantly decreased to 18.9% in 2012 from 35.1% in 2011. The decrease in operating expenses from 2011 to 2012 was primarily due to the following reasons:

- *Selling Expenses.* Our selling expenses were RMB893.3 million, which increased from RMB818.0 million in 2011. This increase was primarily due to the increased PV module shipment volume. Selling expenses as a percentage of net revenues increased to 7.8% in 2012 from 5.6% in 2011.
- *General and Administrative Expenses.* Our general and administrative expenses were RMB804.6 million, which increased from RMB602.7 million in 2011. The increase in general and administrative expenses in 2012 was primarily caused by an expanded scale of business. General and administrative expenses as a percentage of net revenues increased to 7.1% in 2012 from 4.1% in 2011.
- *Research and Development Expenses.* Our research and development expenses were RMB187.5 million in 2012, compared to RMB284.9 million in 2011. Our research and development expenses in 2012 primarily resulted from our continuous and more focused research and development efforts.
- *Impairment of Long-Lived Assets.* In 2012, we recognized an impairment of long-lived assets of Fine Silicon of RMB200.5 million, compared to RMB2,275.0 million in 2011.
- *Impairment of Goodwill.* In 2011, we recognized an impairment of goodwill of RMB273.4 million originated from the historical acquisitions of equity interests in 2006, 2007 and 2008 in Tianwei Yingli. We did not recognize any impairment of goodwill in 2012.
- *Provision on the Inventory Purchase Commitments under Long-Term Polysilicon Supply Contracts.* In 2011, we recognized a provision of RMB851.7 million on our inventory purchase commitments under long-term polysilicon supply contracts as a result of the continuing decline in the polysilicon purchase price. We did not recognize any such provision in 2012.



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*Loss from Operations.* Loss from operations was RMB2,523.3 million in 2012, compared to RMB2,695.1 million in 2011. As a result of the cumulative effect of the above factors, operating loss margin was 22.2% in 2012, compared to 18.4% in 2011.

*Interest Expense, Net.* Net interest expense was RMB850.7 million in 2012, which increased from RMB597.9 million in 2011. The increase in interest expense was consistent with the increase in long-term debt from RMB5,858.3 million as of December 31, 2011 to RMB7,988.4 million as of December 31, 2012.

*Foreign Currency Exchange Losses.* Foreign currency exchange loss was RMB78.6 million in 2012, compared to foreign currency exchange loss of RMB190.5 million in 2011. The foreign currency exchange loss was primarily due to the depreciation of the Euro and U.S. dollars against the Renminbi in 2012.

*Income Tax Benefit.* We recognized an income tax benefit of RMB205.7 million in 2012, compared to RMB133.4 million in 2011. The income tax benefit in 2012 and 2011 mainly resulted from a deferred income tax benefit recognized in connection with the net loss.

*Loss Attributable to the Noncontrolling Interests.* In 2012, loss attributable to the noncontrolling interests was RMB127.5 million, compared to RMB56.9 million in 2011.

*Net Loss Attributable to Yingli Green Energy.* As a result of the cumulative effect of the above factors, our net loss was RMB3,064.4 million in 2012, compared to RMB3,208.9 million in 2011.

**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 may be difficult to predict. In particular, we may need capital to fund the future 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, the United States, China and other target markets, as well as the proceeds from our 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, 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, 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 offering. As of December 31, 2013, we had RMB1,105.5 million (US\$182.6 million) in cash, RMB1,692.3 million (US\$279.6 million) in restricted cash, RMB6,715.9 million (US\$1,109.4 million) in outstanding short-term borrowings (including the current portion of long-term debt), RMB4,108.3 million (US\$678.6 million) in outstanding long-term debt (excluding the current portion) and RMB 3914.7 million (US\$646.7 million) in medium-term notes.

As of December 31, 2013, 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 loan facility.

Our outstanding short-term borrowings (including the current portion of long-term debt) as of December 31, 2013 were RMB6,715.9 million (US\$1,109.4 million), and had a weighted-average interest rate of 5.8%. Such borrowings were made principally to support our working capital requirements 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, 2013 was RMB4,108.3 million (US\$678.6 million), consisting of RMB3,683.5 million (US\$608.5 million) in long-term bank borrowings and RMB424.8 million (US\$70.2 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.

In October 2010, under a plan to issue up to RMB2.4 billion RMB-dominated unsecured five-year medium-term notes registered with the PRC National Association of Financial Market Institutional Investors, Tianwei Yingli completed the First Tranche Issue of RMB-denominated unsecured five-year medium-term notes in the amount of RMB1.0 billion, 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 interest rate of 4.3% per annum for 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 was completed by Tianwei Yingli, which will mature on May 12, 2016. The Second Tranche Issue bears a fixed interest rate of 6.15% per annum.

In August 2010, Tianwei Yingli entered into a two-year RMB1.0 billion 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 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, 2013, Yingli China had drawn down RMB367.5 million (US\$60.7 million) under this loan agreement.

In May 2011, Yingli China entered into a 42-month RMB1.16 billion 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% of the interest rate per annum. As of December 31, 2013, the Company withdrew RMB481 million (US\$79.5 million) under this agreement. The loan is guaranteed by Yingli Green Energy and Yingli Group.



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In May 2012, Yingli China completed its issuance of RMB1.5 billion in aggregate amount of RMB-denominated unsecured medium-term notes. The issuance is composed of RMB300 million in aggregate amount of RMB-denominated five-year medium-term notes and RMB1.2 billion in aggregate amount of RMB-denominated three-year medium-term notes. The five-year notes bear a fixed interest rate of 6.01% per annum and will mature on May 3, 2017. The three-year notes bear a fixed interest rate of 5.78% per annum and will mature on May 3, 2015.

In April 2013, Yingli China entered into a two-year RMB10.1 billion (US\$165.0 million) working capital loan with the China Development Bank. The issuance is composed of 1.1 billion USD-denominated one-year working capital loan that bearing an interest rate of 6-month LIBOR plus 500 basis points per annum and 0.55 billion USD-denominated three-year working capital loan that bearing an interest rate of 6-month LIBOR plus 520 basis points per annum. The loan is unsecured and repayable upon maturity.

We have historically been able to repay our borrowings mostly from refinancings 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, the convertible senior notes offering and medium-term notes offerings. 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 short-term borrowings outstanding, and we may not be able to renew our short-term borrowings 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 was repurchased by us and settled in cash on December 14, 2012.

In addition, a number of our loan agreements contain financial covenants that require us to maintain certain financial ratios, including debt-to-asset ratios. The worsening operating environment that has generally affected companies operating in our industry since the fourth quarter of 2008 had led to breaches and potential future breaches of certain financial covenants under some of our loan agreements. We had been in breach of certain financial covenants, such as debt-to-asset ratios, under certain loan agreements with commercial banks in China, which would have triggered cross-default provisions under certain other relevant loan agreements. As of the date of this annual report, we have obtained written waivers from all the relevant banks with which we have these affected loan agreements, waiving such past breaches and/or cross-defaults. All these waivers also prospectively waived any future breach of such financial covenants for the remaining terms of the affected loans, except for the waiver for one affected loan in the principal amount of US\$50 million and due 2019 which waived prospectively future breach of financial covenants until December, 2014. In response to potential future 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, or requesting waivers of such financial covenants from those banks. 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 or requesting waivers for financial covenants under such loan agreements to address potential breaches, we cannot assure you that we would be able to reach agreements with the lenders or obtain waivers 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 We had in the past breached, and may in the future breach, certain restrictive covenants of some of our loan agreements, which may result in acceleration of repayment of the affected loans and may trigger cross-default provisions of other loans and borrowings and, as a result, adversely and materially affect our liquidity position and ability to obtain bank loans or to borrow in the future.

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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, 2013, our prepayments to suppliers were RMB1,682.5 million (US\$277.9 million), including amounts paid to related parties of RMB157.4 million (US\$26.0 million).

Currently, a significant portion of our revenue is derived from credit sales to our customers, generally with payments due within four months. The sales to a small number of major customers exposed us to additional and more concentrated credit risks since a significant portion of our outstanding accounts receivable is derived from sales to a limited number of customers. As of December 31, 2013, our five largest outstanding accounts receivable balance accounted for approximately 20.1% 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 and results of operations. Although we have been able to maintain adequate working capital primarily through short-term borrowings, 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, we continued to increase our working capital in 2013, as a result, our inventories were RMB2,164.9 million (US\$357.6 million) as of December 31, 2013, compared to RMB 2,523.6 million as of December 31 2012. We also make prepayments for equipment purchases. Our prepayments for equipment purchases amounted to RMB474.0 million, RMB229.2 million and RMB122.3 million (US\$20.2 million) as of December 31, 2011, 2012 and 2013, respectively.

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

	2011 RMB	For the Year Ended December 31,		2013 US\$
		2012 RMB	RMB	
	(In thousands)			
Net cash provided by (used in) operating activities	340,829	(2,055,694)	352,551	58,237
Net cash used in investing activities	(5,504,655)	(2,027,791)	(670,585)	(110,773)
Net cash provided by financing activities	3,554,893	2,003,847	(629,450)	(103,977)
Effect of foreign currency exchange rate changes on cash	(66,161)	(16,535)	(31,903)	(5,270)
Net increase (decrease) in cash	(1,675,094)	(2,096,173)	(979,387)	(161,783)
Cash and cash equivalents at the beginning of the year	5,856,132	4,181,038	2,084,865	344,395
Cash and cash equivalents at the end of the year	4,181,038	2,084,865	1,105,478	182,612



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*Operating Activities*

Net cash provided by operating activities was RMB352.6 million (US\$58.2 million) in 2013, primarily resulting from improvements in operating efficiency and significant decrease in net loss.

Net cash used in operating activities was RMB2,055.7 million in 2012, primarily resulting from the net loss incurred in 2012.

Net cash provided by operating activities was RMB340.8 million in 2011, primarily resulting from the increased accounts receivable and long-term prepayments to suppliers, and the significant decrease in gross profit.

*Investing Activities*

Net cash used in investing activities was RMB670.6 million (US\$110.8 million) in 2013, primarily due to purchase of new facilities for upgrading and maintenance purposes.

Net cash used in investing activities was RMB2,027.8 million in 2012, primarily due to purchases of property, plant and equipment for business expansion in a total amount of RMB1,952.6 million in 2012.

Net cash used in investing activities was RMB5,504.7 million in 2011, primarily due to purchase of property, plant and equipment for business expansion in the amount of RMB4,838.7 million, and an increase in restricted cash related to the purchase of property, plant and equipment for business expansion in the amount of RMB548.6 million.

*Financing Activities*

Net cash used in financing activities was RMB629.5 million (US\$104.0 million) in 2013, primarily due to the repayment of bank loans of RMB 8,591.7 million (US\$1,419.2 million), partially offset by the proceeds from bank loans of RMB7,950 million (US\$1,313.2 million), restricted cash of RMB14.3 million(US\$2.4 million) related to guarantee of bank borrowings and the proceeds from borrowings from Yingli Hainan s non-controlling interest holders of RMB100 million (US\$16.5 million).

Net cash provided by financing activities was RMB2,003.8 million in 2012, primarily due to the proceeds from bank loans of RMB13,080.9 million, the medium-term notes of RMB1,500 million, and RMB543.9 million of restricted cash related to the guarantee of bank borrowings,

partially offset by the repayment of bank loans of RMB13,129.3 million.

Net cash provided by financing activities was RMB3,554.9 million in 2011, 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 the repayment of bank loans of RMB7,313 million, RMB1,007.5 million of restricted cash related to the guarantee of bank borrowings, and RMB123.8 million of payment for share repurchases.

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**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 in the consumer price index in China was negative 5.4%, 2.6% and 2.6% in 2011, 2012 and 2013, respectively.

**Recent Accounting Pronouncements**

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ( ASU 2013-02 ). The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross-reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for interim and annual reporting periods beginning after December 15, 2012. We adopted the new standard on January 1, 2013. The adoption did not have a material impact on its consolidated financial statements or related disclosures.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The new standard is to be applied prospectively but retrospective application is permitted. The adoption is not expected to have a material impact on our consolidated financial statements and related disclosures.

**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. We currently produce ingots primarily weighing up to 400 kilograms, 420 kilograms, 480-kilogram and 500-kilogram multicrystalline polysilicon 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 reduce the wafer thickness. 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 that 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 Tempress 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 the ingots and wafers, cells and modules in Baoding, Hebei Province started initial production in the second quarter of 2011. We successfully produced next-generation cells with an average efficiency rate of 19.7% on the PANDA commercial production lines and a record cell conversion efficiency rate of 21.0% on the PANDA trial line in 2013. 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.

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 multipurpose 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 with respect to such projects.

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Our research and development expenses were RMB284.9 million, RMB187.5 million and RMB288.6 million (US\$47.7 million) in 2011, 2012 and 2013, 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, 2013 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 not to be 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 liabilities, 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 predetermined formula set forth in the joint venture contract. See Item 4.A. History and Development of the Company Joint Venture Contract Subscription Right.

**F. Tabular Disclosure of Contractual Obligations**

Our contractual obligations and commitments as of December 31, 2013 are set forth in the table below.

	Total	Payment Due by Period			
		Less Than 1 Year	1-3 Years (In thousands of RMB)	3-5 Years	More Than 5 Years
Long-term debts obligations(1)	6,432,602	1,787,261	2,853,883	1,329,764	461,694
Medium-term notes(2)	4,483,140	230,490	3,934,620	318,030	
Commitments for capital expenditures	1,723,810	1,551,429	172,381		
Commitments for the purchase of raw materials	24,494,753	4,431,012	8,533,568	8,938,990	2,591,183
Capital lease obligations	450,126	73,138	132,802	87,706	156,480
Total	37,584,431	8,073,330	15,627,254	10,674,490	3,209,357

(1) Includes interest of RMB874.3 million accrued at the interest rate under the loan agreement. For borrowings with a floating rate, the most recent rate as of December 31, 2013 was applied.

(2) Includes interest of RMB583.1 million accrued at the interest rate under the loan agreement.

**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 titled 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:

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- 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;
- 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.

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.

Name	Age	Position
Liansheng Miao	58	Chairperson of board of directors and chief executive
Zongwei Li	41	Director, vice president and chief strategic officer
Xiangdong Wang	51	Director and vice president
Iain Ferguson Bruce(1)(2)	73	Independent director
Ming Huang(1)(2)	50	Independent director
Zheng Xue(1)(2)	43	Independent director
Junmin Liu	64	Independent director
Dengyuan Song	56	Chief technology officer
Yiyu Wang	39	Chief financial officer
Jingfeng Xiong	43	Vice president
Zhiheng Zhao	65	Vice president



Xiaoqiang Zheng

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Vice president and chief operating officer

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(1) Audit committee member.

(2) Compensation committee member.

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*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, vice president and the chief strategic 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. Mr. Li served as the chief financial officer of Yingli Green Energy from 2006 to 2013. Prior to joining us in November 2006, 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.

*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 49 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute). Mr. Bruce is the chairman of KCS Limited, which is one of Asia's leading independent corporate service companies, and is an independent nonexecutive director of Citibank (Hong Kong) Limited and MSIG Insurance (Hong Kong) Limited. Mr. Bruce is currently an independent nonexecutive director of Goodbaby International Holdings Limited, a manufacturer of infants' and children's products, Louis XIII Holdings Limited (formerly known as Paul Y. Engineering Group Limited), a construction and engineering company, Sands China Ltd., a gaming and hospitality company, Tencent Holdings Limited, a provider of Internet services and mobile value-added service, Vitasoy International Holdings Ltd., a beverage manufacturing company, and Wing On Company International Ltd., a department store operating and real property investment company; all of these companies are listed on The Stock Exchange of Hong Kong Limited. In addition, Mr. Bruce also serves as an independent nonexecutive director of Noble Group Limited, a commodity trading company that is listed on The Singapore Exchange Securities Trading Limited.

*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 nonexecutive director of Qihoo 360 Technology Co. Ltd., Fantasia Holdings Group Co., Ltd., China Medical System Holdings Limited, JD.com, WH Group, Guosen Securities Co., Ltd., and Tebon Securities Co., Ltd. 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 in theoretical physics from Cornell University and his doctorate 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 on September 19, 2011. Until February 2014, Mr. Xue was chief financial officer of LightInTheBox.com, which is a China-based global online retailer. Prior to joining LightInTheBox.com in 2011, he serviced as chief financial officer of 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 the 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 in economics, both 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 the 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 in photovoltaic engineering in 2005 from the University of New South Wales in Australia.

*Mr. Yiyu Wang* is the chief financial officer of Yingli Green Energy. Mr. Wang served as the chief strategic officer of Yingli Green Energy from 2006 to 2013. 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 operations 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 also worked as 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 the 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 the 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 2013, the aggregate cash compensation to our executive officers and directors was RMB14.6 million (US\$2.4 million). For options and restricted shares granted to officers and directors, see 2006 Stock Incentive Plan.

## 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 rights 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 utilize 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.

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*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 the 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 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.

*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 equivalents, ordinary shares, consideration received by us in a cashless exercise, or any combination of the foregoing methods of payment. Options granted under the 2006 Stock Incentive Plan are not transferable and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the option holders, but 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 1,200,404 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 nonemployee 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 the consequences of third-party acquisition.

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Each of the relevant award agreements provides for the vesting of restricted shares, provided that 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, unless such termination results 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 dividends 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 that 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.

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 the date of this annual report, an aggregate of 2,665,060 restricted shares issued to the trustee for the benefit of 81 trust participants were all vested, consisting of 33,792 restricted shares forfeited for three 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 a standard base for medical insurance benefits, unemployment and other statutory benefits, respectively. Contributions of RMB266.1 million (US\$44.0 million) were paid for the year ended December 31, 2013, which was charged to expense. We have no other obligation to make payments in respect of retirement benefits for 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 any 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 her or suspends payment or makes a compromise 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 should 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 Joint Venture Contract Tianwei Yingli's Management Structure Board of Directors.

Our board of directors currently has seven directors, including 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 reelection. A director is not required to hold any shares in the company in order to qualify as a director.

#### **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 the 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.

**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 are 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.

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**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 severance pay of at least one month's salary.

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 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 in such inventions, designs and techniques.

**D. Employees**

We had 16,054, 18,029 and 19,306 employees as of December 31, 2011, 2012 and 2013, 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, 2013.

	As of December 31, 2013	
	Number of Employees	Percentage of Total
Manufacturing	12,267	63.54%

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Manufacturing Support	2,567	13.30%
Research and Development	1,016	5.26%
Procurement, Sales and Marketing	762	3.95%
Management and Administrative	1,228	6.36%
Logistics and Others	1,466	7.59%
Total	19,306	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, 2013, 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 agreements. 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 10, 2014, 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)	52,438,252	33.29
Xiangdong Wang	*	*
Iain Ferguson Bruce	*	*
Ming Huang	*	*
Zheng Xue	*	*
Junmin Liu	*	*
Zongwei Li	*	*

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Dengyuan Song	*	*
Yiyu Wang	*	*
Jingfeng Xiong	*	*
Zhiheng Zhao	*	*
Xiaoqiang Zheng	*	*
All directors and executive officers as a group	54,554,740	34.16
<b>Principal Shareholders and 5% Shareholders:</b>		
Yingli Power Holding Company Ltd.(4)	51,600,652	32.91

\* 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 156,763,770 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 exercised early, 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 650,000 stock option exercisable. Mr. Miao's business address is c/o Tianwei Yingli New Energy Resources Co., Ltd., No. 3399 North Chaoyang Street, 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 7, 2014, 103,592,337, or 66.1% of our outstanding ordinary shares in the form of ADSs, are held by 17 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 2011.



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**Transactions with Yingli Group**

We sold PV modules and PV systems with a total price of RMB96.4 million, RMB128.6 million and RMB601.7 million (US\$99.4 million) to Yingli Group, a PRC company controlled by Mr. Liansheng Miao, and its subsidiaries in 2011, 2012 and 2013, respectively. As of December 31, 2012 and 2013, we had accounts receivable of RMB93.9 million and RMB211,999.6 (US\$35,019.8 million) from Yingli Group and its subsidiaries, and the outstanding balance of advance payment made by Yingli Group and its subsidiaries was RMB14.2 million and RMB140,767.6 (US\$23,253.1 million), respectively.

We purchased raw materials, such as conjunction boxes and packaging material, with a total price of RMB1,056.1 million, RMB803.3 million and RMB1,111.8 (US\$183.7 million) from the subsidiaries of Yingli Group in 2011, 2012 and 2013, respectively. As of December 31, 2012 and 2013, we had accounts payable of RMB196.9 million and RMB187,311.1 (US\$30,941.6 million), and prepayments of RMB175.8 million and RMB144,716.4 (US\$23,905.5 million), respectively, in connection with these purchases.

In 2011, 2012 and 2013, we purchased natural gas with a total price of RMB34.3 million, RMB45.1 million and RMB15.1 (US\$2.5million), respectively, from Baoding CNPC Kunlun Natural Gas Co., Ltd., an affiliate of Yingli Group. As of December 31, 2012 and 2013, we had accounts payable of RMB8.0 million and RMB0.1 million (US\$22 thousand), respectively, to Baoding CNPC Kunlun Natural Gas Co., Ltd. in connection with these purchases.

We purchased services with a total price of RMB29.6 million, RMB62.8 million and RMB134.4 million (US\$22.2 million) from the subsidiaries of Yingli Group in 2011, 2012 and 2013, respectively. The services mainly included construction services, freight services, system installation services and packaging services. As of December 31, 2011 and 2013, we had accounts payable of RMB15.5 million and RMB67.3 million (US\$11.1 million), and prepayments of RMB1.5 million and RMB14.5 million (US\$2.4 million), respectively, in connection with these purchases.

In 2012, we paid custom duty in RMB 32.2 million on behalf of Shuntong Wuliu Co., Ltd., or Shuntong Wuliu, a PRC company jointly established by Yingli Beijing and a subsidiary of Yingli Group. As of December 31, 2013, the outstanding balance due from Shuntong Wuliu amounted to RMB2.5million (US\$0.4million).

In 2011, Tianwei Yingli made a one-year entrusted loan of RMB100.0 million at an interest rate of 7.22% per annum to Baoding Harvest Trade Co., Ltd., or Baoding Harvest, a subsidiary of Yingli Group. In 2012, this entrusted loan was extended for another one-year period. The loan had been fully repaid in December 2013.

In 2012 and 2013, Hainan Yingli made one-year entrusted loans of RMB50.0 million and RMB25.0 million (US\$4.13 million) to Hainan Yedao Harvest Real Estate Development Co. Ltd., a subsidiary of Yingli Group, at an interest rate of 5.4% and 6.0% per annum respectively, and collected RMB65.0 million (US\$10.74 million) in 2013 for the above mentioned loans. The outstanding balance of this loan was RMB10 million (US\$1.7 million) as of December 31, 2013.

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In 2012, Lixian Yingli and Fine Silicon entered into a sales-leaseback and financial leasing transaction with Tianjin Xinhai Financial Leasing Co., Ltd., or Xinhai Leasing, a subsidiary of Yingli Group. Under this transaction, Lixian Yingli and Fine Silicon paid a total of RMB14.5 million to Xinhai Leasing as deposits to guarantee this transaction. These deposits will be returned when the transaction is completed.

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**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 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 were settled in July 2010.

**Certain Other Related Party Transactions**

In 2011, 2012 and 2013, we sold PV modules to Tibet Tianwei Yingli New Resources Co., Ltd., or Tibet Yingli, a subsidiary 50% owned by Tianwei Yingli, amounting to RMB9.4 million, RMB10.5 million and RMB10 million (US\$1.6 million), respectively. As of December 31, 2011, 2012 and 2013, we had receivables amounting to RMB3.6 million, RMB10.4 million and RMB10.9 million (US\$1.8 million), respectively, due from Tibet Yingli. In 2013, Yingli China purchased PV systems in the amount of RMB56.9 million (US\$9.4million) from TibetYingli. As of December 31, 2013, we had accounts payable to Tibet Yingli of RMB40.3million (US\$6.7million).

In 2011 and 2012, we made prepayments of RMB62.6 million and RMB2.0million to and purchased RMB80.5 million and RMB0.5 million of raw materials from CIP Solutions AG, an entity whose equity shareholder is a noncontrolling shareholder of Yingli South East Europe. As of December 31, 2011, 2012 and 2013, RMB0.2 million, RMB2.0 thousands and RMB2.2 million (US\$0.4million), respectively, were prepaid to CIP Solutions AG.

In 2011, 2012 and 2013, we made sales of RMB5.8 million, RMB198.8 million and RMB97.8million (US\$16.2million) to and received payments of RMB97.8 million, RMB121.6 million and RMB152.4 million (US\$25.2million), respectively, from CIP Services AG, an entity whose equity shareholder is a noncontrolling shareholder of Yingli South East Europe. As of December 31, 2011, 2012 and 2013, we had accounts receivable of RMB10.7 million, RMB100.7 million and RMB46.1million (US\$7.6 million), respectively, due from CIP Services AG.

In 2011, 2012 and 2013, we sold PV modules with a total price of RMB 231.6 million, RMB 114.4 million and RMB187.5million (US\$31.0million) , respectively, to Hainan Tianneng Power Co., Ltd in which the company holds a 20% of equity interest. As of December 31, 2011, 2012 and 2013, we had accounts receivable of RMB61.7 million, RMB76.2 million and RMB156.6 million (US\$21.9 million) , respectively, due from the company.

In 2012, we purchased raw materials with a total price of RMB 10.2 million from Baoding Zhongtai Solar Technology Co., Ltd, an entity whose equity holder is a noncontrolling shareholder of Lixian Yingli. As of December 31, 2013, we had accounts payable of RMB8.3 million (US\$1.4million) due to the company.

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In 2010, we borrowed RMB3.7 million and repaid RMB1.0 million from Beijing Zhonghe Zhengshi Investment Management and Consulting Company, a noncontrolling shareholder of Yingli Beijing. As of December 31, 2012 and 2013, an amount of RMB10 thousand and RMB10 thousand (US\$1.7 thousand), respectively, remained outstanding.

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**Employment Agreements**

See Item 6.C. Directors, Senior Management and Employees Board Practices 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 rights 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 utilize 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.

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**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 commenced the arbitration seeking recovery of certain unpaid accounts receivable of approximately US\$7.04 million and 14.47 million by INCEISA under the terms of a written settlement agreement. On October 11, 2011, the arbitral tribunal granted an award directing INCEISA to pay us over US\$2.29 million and 15.98 million, respectively, as 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.

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In October 2012, we received notice of an antitrust and unfair competition lawsuit filed by Solyndra, LLC (a U.S.-based solar company) against us and two other China-based solar manufacturers in the U.S. District Court for the Northern District of California. We filed our joint motion to dismiss all of the claims in an amended complaint by Solyndra's liquidation trustee with our co-defendants (Suntech Power Holdings Co., Ltd., Suntech America, Inc., Trina Solar Ltd. And Trina Solar (U.S.) Inc.) in early March 2013. In October 2013, we received notice of an antitrust lawsuit with similar claims filed by another U.S.-based solar company, Energy Conversion Devices Liquidation Trust, or ECD, through its liquidating trustee, against us and the same China-based solar manufacturers in the U.S. District Court of the Eastern District of Michigan. On April 9, 2014, we received an order denying defendants' joint motion to dismiss Solyndra's claims. A case management conference has been set for April 23, 2014, at which the court will likely set a schedule for the remainder of the Solyndra litigation. While it is premature at this stage of the litigations to evaluate the likelihood of favorable or unfavorable outcomes, we believe that both Solyndra's and ECD's claims lack merits. We intend to defend vigorously against those allegations.

With respect to anti-dumping and anti-subsidy investigations of CSPV wafers, cells, and modules from China initiated by the EU in 2012, the European Commission accepted an undertaking, or the Undertaking, made by a group of Chinese PV products exporters (including us) jointly with the China Chamber of Commerce for Import and Export of Machinery and Electronic Products, or CCCME. Pursuant to the Undertaking, the Chinese exporters undertook to limit their exports of solar panels to the EU and set prices above a minimum price, in exchange for the EU agreeing to forgo the imposition of anti-dumping duties on these solar panels from China. CCCME is responsible for allocating the quota among these exporters, and we have been allocated a portion of the quota. On December 5, 2013, the Council of European Union adopted the final findings of the European Commission and imposed anti-dumping and anti-subsidy duties on CSPV modules and key components (i.e. cells) originating in or consigned from People's Republic of China. Wafers were excluded from the product scope. The anti-dumping duty rates ranged from 27.3% to 64.9%, while the anti-subsidy duty rates from 0% to 11.5%. The rates applicable to us are 35.5% and 6.3%, respectively. The definitive duties will be imposed for a two-year period starting from December 6, 2013. At the same time, the Council of European Union also confirmed the acceptance by European Commission of the Undertaking.

On November 7, 2012, the U.S. International Trade Commission (ITC) determined that CSPV modules produced from Chinese cells are materially injuring the U.S. CSPV cells and modules industry. The U.S. Department of Commerce, or the DOC, issued its final determinations on the rates of the anti-dumping, or AD, and countervailing duties, or CVD, on October 10, 2012, which became effective upon issuance of the final anti-dumping and countervailing duties orders in early December 2012. We were a voluntary respondent in the related anti-dumping investigation and are subject to an average aggregated AD/CVD rate of 29.18%. However, this average aggregated AD/CVD rate might be subject to change due to the administrative review process initiated by DOC in early 2014. We are mandatory respondent and in cooperation with the DOC on its first administrative review on the anti-dumping investigation starting from February 3, 2014.

On March 6 and March 12, 2014, Hainan Yingli received notices from the Department of Land, Environment and Resources of Hainan Province and Haikou Municipal Environmental Protection Bureau, respectively, requesting Hainan Yingli to (i) suspend partially its production lines, and (ii) apply for new environmental impact assessments for the increase in its production capacity due to equipment upgrades. See Item 4.B. Business Overview – Environmental Matters .

**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.

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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.



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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.**

The 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 the ADSs.

	Market Price per ADS	
	High	Low
<b>Annual Highs and Lows</b>		
2009	16.92	3.32
2010	19.11	8.31
2011	13.34	2.87
2012	6.27	1.25
2013		
<b>Quarterly Highs and Lows</b>		
First Quarter 2012	5.90	3.54
Second Quarter 2012	3.83	2.52
Third Quarter 2012	3.00	1.55
Fourth Quarter 2012	2.42	1.28
First Quarter 2013	3.49	1.90
Second Quarter 2013	3.55	1.70

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Third Quarter 2013	6.94	3.28
Fourth Quarter 2013	8.13	4.18
First Quarter 2014	7.24	4.25
<b>Monthly Highs and Lows</b>		
October 2013	8.13	6.00
November 2013	6.94	5.20
December 2013	5.34	4.18
January 2014	7.24	5.86
February 2014	6.43	5.51
March 2014	6.78	4.25
April 2014 (through April 9, 2014)	4.72	4.14

The closing price for the ADSs on the New York Stock Exchange on April 9, 2014 was US\$4.33 per ADS.

**B. Plan of Distribution**

Not applicable.

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C. **Markets**

The 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.

**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 investments, loans, securities investments, derivative transactions and repatriation of investments, 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. In April 2009, the State Administration of Taxation issued Circular Guoshuihan 2009 No. 203 ( Circular 203 ) stipulating that entities which qualified for High and New Technology Enterprise, or HNTE status should apply with the relevant tax authorities to enjoy the reduced EIT rate of 15.0% provided under the EIT Law starting from the year when the HNTE certificate becomes effective. In addition, an entity which qualified for HNTE status can continue to enjoy its remaining tax holiday from January 1, 2008 provided that it has obtained the HNTE certificate according to the new recognition criteria set by the EIT Law and the relevant regulations.

Moreover, the implementation rules for the EIT Law provide that a withholding tax rate of 10% is generally applicable to dividends paid to non-PRC investors who are non-resident enterprises and a withholding tax rate of 20% is generally applicable for non-PRC individual investors 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 MOF 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. 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 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 withholding tax for non-PRC investors who are non-resident enterprises and 20% PRC withholding tax for non-PRC investors who are individuals. Any gain realized on the transfer of the ADSs or ordinary shares by our non-PRC resident ADS holders and ordinary shareholders may be subject to the 10% or 20% 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.

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**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;
- 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 depository 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 medicare tax on net investment income or 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.**



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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 depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to certain non-corporate U.S. Holders, certain dividends received 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 depository shares such as the 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 the ADSs currently should be considered readily tradeable on an established securities market in the United States 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 the 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 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, generally will 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 (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. If any PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares and if you are eligible for the benefits of the treaty, you may elect to treat such gain as PRC source gain under the treaty. If you are not eligible for the benefits of the treaty or you fail to make the election to treat any gain as PRC source, then you generally would not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income derived from foreign sources.

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, 2013, 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.

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***Information Reporting and Backup Withholding***

In general, information reporting will apply to dividends in respect of the ADSs or ordinary shares and the proceeds from the sale, exchange or redemption of the 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 timely 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](http://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, 2013, we held an equivalent of RMB4,837.2 million (US\$799.1 million) in accounts receivable and prepayment to suppliers (excluding the non-current portion), of which an equivalent of RMB1,194.7 million (US\$197.3 million) were denominated in U.S. dollars and RMB605.8 million (US\$100.1 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, 2013, 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.



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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, 2013 would result in our holding Renminbi equivalents of RMB1,067.6 million (US\$176.4 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2013. These amounts would represent net loss of RMB127.1 million (US\$21.0 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2013. Conversely, we estimate that a 10% depreciation of Renminbi would result in our holding Renminbi equivalents of RMB1,304.8 million (US\$215.5 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2013. These amounts would represent net income of RMB110.2 million (US\$18.2 million) for our accounts receivable and prepayment to suppliers denominated in U.S. dollars as of December 31, 2013.

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, 2013 would result in our holding Renminbi equivalents of RMB541.4 million (US\$89.4 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2013. These amounts would represent net loss of RMB64.5 million (US\$10.6 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2013. Conversely, we estimate that a 10% depreciation of Renminbi would result in our holding Renminbi equivalents of RMB661.7 million (US\$109.3 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2013. These amounts would represent net income of RMB55.8 million (US\$9.2 million) for our accounts receivable and prepayment to suppliers denominated in Euro as of December 31, 2013.

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 comprehensive income (loss).

In 2011, 2012 and 2013, net foreign currency exchange loss was RMB190.5 million, RMB78.6 million and RMB32.2 million (US\$5.3 million), respectively, primarily due to depreciation of the U.S. dollar and the Euro against the Renminbi. In addition, we have entered into hedging and foreign currency forward arrangements to limit our exposure to foreign currency exchange risk. 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 the 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. As of December 31, 2013, we had RMB6,715.9million (US\$1,109.4 million) in outstanding short-term borrowings (including the current portion of long-term debt), RMB3,914.7 million (US\$646.7 million) in outstanding medium-term notes and RMB4,108.3million (US\$678.6million) in outstanding long-term debt (excluding the current portion). We have not used any derivative financial instruments to manage our interest rate



risk exposure due to the lack of such financial instruments in China. 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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**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;
- 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.

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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 2012, we received from our depositary a reimbursement of US\$1.1 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.

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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.

**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 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, 2013 using criteria established in Internal Control-Integrated Framework (1992) 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, 2013 based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The effectiveness of internal control over financial reporting as of December 31, 2013 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, 2013. 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, 2013 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,		
	2012 (In thousands of RMB)	2013 (In thousands of RMB)	
Audit fees(1)	7,559	7,115	1,175
Audit-related fees(2)	2,987	4,040	667
Tax fees(3)		16	3
All other fees(4)		846	140

(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 the procedures in connection with our quarterly financial statements. The policy of our audit committee is to pre-approve all audit and non-audit services provided by KPMG.



(3) Tax fees means the aggregate fees billed in each of the fiscal year listed for professional services rendered for preparation and submission of tax return.

(4) All other fees refer to the aggregate fees billed in each of the fiscal year listed for professional services rendered for due diligence and assistance in sustainability analysis.

**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 the ADSs during the year ended December 31, 2011, 2012 and 2013:

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	
January 1, 2012 – March 31, 2012	24,900	US\$ 3.45	5,591,921	US\$	80,275,574	
April 1, 2012 – June 30, 2012	134,787	US\$ 3.44	5,726,708	US\$	79,808,762	
Total	5,726,708	US\$ 3.53	5,726,708	US\$	79,808,762	

(1) On September 30, 2011, we announce a share repurchase program for the repurchase of up to US\$100 million worth of the ADSs from time to time over the next 12 months in the open market or in negotiated transactions.

(2) The ADSs repurchased in 2011 and 2012, representing 5,726,708 ordinary shares, are being held as treasury shares.

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**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 the 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.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**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, 2012 and 2013
- Consolidated Statements of Comprehensive Loss for the years ended December 31, 2011, 2012 and 2013
- Consolidated Statements of Changes in Equity for the years ended December 31, 2011, 2012 and 2013
- Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2012 and 2013
- Notes to the Consolidated Financial Statements

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**ITEM 19. EXHIBITS**

<b>Exhibit Number</b>	<b>Description of Document</b>
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 depository 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 depository 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 depository 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	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)
2.8	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)
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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<b>Exhibit Number</b>	<b>Description of Document</b>
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	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)
4.5	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)
4.6	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)
4.7	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>
4.8	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)
4.9	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)
4.10	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)
4.11	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)
4.12	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)
4.13	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)
4.14	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)
4.15	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)
4.17	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)
4.18	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)
4.19	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)
4.20	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 our annual report on form 20-F filed with the Commission on May 11, 2011)
4.21	Loan Agreement, dated March 17, 2011, between Yingli China and Bank of Communications Co., Ltd. (incorporated by reference to Exhibit 4.33 from our annual report on form 20-F filed with the Commission on April 26, 2012)
4.22	Loan Agreement, dated June 26, 2012, between Yingli International Trading and China Development Bank (incorporated by reference to Exhibit 4.22 from our annual report on form 20-F filed with the Commission on April 23, 2013)
4.23*	Laon Agreement, dated April 4, 2013, between Yingli Energy (China) Company Limited and China Development Bank

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Exhibit Number	Description of Document
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 11, 2014



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**YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

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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, 2012 and 2013, and the related consolidated statements of comprehensive loss, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013. 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, 2012 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended December 31, 2013, 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, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 11, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/S/ KPMG

Hong Kong, China

April 11, 2014



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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, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* 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, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2012 and 2013, and the related

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consolidated statements of comprehensive loss, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated April 11, 2014, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG

Hong Kong, China  
April 11, 2014

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	December 31, 2012	December 31, 2013	
	RMB	RMB	US\$
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and cash equivalents	2,084,865	1,105,478	182,612
Restricted cash	966,878	1,692,330	279,553
Accounts receivable, net	3,634,151	4,223,730	697,710
Inventories	2,523,550	2,164,902	357,616
Prepayments to suppliers	239,912	640,597	105,819
Value-added tax recoverable	559,815	566,899	93,645
Amounts due from and prepayments to related parties	694,578	651,951	107,695
Prepaid expenses and other current assets	409,125	310,641	51,314
<b>Total current assets</b>	<b>11,112,874</b>	<b>11,356,528</b>	<b>1,875,964</b>
Amounts due from a related party		32,000	5,286
Long-term prepayments to suppliers	1,280,131	884,562	146,119
Property, plant and equipment, net	13,218,200	13,484,122	2,227,418
Land use rights	710,183	702,858	116,104
Intangible assets, net	62,812	58,936	9,735
Other assets	769,386	930,538	153,716
<b>Total assets</b>	<b>27,153,586</b>	<b>27,449,544</b>	<b>4,534,342</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<i>Current liabilities:</i>			
Short-term borrowings, including current portion of long-term debt	7,526,015	6,715,877	1,109,384
Accounts payable	3,680,259	5,639,756	931,622
Advances from customers	813,679	601,602	99,378
Amounts due to related parties	353,558	457,838	75,629
Other current liabilities and accrued expenses	567,458	887,479	146,601
<b>Total current liabilities</b>	<b>12,940,969</b>	<b>14,302,552</b>	<b>2,362,614</b>
Medium-term notes	3,911,907	3,914,656	646,655
Long-term debt, excluding current portion	4,076,456	4,108,283	678,640
Reserve for inventory purchase commitments	851,694	1,100,661	181,816
Other liabilities	1,155,789	1,896,327	313,251
<b>Total liabilities</b>	<b>22,936,815</b>	<b>25,322,479</b>	<b>4,182,976</b>
<i>Shareholders' equity:</i>			
Ordinary shares			
Par value: US\$0.01			
Authorized shares: 1,000,000,000			
Issued shares: 162,311,728 and 162,490,478 as of December 31, 2012 and 2013, respectively			
Outstanding shares: 156,585,020 and 156,763,770 as of December 31, 2012 and 2013, respectively	12,241	12,252	2,024
Additional paid-in capital	6,654,082	6,684,145	1,104,143

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Treasury stock: 5,726,708 and 5,726,708 as of December 31, 2012 and 2013, respectively, at cost	(127,331)	(127,331)	(21,034)
Accumulated other comprehensive income	237,384	289,889	47,886
Accumulated deficit	(4,406,510)	(6,350,935)	(1,049,100)
<b>Total equity attributable to Yingli Green Energy</b>	<b>2,369,866</b>	<b>508,020</b>	<b>83,919</b>
Noncontrolling interests	1,846,905	1,619,045	267,447
<b>Total shareholders equity</b>	<b>4,216,771</b>	<b>2,127,065</b>	<b>351,366</b>
Commitments and contingencies			
<b>Total liabilities and shareholders equity</b>	<b>27,153,586</b>	<b>27,449,544</b>	<b>4,534,342</b>

See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Loss

(Amounts in thousands, except per share data)

	Year Ended December 31,			
	2011 RMB	2012 RMB	RMB	2013 US\$
<i>Net revenues</i>				
Sales of PV modules	14,397,086	10,989,767	12,510,809	2,066,638
Sales of PV systems	53,731	171,013	408,630	67,501
Other revenues	227,148	231,148	498,654	82,372
<b>Total net revenues</b>	<b>14,677,965</b>	<b>11,391,928</b>	<b>13,418,093</b>	<b>2,216,511</b>
<i>Cost of revenues</i>				
Cost of PV modules sales	11,905,502	11,329,951	11,078,733	1,830,076
Cost of PV systems sales	43,280	155,310	374,350	61,838
Cost of other revenues	279,504	275,468	506,156	83,611
<b>Total cost of revenues</b>	<b>12,228,286</b>	<b>11,760,729</b>	<b>11,959,239</b>	<b>1,975,525</b>
<b>Gross profit (loss)</b>	<b>2,449,679</b>	<b>(368,801)</b>	<b>1,458,854</b>	<b>240,986</b>
<i>Operating expenses</i>				
Selling expenses	818,022	893,332	1,064,263	175,804
General and administrative expenses	602,728	804,587	741,168	122,433
Research and development expenses	284,909	187,538	288,558	47,666
Provision for doubtful accounts receivable	38,988	68,561	3,065	506
Impairment of goodwill	273,382			
Impairment of long-lived assets	2,275,024	200,497		
Provision for inventory purchase commitments	851,694		480,182	79,320
<b>Total operating expenses</b>	<b>5,144,747</b>	<b>2,154,515</b>	<b>2,577,236</b>	<b>425,729</b>
<b>Loss from operations</b>	<b>(2,695,068)</b>	<b>(2,523,316)</b>	<b>(1,118,382)</b>	<b>(184,743)</b>
<i>Other income (expense)</i>				
Equity in income (losses) of affiliates, net	(9,557)	507	1,197	198
Interest expense	(626,737)	(897,124)	(971,597)	(160,496)
Interest income	28,852	46,446	31,372	5,182
Foreign currency exchange losses	(190,475)	(78,599)	(32,230)	(5,324)
Gain on bargain purchase from an acquisition	52,202			
Other income	41,593	54,457	65,767	10,864
<b>Loss before income taxes</b>	<b>(3,399,190)</b>	<b>(3,397,629)</b>	<b>(2,023,873)</b>	<b>(334,319)</b>
Income tax benefit (expense)	133,413	205,742	(31,025)	(5,125)
<b>Net loss</b>	<b>(3,265,777)</b>	<b>(3,191,887)</b>	<b>(2,054,898)</b>	<b>(339,444)</b>
Less: Loss attributable to the noncontrolling interests				
	56,866	127,475	110,473	18,249
<b>Net loss attributable to Yingli Green Energy</b>	<b>(3,208,911)</b>	<b>(3,064,412)</b>	<b>(1,944,425)</b>	<b>(321,195)</b>
<b>Basic and diluted loss per ordinary share</b>	<b>(20.46)</b>	<b>(19.59)</b>	<b>(12.41)</b>	<b>(2.05)</b>
<b>Net loss</b>	<b>(3,265,777)</b>	<b>(3,191,887)</b>	<b>(2,054,898)</b>	<b>(339,444)</b>
Foreign currency exchange translation adjustment, net of nil tax	70,166	115,598	49,089	8,109



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Cash flow hedging derivatives, net of nil tax	556	1,513	(1,070)	(177)
<b>Comprehensive loss</b>	<b>(3,195,055)</b>	<b>(3,074,776)</b>	<b>(2,006,879)</b>	<b>(331,512)</b>
Less: Comprehensive loss attributable to the noncontrolling interest	65,960	108,749	114,959	18,990
<b>Comprehensive loss attributable to Yingli Green Energy</b>	<b>(3,129,095)</b>	<b>(2,966,027)</b>	<b>(1,891,920)</b>	<b>(312,522)</b>

See accompanying notes to consolidated financial statements.

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## YINGLI GREEN ENERGY HOLDING COMPANY LIMITED AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

(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 shareholders equity RMB	Non- controlling interests RMB	Total shareholders equity 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)
Foreign currency exchange translation adjustment, net of nil tax					79,247		79,247	(9,081)	70,166
Cash flow hedging derivatives, net of nil tax					569		569	(13)	556
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)
<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 January 1, 2012</b>	158,200,387	12,011	6,476,123	(123,838)	138,999	(1,342,098)	5,161,197	1,892,464	7,053,661
Net loss						(3,064,412)	(3,064,412)	(127,475)	(3,191,887)
Foreign currency exchange translation adjustment, net of nil tax					96,872		96,872	18,726	115,598
Cash flow hedging derivatives, net of nil tax					1,513		1,513		1,513
Issuance of ordinary shares upon vesting of restricted shares	523,316	35	(35)						
Share-based compensation			28,832				28,832	6,671	35,503
Conversion of senior secured convertible notes	3,588,025	195	129,932				130,127		130,127
Share repurchase				(3,493)			(3,493)		(3,493)

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Capital injection from two subsidiaries noncontrolling interest holders			19,230				19,230	85,770	105,000
Profit distribution by a subsidiary								(29,251)	(29,251)
<b>Balance as of December 31, 2012</b>	<b>162,311,728</b>	<b>12,241</b>	<b>6,654,082</b>	<b>(127,331)</b>	<b>237,384</b>	<b>(4,406,510)</b>	<b>2,369,866</b>	<b>1,846,905</b>	<b>4,216,771</b>
<b>Balance as of January 1, 2013</b>	162,311,728	12,241	6,654,082	(127,331)	237,384	(4,406,510)	2,369,866	1,846,905	4,216,771
Net loss						(1,944,425)	(1,944,425)	(110,473)	(2,054,898)
Foreign currency exchange translation adjustment, net of nil tax					53,575		53,575	(4,486)	49,089
Cash flow hedging derivatives, net of nil tax					(1,070)		(1,070)		(1,070)
Issuance of ordinary shares upon exercise of stock options	178,750	11	3,994				4,005		4,005
Share-based compensation			14,203				14,203	1,682	15,885
Transactions with noncontrolling interest holders			11,866				11,866	(105,695)	(93,829)
Profit distribution by a subsidiary								(8,888)	(8,888)
<b>Balance as of December 31, 2013</b>	<b>162,490,478</b>	<b>12,252</b>	<b>6,684,145</b>	<b>(127,331)</b>	<b>289,889</b>	<b>(6,350,935)</b>	<b>508,020</b>	<b>1,619,045</b>	<b>2,127,065</b>
<b>Balance as of December 31, 2013</b>	<b>US\$</b>	<b>2,024</b>	<b>1,104,143</b>	<b>(21,034)</b>	<b>47,886</b>	<b>(1,049,100)</b>	<b>83,919</b>	<b>267,447</b>	<b>351,366</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,			
	2011	2012	2013	US\$
	RMB	RMB	RMB	
<b>Cash flow from operating activities:</b>				
<b>Net loss</b>	<b>(3,265,777)</b>	<b>(3,191,887)</b>	<b>(2,054,898)</b>	<b>(339,444)</b>
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>				
Depreciation and amortization	909,384	1,196,240	1,298,379	214,477
Gain on bargain purchase from an acquisition	(52,202)			
Loss on disposal of property, plant and equipment	24,728	66,100	21,567	3,563
Provision for doubtful accounts receivable	38,988	68,561	3,065	506
Loss on sale of accounts receivable and prepayments	2,279	2,100	11,840	1,956
Write-down of inventories to net realizable value	469,872	665,416	4,958	819
Equity in losses (income) of affiliates, net	9,557	(507)	(1,197)	(198)
Amortization of debt issuance cost	24,311	35,647	31,484	5,201
Share-based compensation	73,858	35,503	15,885	2,624
Deferred income tax benefit	(315,150)	(220,151)	(36,631)	(6,051)
Accreted interest on convertible senior notes and senior secured convertible notes	54,658			
Foreign currency exchange losses (gains), net	(9,907)	106,051	(19,191)	(3,170)
Unrealized gain of financial instruments	(3,963)	(11,132)	(12,302)	(2,032)
Impairment of goodwill	273,382			
Impairment of long-lives assets	2,275,024	200,497		
Provision for inventory purchase commitments	851,694		480,182	79,320
<b>Changes in operating assets and liabilities, net of the effect of acquisitions:</b>				
Restricted cash related to purchase of inventory and other operating activities	272,841	(61,831)	(928,959)	(153,453)
Accounts receivable	(259,458)	(1,574,435)	(777,831)	(128,492)
Inventories	(138,321)	(22,367)	343,583	56,756
Prepayments to suppliers	(923,951)	(198,126)	(94,444)	(15,601)
Value-added tax recoverable	(17,152)	389,167	(7,085)	(1,170)
Amounts due from and prepayments to related parties	(347,499)	(182,488)	(111,863)	(18,478)
Prepaid expenses and other current assets	(263,695)	(56,374)	(26,166)	(4,321)
Accounts payable	317,526	541,025	2,001,383	330,605
Advances from customers	(137,271)	(80,342)	(114,875)	(18,976)
Amounts due to related parties	158,094	110,983	104,279	17,226
Other current liabilities and accrued expenses	48,841	149,516	178,168	29,431
Other liabilities	270,138	(22,860)	43,220	7,139
<b>Net cash provided by (used in) operating activities</b>	<b>340,829</b>	<b>(2,055,694)</b>	<b>352,551</b>	<b>58,237</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 (Continued)

(Amounts in thousands)

	2011	Year Ended December 31,		2013	
	RMB	2012	RMB	RMB	US\$
<b>Cash flows from investing activities</b>					
Government grants for property, plant and equipment	125,599	213,976	350,028		57,821
Purchase of property, plant and equipment	(4,838,729)	(1,952,578)	(1,191,016)		(196,742)
Restricted cash related to purchase of property, plant and equipment	(548,637)	(45,593)			
Proceeds from sale of equipment under sale-leaseback agreement		99,000	100,000		16,519
Payments for land use rights	(174,032)	(142,596)	(18,643)		(3,080)
Equity investments	(23,707)	(150,000)	(53,552)		(8,846)
Cash acquired from the acquisition of a subsidiary, net of cash paid	54,851				
Proceeds from disposal of long-term investment			2,514		415
Loans made to related parties	(100,000)	(50,000)	(25,000)		(4,130)
Proceeds from disposal of plant, property and equipment			84		14
Proceeds from repayment of loans made to related parties			165,000		27,256
<b>Net cash used in investing activities</b>	<b>(5,504,655)</b>	<b>(2,027,791)</b>	<b>(670,585)</b>		<b>(110,773)</b>
<b>Cash flows from financing activities</b>					
Proceeds from short-term borrowings	7,034,958	8,752,384	6,275,359		1,036,615
Proceeds from long-term debt	3,722,292	4,328,511	1,674,523		276,611
Repayment of short-term borrowings	(6,344,037)	(11,339,100)	(7,085,496)		(1,170,441)
Repayment of long-term debt	(968,990)	(1,790,214)	(1,506,168)		(248,801)
Repayment of capital lease obligation		(26,535)	(57,175)		(9,445)
Payment of deposit for capital lease		(14,490)	(17,510)		(2,892)
Proceeds from exercise of options	601		4,005		662
Restricted cash related to guarantee of bank borrowings	(1,007,522)	543,887	(14,271)		(2,357)
Contribution from noncontrolling interest holders		105,000	112,100		18,518
Repayment of borrowings from Yingli Hainan's noncontrolling interest holders	(150,000)				
Payment for the repurchase of the convertible senior notes		(7,552)			
Dividend paid to noncontrolling interest holders	(8,571)	(29,251)	(8,888)		(1,468)
Proceeds from issuance of medium-term notes	1,400,000	1,500,000			
Payment for issuance costs of medium-term notes		(15,300)			
Purchase of non-controlling interest of a subsidiary			(5,929)		(979)
Payment for share repurchase	(123,838)	(3,493)			
<b>Net cash provided by (used in) financing activities</b>	<b>3,554,893</b>	<b>2,003,847</b>	<b>(629,450)</b>		<b>(103,977)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(66,161)	(16,535)	(31,903)		(5,270)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,675,094)</b>	<b>(2,096,173)</b>	<b>(979,387)</b>		<b>(161,783)</b>
Cash and cash equivalents at beginning of year	5,856,132	4,181,038	2,084,865		344,395
<b>Cash and cash equivalents at end of year</b>	<b>4,181,038</b>	<b>2,084,865</b>	<b>1,105,478</b>		<b>182,612</b>

Supplemental disclosure of cash flow information:

	2011	Year Ended December 31,		2013	
	RMB	2012	RMB	RMB	US\$
Interest paid, net of capitalized interest	445,960	836,860	1,084,766		179,191
Income tax paid	400,970	20,862	58,496		9,663
<i>Non-cash investing and financing transactions:</i>					
Payables for purchase of property, plant and equipment	769,956	497,886	458,370		75,717
Payables for purchase of land use right		9,338	60		10
Payable for capital lease		99,283	224,252		37,044
Conversion of senior secured convertible notes to ordinary shares		130,127			

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 ) is 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 ).

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company s ability to operate profitably and to generate cash flows from operations, and the ability to pursue financing arrangements, including the renewal or rollover of its bank borrowings, to support its working capital requirements.

For the year ended December 31, 2013, the Company incurred a net loss of RMB 2,054,898 (US\$ 339,444). As of December 31, 2013, the Company had cash, cash equivalents and restricted cash of RMB 2,797,808 (US\$ 462,165) and short-term bank borrowings, including current portion of long-term bank borrowings of RMB 6,715,877 (US\$ 1,109,384). The liquidity of the Company is primarily depending on its ability to maintain adequate cash flows from operations, to renew its short-term bank loans and to obtain adequate external financing to support its working capital and meet its obligations and commitments when they become due.

The Company has carried out a review of its cash flow forecast for the twelve months ending December 31, 2014. Based on such forecast, management believes that adequate sources of liquidity exist to fund the Company s working capital and capital expenditures requirements, and to meet its short term debt obligations and other liabilities and commitments as they become due. In preparing the cash flow forecast, management has considered historical cash requirements of the Company, as well as other key factors, including its ability to renew its short-term bank borrowings during 2014. If available liquidity is not sufficient to meet the Company s operating and debt service obligations as



they become due, management's plans include pursuing alternative financing arrangements or reducing expenditures as necessary to meet the Company's cash requirements throughout 2014. However, there is no assurance that, if required, the Company will be able to raise additional capital or reduce discretionary spending to provide the required liquidity.

**(b) Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of 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 presented as noncontrolling interests. All significant inter-company balances and transactions have been eliminated upon consolidation.

**(c) Significant Concentrations and Risks**

*Revenue concentrations*

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 100%, 91% and 90% of its total net revenues for the years ended December 31, 2011, 2012 and 2013, 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.

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A significant portion of the Company's net revenues are from customers located in Germany, the United States of America ( USA ) and PRC. Revenues from customers located in Germany, USA and PRC are as follows:

	December 31, 2011 RMB	% of net revenue	December 31, 2012 RMB	Year ended % of net revenue	December 31, 2013		% of net revenue
					RMB	US\$	
Germany	6,595,109	45%	4,765,312	42%	2,439,058	402,904	18%
USA	2,137,219	15%	1,600,695	14%	2,906,262	480,080	22%
PRC	3,261,886	22%	2,653,341	23%	4,546,482	751,025	34%
<b>Total</b>	<b>11,994,214</b>	<b>82%</b>	<b>9,019,348</b>	<b>79%</b>	<b>9,891,802</b>	<b>1,634,009</b>	<b>74%</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. Any factors adversely affecting the business operations of these customers could have a material adverse effect on the Company's business and results of operations.

In 2011, 2012 and 2013, sales to the top five customers accounted for approximately 27.7%, 26.0% and 15.2%, respectively, of the Company's net revenues.

As of December 31, 2012 and 2013, the top five outstanding accounts receivable balance (net of provisions) accounted for approximately 24.2% and 20.1%, respectively, of the Company's total outstanding accounts receivable.

*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 1,703,312 and RMB 1,682,521 (US\$ 277,933) as of December 31, 2012 and 2013, respectively. The Company makes the prepayments without receiving collateral

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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, 2012 and 2013, advances made to individual suppliers in excess of 10% of total prepayments to suppliers are as follows:

	Location	December 31,		US\$
		2012 RMB	2013 RMB	
Supplier A	Singapore	184,523	210,343	34,746
Supplier B	South Korea	230,108	158,040	26,106
Supplier C	Germany	958,284	900,821	148,805
<b>Total</b>		<b>1,372,915</b>	<b>1,269,204</b>	<b>209,657</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 Company could delay its capacity expansion of manufacturing facilities and otherwise disrupt its production schedule or increase its costs of production. The Company made deposits of RMB 229,181 and RMB 122,340 (US\$ 20,209) as of December 31, 2012 and 2013, 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.

Table of Contents*Concentrations of cash balances held at financial institutions*

Cash balances include:

	December 31, 2012		December 31, 2013	
	Original currency	RMB equivalents	Original currency	RMB equivalents
Cash held by financial institutions located in:				
PRC:				
Denominated in RMB	1,006,387	1,006,387	579,288	579,288
Denominated in U.S. dollar (US\$)	98,542	619,383	36,033	219,694
Denominated in European monetary unit (EURO)	9,479	78,841	5,875	49,457
Denominated in Japanese Yen (JPY)	833	61	10	1
Denominated in Great Britain Pound (GBP)	1,811	18,403	210	2,111
Hong Kong Special Administrative Region (the HK SAR):				
Denominated in RMB	10	10	3,232	3,232
Denominated in US\$	30,806	193,630	4,446	27,109
Denominated in EURO	5,171	43,010	105	888
Denominated in Singapore dollar (SGD)			103	494
Japan				
Denominated in US\$	404	2,555	3,803	23,153
Denominated in JPY	48,925	3,574	358,882	20,733
Singapore:				
Denominated in US\$	490	3,077	110	671
Denominated in SGD	15	76	104	513
Denominated in EURO			5	40
Denominated in Malaysian Ringgit (MYR)			5	9
Europe:				
Denominated in US\$	890	5,610	171	1,053
Denominated in EURO	11,811	98,239	10,208	85,887
Denominated in Swiss Franc (CHF)	176	1,200	81	558
Denominated in GBP			86	881
Denominated in Croatia Kuna (HRK)			2,764	3,047
Denominated in Turk Lirasi (TRY)			40	113
Denominated in Moroccan Dirham (MAD)			209	157
US:				
Denominated in US\$	1,380	8,676	11,198	68,271
Denominated in Brazil Real (BRL)			594	1,692
Australia:				
Denominated in AUD			1,379	7,491
Denominated in US\$			1,123	6,674
<b>Total cash held by financial institutions</b>		<b>2,082,732</b>		<b>1,103,217</b>
Restricted cash held by financial institutions located in:				
PRC:				
Denominated in RMB	912,446	912,446	1,476,050	1,476,050
Denominated in US\$	6,845	43,023	27,693	168,841
Denominated in EURO	1,358	11,292	5,434	45,747

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Denominated in CHF HK:	13	85	13	85
Denominated in US\$ Europe:			139	845
Denominated in CHF	5	32		
Denominated in EUR			73	618
Denominated in MAD Australia:			2	2
Denominated in AUD			26	142
<b>Total restricted cash</b>		<b>966,878</b>		<b>1,692,330</b>

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The bank deposits with financial institutions in the PRC are uninsured by any government authority. To limit exposure to credit risk relating to bank deposits, the Company primarily places bank deposits with large financial institutions in the PRC with acceptable credit rating. As of December 31, 2012 and 2013, the Company had cash balances at three PRC individual financial institutions that held cash balances in excess of 10% of the Company's total cash balances. These bank deposits collectively accounted for approximately 42.4% and 41.7% of the Company's total cash balances as of December 31, 2012 and 2013, 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. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the fair values of assets acquired and liabilities assumed in business acquisitions, the 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, the collectibility of accounts receivable, the realizability of inventories, prepayments and deferred income tax assets, the fair values of financial and equity instruments, the accruals for warranty obligations and loss contingency, and provision for inventory purchase commitments. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

*(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 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 comprehensive loss. 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 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 2013 RMB amounts have been translated into U.S. dollar amounts at the rate of RMB 6.0537 to \$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

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Federal Reserve Board, as of December 31, 2013. 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, 2013, or at any other date.

(f) *Cash, Cash equivalents and Restricted Cash*

Cash and cash equivalents consist of cash on hand, cash in bank accounts, and interest bearing savings accounts with an initial term of three months or less.

Restricted cash of RMB 966,878 and RMB 1,692,330 (US\$ 279,553) as of December 31, 2012 and 2013, 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. The cash flows from bank deposits as the guarantee of the offshore bank borrowings are reported within cash flows for financing activities in the consolidated statements of cash flows. The cash flows from the bank deposits relating to purchases of inventory and equipment are reported within cash flows from operating activities and investing activities in the consolidated statements of cash flows, respectively.

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**(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 2012 and 2013, 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 223,273 and RMB 677,795 (US\$ 111,964) for the years ended December 31, 2012 and 2013, 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 2,100 and RMB 11,840 (US\$ 1,956) for the years ended December 31, 2012 and 2013, respectively, which is included in general and administrative expense.

**(h)            *Inventories***

Inventories are stated at the lower of cost or market. 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 an allocation of related manufacturing overhead based on normal operating capacity.

**(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 476,113, RMB 495,679 and RMB 245,906 (US\$40,621) for the years ended December 31, 2011, 2012 and 2013, respectively, are not reflected as cash outflows from operating activities. In addition, the Company agreed with one of its polysilicon suppliers, pursuant to which the Company offset the balance of prepayment to the supplier against the balance of accounts payable in the amount of US\$23,338 (RMB141,281) during 2013. As of December 31, 2012 and 2013, prepayments to suppliers of RMB 1,280,131 and RMB 884,562 (US\$ 146,119), 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 -25 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.

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Project assets consist primarily of costs relating to solar power projects in various stages of development that are capitalized prior to the sale of the solar power project. These costs include modules, installation and other development costs. While the project assets are not constructed for a specific customer, the Company intends to sell the project assets upon their completion. As of December 31, 2012 and 2013, RMB63 million and RMB 356 million (US\$ 59 million) of project assets were included in the construction in progress

*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

*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 considered necessary. 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. At December 31, 2011, the Company recognized a full impairment loss of RMB 273,382 on the goodwill. See note (22) 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, 2011, the Company received government grants of RMB 125,599 related to the construction of the solar power plants and the procurement of machineries, which were recognized as long-term other liabilities.

For the year ended December 31, 2012, the Company received government grants of RMB 213,976 related to the construction of the solar power plants and the procurement of machineries, which were recognized as long-term other liabilities.

For the year ended December 31, 2013, the Company received government grants of RMB 350,028 (US\$ 57,821) related to the construction of the solar power plants and the procurement of machineries, which were recognized as long-term other liabilities.

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These grants are amortized as the related assets are depreciated or amortized. The grants amortized amounted to RMB9,484, RMB 13,130 and RMB 53,419 (US\$ 8,824) for the year ended December 31, 2011, 2012 and 2013, 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 comprehensive loss. 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 on its equity investment. See note (8) to the consolidated financial statements.

**(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, 2012 and 2013, the PRC subsidiaries of the Company had appropriated RMB 461,623 and RMB 484,077 (US\$ 79,964), 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 maximum term over which the Company is hedging exposures to the variability of cash flows for forecasted transaction is 20 months.

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.

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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 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 recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, net of estimated forfeitures, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant date value of such award that is vested at that date. Forfeiture rates are estimated based on historical and future expectations of employee turnover rates. The Company applies the fair value method for equity instrument issued to non-employee under Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( 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.

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.

The Company recognizes revenue for solar power station constructed for commercial customers according to ASC 605-35, *Revenue Recognition - Construction-Type and Production Type Contracts*. Revenue is recognized on a percentage-of-completion basis, based on the ratio of total costs incurred to date to total projected costs. Provisions are made for the full amount of any anticipated losses on a contract-by-contract

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basis. The Company recognized nil loss for these types of contracts for the year ended December 31, 2013. Costs in excess of billings are recorded where costs recognized are in excess of amounts billed to customers of purchased commercial solar power stations. Costs in excess of billings as of December 31, 2013 amounted to RMB 216,759 (US\$35,806), and are included in accounts receivable in the consolidated balance sheets.

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 of RMB290,746, RMB 320,727 and RMB 405,839 (US\$ 67,040) are recorded as selling expenses for the years ended December 31, 2011, 2012 and 2013, respectively.

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.

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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. Its research and development costs consist primarily of compensation and related costs for personnel, material, supplies, equipment depreciation and laboratory testing costs.

**(r) Employee Benefits Plans**

Pursuant to the relevant PRC regulations, the Company is required to make contributions for each PRC 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 PRC employee at rates of 7.5%-10%, 1%-2%, 10%-12% and 1.2%-1.6% of standard salary base for medical insurance benefits, unemployment, housing fund and other statutory benefits, respectively. Total amount of contributions for the years ended December 31, 2011, 2012 and 2013 was RMB 177,714, RMB 244,108 and 266,134 (US\$ 43,962), 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.

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:

	2011	Year Ended December 31,		2013	
	RMB	2012	RMB	RMB	US\$
Beginning balance	303,641	457,733	555,357		91,738
Warranty expense for the current year	154,092	109,915	125,900		20,797
Warranty costs incurred or claimed		(12,291)	(14,311)		(2,364)
<b>Total accrued warranty cost</b>	<b>457,733</b>	<b>555,357</b>	<b>666,946</b>		<b>110,171</b>
<b>Less: accrued warranty cost, current portion</b>	<b>32,383</b>	<b>35,819</b>	<b>40,632</b>		<b>6,712</b>
<b>Accrued warranty cost, excluding current portion</b>	<b>425,350</b>	<b>519,538</b>	<b>626,314</b>		<b>103,459</b>

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(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 recognized a provision for inventory purchase commitments of RMB 851,694 in 2011 and RMB 480,182 (US\$ 79,320) in 2013. See note (16) 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 comprehensive loss 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 general and administrative expenses, respectively, in the consolidated statements of comprehensive loss.

(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 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 exercise of outstanding share options (using the treasury stock method). Potential dilutive securities are not included in the calculation of diluted earnings per share if the impact is anti-dilutive.

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(y) ***Fair Value Measurements***

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.

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 level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

See note (7) to the consolidated financial statements.

(z) ***Recently Issued Accounting Standards***

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* ( ASU 2013-02 ). The standard requires that companies present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source (e.g., the release due to cash flow hedges from interest rate contracts) and the income statement line items affected by the reclassification (e.g., interest income or interest expense). If a component is not required to be reclassified to net income in its entirety (e.g., the net periodic pension cost), companies would instead cross reference to the related footnote for additional information (e.g., the pension footnote). ASU 2013-02 is effective for interim and annual reporting periods beginning after December 15, 2012. The Company adopted the new standard on January 1, 2013. The adoption did not have a material impact on its consolidated financial statements or related disclosures.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years,

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beginning after December 15, 2014. The new standard is to be applied prospectively but retrospective application is permitted. The adoption is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

(3) **Accounts Receivable**

Accounts receivable is summarized as follows:

	2012 RMB	December 31, RMB	2013 US\$
Accounts receivable	3,921,502	4,510,727	745,119
Less: Allowance for doubtful accounts	(287,351)	(286,997)	(47,409)
<b>Total accounts receivable, net</b>	<b>3,634,151</b>	<b>4,223,730</b>	<b>697,710</b>

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The following table presents the movement of the allowance for doubtful accounts:

	2011	Year ended December 31,		2013	
	RMB	2012	RMB	RMB	US\$
Beginning balance	(309,482)	(343,306)	(287,351)		(47,467)
Additions	(45,612)	(73,962)	(20,063)		(3,314)
Reversal of allowance for doubtful accounts	6,624	5,401	16,998		2,808
Write-off of accounts receivable	5,164	124,516	3,419		564
<b>Ending balance</b>	<b>(343,306)</b>	<b>(287,351)</b>	<b>(286,997)</b>		<b>(47,409)</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 four 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 813,679 and RMB 601,602 (US\$ 99,378) as of December 31, 2012 and 2013, 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, 2012 and 2013, 31% and 30%, respectively, of accounts receivable were denominated in currencies other than the RMB.

As of December 31, 2012 and 2013, the Company has pledged accounts receivable with a total carrying amount of nil and RMB 322,599 (US\$ 53,290), respectively, to secure short-term bank borrowings.

**(4) Inventories**

Inventories by major category consist of the following:

	2012	December 31,		2013	
	RMB	RMB	RMB	US\$	
Raw materials	727,300	788,852		130,308	
Work-in-progress	288,456	370,811		61,254	
Finished goods	1,507,794	1,005,239		166,054	
<b>Total inventories</b>	<b>2,523,550</b>	<b>2,164,902</b>		<b>357,616</b>	

Inventory write-downs amounted to RMB 469,872, RMB 665,416 and RMB 4,958 (US\$ 819) for the years ended December 31, 2011, 2012 and 2013, respectively, and recorded as cost of revenues in the consolidated statements of comprehensive loss.

**(5) Property, Plant and Equipment**

Property, plant and equipment consist of the following:

	2012		2013	
	RMB	RMB		US\$
Buildings	2,923,470	3,883,457		641,501
Machinery and equipment	13,875,105	15,089,200		2,492,558
Furniture and fixtures	114,284	165,932		27,410
Motor vehicles	114,373	115,443		19,070
Construction in progress	1,530,642	763,534		126,127
<b>Total property, plant and equipment</b>	<b>18,557,874</b>	<b>20,017,566</b>		<b>3,306,666</b>
Less: Accumulated depreciation	(2,864,153)	(4,057,923)		(670,321)
Less: Impairment	(2,475,521)	(2,475,521)		(408,927)
<b>Total property, plant and equipment, net</b>	<b>13,218,200</b>	<b>13,484,122</b>		<b>2,227,418</b>

During the years ended December 31, 2011 and 2012, given the continuing decline in the spot market price of polysilicon, the Company recorded an impairment loss of RMB 2,275,024 and RMB 200,497, respectively 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. No impairment for property, plant and equipment was recognized in 2013.

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Depreciation expense on property, plant and equipment was allocated to the following expense items:

	2011	Year ended December 31,		2013	US\$
	RMB	2012 RMB	RMB		
Cost of revenues	754,977	1,051,098	1,192,906		197,054
Selling expenses	993	1,396	1,813		299
General and administrative expenses	36,473	55,343	60,029		9,916
Research and development expenses	34,355	30,016	24,573		4,059
<b>Total depreciation expense</b>	<b>826,798</b>	<b>1,137,853</b>	<b>1,279,321</b>		<b>211,328</b>

The Company capitalized interest costs as a component of the cost of construction in progress as follows:

	2011	Year ended December 31,		2013	US\$
	RMB	2012 RMB	RMB		
Interest cost capitalized	202,138	130,967	53,998		8,920
Interest cost charged to income	626,737	897,124	971,597		160,496
<b>Total interest cost incurred</b>	<b>828,875</b>	<b>1,028,091</b>	<b>1,025,595</b>		<b>169,416</b>

As of December 31, 2012 and 2013, the Company has pledged property, plant and equipment with a total carrying amount of RMB 6,262,340 and RMB 8,372,472 (US\$ 1,383,034), respectively, to secure bank borrowings.

**(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, Hainan Yingli New Energy Resources Co., Ltd. ( Yingli Hainan ) 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 comprehensive loss 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, 2012, the Company entered into foreign currency forward contracts with a notional amount of EURO 39,000 and US\$ 21,000 against its EURO and US\$ denominated sales, respectively. During the year ended December 31, 2013, the Company entered into foreign currency forward contracts with a notional amount of EURO 100,690 and US\$ 7,000 against its EURO and US\$ denominated sales, respectively. As of December 31, 2012 and 2013, the Company had outstanding foreign currency forward contracts with notional amounts of US\$ 18,000 and EURO 45,690, 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, 2012 and 2013, the Company had outstanding interest rate swap contracts with notional amounts of US\$36,000 and US\$ 27,000, respectively.

Table of Contents**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, 2012 and 2013:

	Balance Sheet Classification	2012 RMB	Fair Value	
			2013 RMB	US\$
<b>Assets:</b>				
Foreign currency contract	Prepaid expenses and other current assets	3,323		
Total derivatives designated as hedges		3,323		
<b>Liability:</b>				
Foreign currency contract	Other current liabilities and accrued expenses		707	117
Total derivatives designated as hedges			707	117
Interests rate swap	Other current liabilities and accrued expenses	13,557	3,733	617
Total derivatives not designated as hedges		13,557	3,733	617

**Cash Flow Hedge Loss or Gain Recognition**

The following summarizes the loss (gain), recognized in the consolidated statement of comprehensive loss, related to derivatives designated and qualifying as cash flow hedges for the years ended December 31, 2011, 2012 and 2013:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in Other Comprehensive Income		Location of Gain Reclassified from Other Comprehensive Income into Income/Loss	Amount of Gain Reclassified from Other Comprehensive Income into Income/Loss	
	RMB	US\$		RMB	US\$
<b>2011</b>					
Foreign currency contracts	(18,441)		Foreign currency exchange losses	(17,872)	
<b>2012</b>					
Foreign currency contracts	(14,839)		Foreign currency exchange losses	(13,326)	
<b>2013</b>					
Foreign currency contracts	(7,641)	(1,262)	Foreign currency exchange losses	(8,711)	(1,439)

**Other Derivatives Gains (Losses) Recognition**

The following summarizes the losses and the location in the consolidated statements of comprehensive loss of derivatives not designated as hedging instruments for the years ended December 31, 2011, 2012 and 2013:

	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative			US\$
		2011 RMB	2012 RMB	2013 RMB	
Derivatives Not Designated as Hedging Instruments					
Interest rate swap	Interest expense	(8,481)	(1,958)	(103)	(17)
Total		(8,481)	(1,958)	(103)	(17)

Table of Contents(7) **Fair Value Measurements**(a) *Fair Value Hierarchy*

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, 2012 and 2013:

	December 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Fair value measurements at December 31, 2012	
			Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
Foreign currency forward contract	3,323		3,323	
<b>Total</b>	<b>3,323</b>		<b>3,323</b>	
<b>Liabilities:</b>				
Interests rate swap contract	13,557			13,557
<b>Total</b>	<b>13,557</b>			<b>13,557</b>

	December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Fair value measurements at December 31, 2013	
			Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Liabilities:</b>				
Foreign currency forward contract	707		707	
Interests rate swap contract	3,733			3,733
<b>Total</b>	<b>4,440</b>		<b>707</b>	<b>3,733</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, 2011, 2012 and 2013:

	<b>Liabilities</b>
	<b>Interest rate swap</b>
Balance at December 31, 2010	30,663
Total realized and unrealized losses:	
Included in earnings	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 earnings attributable to the change in unrealized gain relating to liabilities held at December 31, 2011	(7,293)

	<b>Liabilities</b>
	<b>Interest rate swap</b>
Balance at December 31, 2011	23,370
Total realized and unrealized losses:	
Included in earnings	1,958
Included in other comprehensive income	
Settlement	(11,771)
<b>Balance at December 31, 2012</b>	<b>13,557</b>
Total gain for 2012:	
included in earnings attributable to the change in unrealized gain relating to liabilities held at December 31, 2012	(9,813)

	<b>Liabilities</b>
	<b>Interest rate swap</b>
Balance at December 31, 2012	13,557
Total realized and unrealized losses:	
Included in earnings	103
Included in other comprehensive income	
Settlement	(9,927)
<b>Balance at December 31, 2013</b>	<b>3,733</b>
Total gain for 2013:	
included in earnings attributable to the change in unrealized gain relating to liabilities held at December 31, 2013	(9,824)

(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 and cash equivalents, 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 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.
- 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, 2012 and 2013, 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, 2012 and 2013, 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, 2012 and 2013 the fair value is determined by using pricing models developed based on the London Interbank Offered Rate ( LIBOR ) swap rate and other unobservable market data.

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**(8) Equity Investments**

Equity investments are RMB 173,241 and RMB 216,276 (US\$ 35,726) as of December 31, 2012 and 2013, respectively, which are included in other assets in the consolidated balance sheets.

In February 2009, Yingli China and two other entities, unrelated to the Company, established Beijing Badaling Green Photovoltaic Power Generation Co., Ltd. ( Beijing Badaling ). Yingli China contributed RMB 600 to acquire a 10% equity interest. The investment is accounted for under cost method. In May 2013, the Company withdrew its investment from Beijing Badaling and received cash in the amount of RMB 600 (US\$ 99).

The Company's 50% equity investment in Tibet Tianwei Yingli New Energy Resources Co., Ltd. ( Tibetan Yingli ) is accounted for under equity method. Given the continuing losses sustained by Tibetan Yingli, the Company recorded a full impairment provision of RMB 8,720 for this equity investment during the year ended December 31, 2011. In 2012 and 2013, Tibetan Yingli continued to incur losses and the carrying value of the Company's investment in Tibetan Yingli remained as nil as of December 31, 2012 and 2013.

In September 2009, Yingli China and two other entities, unrelated to the Company, established Hainan Solar Power Company Limited ( Hainan Tianneng ). Yingli China contributed RMB 6,000 to acquire a 20% equity interest. In 2011, Yingli China further injected cash of RMB 20,362 while the other investors made proportional cash injection to remain the same ownership interest for each investor. In 2012, the other investors made further capital injection to Hainan Tianneng, which resulted in a decrease of equity interest held by Yingli China to 11.45% as of December 31, 2012. In June and July 2013, Hainan Yingli made capital injections in the amount of RMB 40 million (US\$ 7 million) and RMB 12 million (US\$ 2 million) respectively, to acquire 18.31% equity interest of Hainan Tianneng in total. Together with the equity interest held by Yingli China (9.35%), the Company (including both Yingli China and Yingli Hainan) holds 27.66% equity interest in Hainan Tianneng as of December 31, 2013. 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 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.

In September 2011, Yingli Beijing and a subsidiary of Yingli Group, established Beijing Shuntong Wuliu Co., Ltd ( Shuntong Wuliu ). Yingli Beijing contributed RMB 1,470 to acquire 49% equity interest. The investment is accounted for under equity method.

In November 2012, Yingli China and Hainan Yingli New Energy Resources Co., Ltd. ( Yingli Hainan ), along with 20 other entities unrelated to the Company, participated in the establishment of China Development Zhengxin Investment Company. The Investment Company's period of operation is 10 years and its principal activities are to make equity investments to key industries encouraged by the State. The Company contributed RMB 150,000 to acquire a 4.76% equity interest. The investment is accounted for under cost method. The Investment Company's administrator is SDIC Investment and Development Fund Management Beijing Co., Ltd. Subject to the administrator's approval and other shareholders' preemptive rights, the Company can transfer its investment to third parties.





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Short-term borrowings and current installments of long-term debt consist of the following:

	2012 RMB	Year ended December 31,	
		2013 RMB	US\$
Guaranteed by bank deposits	391,448	212,038	35,026
Guaranteed by related parties	3,448,503	3,602,902	595,157
Guaranteed by property, plant and equipment	773,248	891,073	147,195
Guaranteed by accounts receivable		130,000	21,474
Unsecured loans	1,397,292	429,846	71,006
Current portion of long-term debt (note b)	1,515,524	1,450,018	239,526
<b>Total short-term borrowings and current portion of long-term debt</b>	<b>7,526,015</b>	<b>6,715,877</b>	<b>1,109,384</b>

Short-term borrowings outstanding (including the current portion of long-term debt) as of December 31, 2012 and 2013 bore a weighted average interest rate of 5.93% and 5.77% 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.

*b) Non-current*

	2012 RMB	Year ended December 31,	
		2013 RMB	US\$
Long-term bank debt:			
Secured loans from China Development Bank	3,390,651	3,733,730	616,769
Unsecured loans	300,000		
Guaranteed by related parties	549,710	852,283	140,787
Secured by multiple assets	1,271,849	374,242	61,820
Borrowings from other third parties:			
Guaranteed by property, plant and equipment	79,770	598,046	98,790
	5,591,980	5,558,301	918,166
Less: current portion	(1,515,524)	(1,450,018)	(239,526)
<b>Total long-term borrowings</b>	<b>4,076,456</b>	<b>4,108,283</b>	<b>678,640</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.

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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 property, plant and equipment. 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.

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. The bank loan has been fully repaid in May 2013.

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.

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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 property, plant and equipment. 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 was fully repaid in 2012.

In February 2011, Yingli Hainan entered into a five-year RMB 400,000 loan agreement with China Merchants Bank at an interest rate of the five-year Renminbi benchmark loan rate per annum. As of December 31, 2013, the Company withdrew RMB 368,000 (US\$ 60,789) under this agreement. The loan is secured by Yingli Hainan's property, plant and equipment.

In March 2011, Yingli China entered into a 45-month RMB 1,000,000 loan agreement with Bank of Communications Co., Ltd. at an interest rate of three- to five- year Renminbi benchmark loan rate plus an additional surcharge of 10% of the interest rate per annum. As of December 31, 2013, the Company withdrew RMB 367,480 (US\$ 60,703) under this agreement. The loan is secured by property, plant and equipment.

In May 2011, Yingli China entered into a 42-month RMB 1,160,000 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% of the interest rate per annum. As of December 31, 2013, the Company withdrew RMB 481,000 (US\$ 79,456) under this agreement. The loan is guaranteed by Yingli Green Energy and Yingli Group.

In August 2011, Fine Silicon Co., Ltd. ( Fine Silicon ) entered into a five-year RMB 500,000 loan agreement with CDB Leasing Co., Ltd. at an interest rate of 6.9% per annum plus an additional surcharge of 5% of the interest rate per annum. The loan is guaranteed by property, plant and equipment. The Company withdrew RMB 100,000 and RMB 500,000 (US\$ 82,594) as of December 31, 2012 and December 31, 2013, respectively, under this agreement.

In October 2011, Tianjin Yingli New Energy Resources Co., Ltd. ( Tianjin Yingli ) borrowed an eight-year RMB 350,000 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 property, plant and equipment. The Company withdrew RMB 350,000 and US\$80,000 as of December 31, 2012. The Company withdrew RMB 350,000 (US\$ 57,816) and US\$100,000 (RMB 605,370) as of December 31, 2013

In October 2011, Hengshui Yingli New Energy Resources Co., Ltd. ( Hengshui Yingli ) entered into an eight-year US\$50,000 loan agreement with China Development Bank at an interest of 6.31% per annum and subject to adjustment annually. The loan is guaranteed by property, plant and equipment. As of December 31, 2012 and 2013, the Company withdrew US\$ 47,418 and US\$50,000 (RMB 302,685), respectively.

In November 2011, Yingli Hainan entered into an eight-year RMB 900,000 loan agreement with China Development Bank at an interest rate of five-year Renminbi benchmark loan rate per annum. As of December 31, 2012, the Company withdrew RMB 900,000 under this agreement. The

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loan is guaranteed by property, plant and equipment. In May 2013, Yingli Hainan entered into an amendment to increase this loan credit limit by RMB282,150. As of December 31, 2013, the Company withdrew RMB1,182,150 (US\$195,277) under this agreement. The loan is guaranteed by property, plant and equipment.

In March 2012, Hainan Yingli entered into a seven-year US\$135,000 loan agreement with China Development Bank at an interest of three-month LIBOR plus 590 basis points per annum. The Company withdrew US\$117,000 and US\$135,000 (RMB 817,250) as of December 31, 2012 and 2013 under this agreement, respectively. The loan is guaranteed by property, plant and equipment.

In May 2012, Hengshui Yingli entered into an eight-year RMB 255,000 loan agreement with China Development Bank at an interest of 7.76% per annum and subject to adjustment annually. The loan is guaranteed by Yingli China. As of December 31, 2012 and 2013, the Company withdrew RMB 255,000 (US\$ 42,123) under this agreement.

In April 2013, Yingli China entered into a three-year US\$55,000 (RMB 332,954) loan agreement with China Development Bank at an interest rate of 6-month LIBOR plus 520 basis points per annum. As of December 31, 2013, the Company withdrew US\$55,000 (RMB332,954) under this agreement.

In December 2013, Yingli China entered into a 14-month RMB200,000 (US\$ 33,038) loan agreement with Zhongyuan Trust Ltd. Company at an interest rate of 9.725%. This loan is guaranteed by related party's property, plant and equipment. As of December 31, 2013, the Company withdrew RMB200,000 (US\$ 33,038) under this agreement.

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In December 2013, Hutubi Yingli Sunshine New Resources Co. Ltd. ( Yingli Hutubi ) entered into a five-year RMB 22,500 loan agreement with Xinjiang Tianshan Rural Commercial Bank at an interest rate of 5.33%. This loan is guaranteed by equivalent bank deposit. As of December 31, 2013, the Company withdrew RMB22,500 (US\$ 3,717) under this agreement.

In December 2013, Yingli Hutubi entered into a six-year RMB 55,000 loan agreement with Xinjiang Tianshan Rural Commercial Bank at an interest rate of 6.61%. This loan is guaranteed by Yingli Group and secured by solar panels with market value of RMB 68,800 (US\$ 11,365). As of December 31, 2013, the Company withdrew RMB 55,000 (US\$ 9,085) under this agreement.

Future principal payments under the above long-term borrowings as of December 31, 2013 are as follows

Year ending December 31,	RMB	US\$
2014	1,450,018	239,526
2015	1,253,087	206,995
2016	1,226,028	202,525
2017	585,538	96,724
2018	602,747	99,567
Thereafter	440,883	72,828
<b>Total</b>	<b>5,558,301</b>	<b>918,165</b>

As of December 31, 2013, the Company has unused lines of credit of RMB 5,491 million (US\$907 million) with remaining terms less than 12 months and RMB 2,027 million (US\$335 million) with remaining terms beyond 12 months.

Certain loan agreements contain financial covenants such as debt asset ratio, current ratio, quick ratio, debt service coverage ratio and interest coverage ratio. During 2013, the Company failed to meet certain financial covenants, for which the Company received waivers from respective banks with respect to the financial covenants.

**(10) 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. 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. On December 14, 2012, the remaining principle balance of US\$1,200 (RMB 7,552) plus the accrued unpaid interest payable of US\$346 (RMB 2,177) was repurchased by the Company and settled in cash.

Interest relating to the Convertible Senior Notes was recognized as follows:

	Year ended December 31,		2013	
	2011	2012		US\$
	RMB	RMB	RMB	
Contractual coupon interest	1,483	520		
Interest cost capitalized	(362)	(65)		
<b>Total interests expense</b>	<b>1,121</b>	<b>455</b>		

**(11) 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 136,564) 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.

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.

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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

(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 consolidated statements of comprehensive loss directly.

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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.



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On January 18, 2012, the remaining US\$14,562 (RMB 92,039) of the Second Tranche of the Notes was converted to 3,588,025 ordinary shares. US\$7,464 (RMB 47,178), representing the relevant unamortized debt discount remaining at the dates of conversion was recorded as interest expense for the year ended December 31, 2012. As a result, the senior secured convertible notes have been fully converted accordingly.

**(12) Medium-term notes**

On October 13, 2010, Tianwei Yingli 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). 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, and increased to 5.7% per annum in the remaining two years as Tianwei Yingli chose not to call the notes on October 13, 2013.

The Company did 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, 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%.

In March 2012, Yingli China registered its plan to issue up to RMB 1,500,000 RMB-denominated unsecured three-year and five-year medium-term notes (the Yingli China Registered Issue) with the NAFMII. The Yingli China Registered Issue allows Yingli China to issue RMB-denominated unsecured three-year and five-year medium-term notes in two tranches on the PRC inter-bank debenture market. On May 3, 2012, the first tranche issue with RMB 1,200,000 at a fixed annual interest rate of 5.78% and the second tranche issue with RMB 300,000 at a fixed annual interest of 6.01% were issued with maturity on May 3, 2015 and May 3, 2017, respectively.

**(13) 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

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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 presented 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 recorded 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 interest of RMB 6,419 is included in other current liabilities and accrued expenses in the consolidated balance sheet as of December 31, 2012 and was paid in 2013.

In November 2012, a third party contributed RMB 100,000 to Yingli Hainan to acquire 5.825% equity interest of Yingli Hainan. Pursuant to the agreement between Yingli China and the investor, Yingli China is obligated to purchase such equity interest from the investor in the amount of RMB 100,000 plus 5% annual interest in 5 years. In December 2013, another third party contributed RMB 100,000 to Yingli Hainan to acquire 5.50% equity interest of Yingli Hainan. Pursuant to the agreement between Yingli China and the investor, Yingli China is obligated to purchase such equity interest from the investor in the amount of RMB 100,000 plus 6.15% annual interest in 2 years. Because of Yingli China's contractual obligations to purchase the equity interests from these investors, the equity contributions made by the investors plus accrued interest in the amount of RMB 207,067 (US\$34,205) have been recorded in other non-current liabilities in the consolidated balance sheet as of December 31, 2013.

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**(14) 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 5,567,021 outstanding ADSs from the open market for a total consideration of RMB 123.8 million under the share repurchase program. In 2012, additional 159,687 outstanding ADSs were repurchased from open market for a total consideration of RMB 3.5 million under the share repurchase program. As of December 31, 2012, 5,726,708 of outstanding ADSs were repurchased at a total consideration of RMB 127.3 million. There was no share repurchase in 2013.

**(15) Financial Obligations**

In July 2011, the Company sold certain newly purchased equipments ( leased assets ) with carrying amount of RMB 91,959 to a third party (the purchaser-lessor ) for cash consideration of RMB 90,000 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, which is being deferred and amortized in the consolidated statements of comprehensive loss over the remaining useful lives of the leased assets.

In November 2012, the Company sold certain solar power generation equipment with carrying amount of RMB 102,971 to a related party controlled by Yingli Group for cash consideration of RMB 99,000 and simultaneously entered into a eighteen-year contract to lease back the assets from the related party. The remaining useful lives of leased equipment were approximately 25 years. Pursuant to the terms of the contract, the Company is required to pay to the related party quarterly lease payments over eighteen years and is entitled to obtain the ownership of these equipment 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 3,971, which is being deferred and amortized in the consolidated statements of comprehensive loss over the remaining useful lives of the leased assets.

In August 2013, the Company sold certain machinery and equipments with carrying amount of RMB99,321 (US\$16,407) to a related party controlled by Yingli Group for cash consideration of RMB100,000 (US\$16,519) and simultaneously entered into a eight-year contract to lease back the assets from the related party. The remaining useful lives of leased machinery and equipment were approximately 8-10 years. Pursuant to the terms of the contract, the Company is required to pay to the related party quarterly lease payments over eight years and is entitled to obtain the ownership of these machinery and 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 profit of approximately RMB679 (US\$112), which is being deferred and amortized in the consolidated statements of comprehensive loss over the remaining useful lives of the leased assets.

As of December 31, 2012 and 2013, the gross amount of the equipment and related depreciation recorded under capital lease were as follows:

**Year ended December 31,**

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	2012 RMB	RMB	2013 US\$
Equipment	196,301	422,502	69,792
Less: accumulated depreciation	(13,595)	(36,041)	(5,954)
<b>Net Value</b>	<b>182,706</b>	<b>386,461</b>	<b>63,838</b>

As of December 31, 2013, future minimum payments required under non-cancellable sale-leaseback are:

	RMB	US\$
Year ended December 31,		
2014	73,138	12,081
2015	70,492	11,644
2016	62,310	10,293
2017	44,479	7,347
2018	43,227	7,141
Thereafter	156,480	25,849
Total minimum lease payments	450,126	74,355
Less: Amount representing interest	118,909	19,642
Present value of net minimum lease payments	331,217	54,713
Current portion	49,127	8,115
Non-current portion	282,090	46,598

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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 on its firm purchase commitments under the long-term fixed price polysilicon contracts as of December 31, 2011. The provision was determined by applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory. During the years ended December 31, 2011 and 2012, notwithstanding that the firm purchase commitments under the long-term fixed price contracts continued to be in effect, through negotiations with the vendors the Company was able to obtain various pricing concessions from the vendors which resulted in the actual purchase price paid by the Company to be less than the stated contract price. The Company has therefore reclassified the accrual for potential losses on inventory firm purchase commitments of RMB 851,694 as of December 31, 2012 to an accrual for loss contingency related to the inventory purchase commitments.

During the year ended December 31, 2013, the Company continued to negotiate and execute amendments for current purchases on a monthly or quarterly basis with two of the vendors and obtained price concessions that allowed the Company to purchase polysilicon at renegotiated prices that were in line with the market price and significantly lower than the stated contract prices under the long-term fixed price supply contracts with these vendors. In addition, the Company continued to negotiate with these two vendors for an overall amendment to each long-term fixed price supply contract with such vendors to eliminate fixed price arrangements. In October 2013, the Company entered into agreements with one of the two vendors to amend the contract and include a price adjustment mechanism that allows the Company and the vendor to renegotiate purchase price on a quarterly basis within a specified price range set forth in the amendments based on market price. The Company has not reached similar agreement with the other vendor, but continued to renegotiate prices on a quarterly or monthly basis to purchase at close to market prices. The Company failed, however, to purchase from the vendor the stated quantities for a total of six months in 2012 and 2013 under the long-term fixed price supply contracts as the Company's management determined after taking into consideration all relevant factors that it would be in the Company's best interest not to accept those deliveries when they were due. As a result, the vendor claimed that it had forfeited certain advance payments made by the Company. Notwithstanding the Company's failure to accept deliveries for six months and the vendor's claim as described above, the Company and the vendor continued their monthly or quarterly negotiations and the Company has accepted deliveries from the vendor after its failure to accept deliveries in those six months.

With respect to the third vendor, the Company did not make any purchase from it under the long-term fixed price supply contract, which is effective from 2013 to 2020, due to the anti-dumping duty and anti-subsidy investigation against Solar-Grade Polysilicon launched by the Ministry of Commerce of the People's Republic of China. The Company has received invoices on its take-or-pay obligation for failing to take the shipments in 2013 and is currently in discussion with this vendor to seek an acceptable solution to both parties on the performance of the long-term supply contract.

In connection with the preparation of the Company's 2013 consolidated financial statements for the year ended December 31, 2013, management reassessed the loss contingency under the long-term fixed price polysilicon contracts taking into account the developments described above and recognized an additional provision of RMB480,182 (US\$79,320) on the firm purchase commitments under the long-term fixed price polysilicon contracts as of December 31, 2013. The provision was determined by applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory, using management's best estimates of future purchase prices over the remaining terms of the contracts and applying such estimated purchase prices in the lower of cost or market evaluation. In estimating the renegotiated purchase prices, the Company considered the pertinent terms of each of the long-term supply contracts, the history and progress of renegotiation with the relevant vendors and the actual price concessions granted, the polysilicon market development based on available industry research data and the likelihood of achieving different levels of renegotiated prices for future periods. In addition to the estimated renegotiated purchase price, certain other key assumptions were used in measuring the loss accrual, which included but were not limited to (i) the estimated net realizable value of the PV

modules manufactured from the polysilicon expected to be purchased under the long-term supply contracts; and (2) the normal profit margin of the PV modules for purposes of estimating the replacement cost or market price under the lower of cost or market evaluation. The Company also considered the quantities that were required to be purchased and amounts due on take or pay arrangements, as well as the history and progress of renegotiation with the relevant vendors and the actual concessions granted in developing the amount of the estimated loss contingencies.

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As of December 31, 2013, total accrual for loss on inventory purchase commitments were RMB 1,331,877 (US\$220,010), of which RMB 87,134 (US\$14,393), has been recorded as a reduction prepayment to suppliers in relation to the failure to purchase the stated quantities for a total of six months in 2012 and 2013 under the long-term fixed price supply contracts with one vendor as described above, RMB 144,082 (US\$23,801) has been recorded in other current liabilities and accrued expenses based on the stated delivery schedules through the end of 2014 under the supply contracts and the remaining balance of RMB 1,100,661 (US\$181,816) has been recorded in other liabilities .

**(17) Income Taxes**

***Cayman Islands and British Virgin Islands***

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.

- 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.

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- 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.

Subject to reapplication or renewal, Tianwei Yingli, Yingli China and Yingli Hainan's HNTE status will enable them to continue to enjoy the preferential income tax rate. Management believes that these subsidiaries meet all the criteria for the reapplication of HNTE status.

- In 2013, Yingli Tianjin, Yingli Lixian and Yingli Hengshui were recognized by the Chinese government as HNTE under the new EIT law and its relevant regulations, which entitled them to the preferential income tax rate of 15% 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 South East Europe GmbH (formerly known as Yingli Green Energy Greece Sales GmbH) ( Yingli South East Europe ), 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. In addition, Yingli Europe and Yingli South East Europe are subject to a trade income tax rate of 17.15% and 12.775%, respectively. The aggregate statutory income tax rate in Yingli Europe and Yingli South East Europe are 32.975% and 28.6%, respectively.

- Yingli Green Energy Americas, INC ( Yingli U.S. ), 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 6.6%, resulting in an aggregate income tax rate of 38.4%.



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The components of profit/(loss) before income taxes for the years ended December 31, 2011, 2012 and 2013 are as follows:

	Year ended December 31,			2013	US\$
	2011 RMB	2012 RMB	RMB		
Cayman Islands	(255,912)	(197,133)	(220,079)		(36,354)
PRC	(3,122,969)	(2,935,315)	(1,868,948)		(308,728)
U.S.	17,024	(46,550)	56,678		9,363
Other foreign countries	(37,333)	(218,631)	8,476		1,400
<b>Total loss before income taxes</b>	<b>(3,399,190)</b>	<b>(3,397,629)</b>	<b>(2,023,873)</b>		<b>(334,319)</b>

Income tax expense (benefit) in the consolidated statements of comprehensive loss consists of the following:

	Year ended December 31,			2013	US\$
	2011 RMB	2012 RMB	RMB		
<b>Current tax expense:</b>					
PRC	135,848	285	49,655		8,202
U.S.	7,380	4,503	77		13
Other foreign countries	38,855	9,622	11,909		1,967
<b>Total current income tax expense</b>	<b>182,083</b>	<b>14,410</b>	<b>61,641</b>		<b>10,182</b>
<b>Deferred income tax benefit:</b>					
PRC	(322,506)	(219,143)	(19,679)		(3,251)
Other foreign countries	7,010	(1,009)	(10,937)		(1,806)
<b>Sub-total</b>	<b>(315,496)</b>	<b>(220,152)</b>	<b>(30,616)</b>		<b>(5,057)</b>
<b>Total income tax expense (benefit)</b>	<b>(133,413)</b>	<b>(205,742)</b>	<b>31,025</b>		<b>5,125</b>

The actual income tax expense (benefit) reported on the consolidated statements of comprehensive loss differs from the amounts computed by applying the PRC statutory income tax rate of 25% in 2011, 2012 and 2013 to loss before income taxes as a result of the following:

	Year ended December 31,			2013	US\$
	2011 RMB	2012 RMB	RMB		
Computed expected tax expense (benefit)	(849,798)	(849,407)	(505,970)		(83,580)
PRC tax rate differential, preferential rate	22,119	215,678	138,736		22,918
Tax rate differential for non-PRC entities	95,814	109,157	57,459		9,492
Tax rate change	(4,124)	124,965	12,866		2,125
Tax holiday	(61,357)		(15,915)		(2,629)
Research and development tax credit	(56,391)	(37,839)	(21,028)		(3,474)
<b>Non-deductible expenses:</b>					
Impairment of goodwill	68,346				
Staff welfare in excess of allowable limits	2,672	7,386	1,630		269
Share based compensation	18,483	8,876	3,972		656
Entertainment expenses	1,335	2,092	1,951		322

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Change in valuation allowance	627,295	194,715	352,978	58,308
German dividend withholding tax	10,400	9,529	2,016	333
Others	(8,207)	9,106	2,330	385
<b>Actual income tax expense (benefit)</b>	<b>(133,413)</b>	<b>(205,742)</b>	<b>31,025</b>	<b>5,125</b>

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Without the tax holiday the Company's net loss attributable to Yingli Green Energy would have increased by RMB52,951, nil and RMB15,030 (US\$ 2,483) for the years ended December 31, 2011, 2012 and 2013. Basic and diluted loss per share for the years ended December 31, 2011, 2012 and 2013 would have increased by RMB0.34, nil and RMB0.10 (US\$ 0.02).

The income tax recoverable was RMB 151,373 and RMB 25,140 (US\$ 4,153) as of December 31, 2012 and 2013, which were included in prepaid expenses and other current assets in the consolidated balance sheets, respectively.

The principal components of the deferred income tax assets and deferred income tax liabilities are as follows:

	2012 RMB	Year ended December 31, 2013 RMB	US\$
<b>Gross deferred income tax assets:</b>			
Accounts receivable and prepayments to suppliers	61,853	59,631	9,850
Inventories	23,727	7,035	1,162
Employee benefits	6,969	10,018	1,655
Accrued warranty	85,277	105,842	17,484
Property, plant and equipment	588,342	617,045	101,928
Change in fair value of derivative instruments	1,535	552	91
Net operating loss carryforwards	620,210	876,685	144,818
Investment loss	3,139	3,178	525
Provision for inventory purchase commitment	111,272	199,782	33,002
<b>Total gross deferred income tax assets</b>	<b>1,502,324</b>	<b>1,879,768</b>	<b>310,515</b>
Valuation allowance	(822,010)	(1,174,988)	(194,094)
<b>Net deferred income tax assets</b>	<b>680,314</b>	<b>704,780</b>	<b>116,421</b>
<b>Gross deferred income tax liabilities:</b>			
Property, plant and equipment	(23,751)	(19,296)	(3,188)
Intangible assets	(9,354)	(8,804)	(1,454)
Withholding income tax	(6,001)	(4,856)	(802)
Total gross deferred income tax liabilities	(39,106)	(32,956)	(5,444)
<b>Net deferred income tax assets</b>	<b>641,208</b>	<b>671,824</b>	<b>110,977</b>

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	Year ended December 31,		
	2012 RMB	RMB	2013 US\$
Current deferred income tax assets, included in prepaid expenses and other current assets	114,002	114,357	18,890
Non-current deferred income tax assets, included in other assets	548,085	576,628	95,252
Current deferred income tax liabilities, included in other current liabilities and accrued expenses	(6,001)	(4,856)	(802)
Non-current deferred income tax liabilities, included in other liabilities	(14,878)	(14,305)	(2,363)
<b>Net deferred income tax assets</b>	<b>641,208</b>	<b>671,824</b>	<b>110,977</b>

Tax loss carryforwards of the Company's PRC subsidiaries amounted to RMB 4,907,733 (US\$ 810,700) as of December 31, 2013, of which RMB 25,464, RMB 55,486, RMB 479,002, RMB 2,732,222 and RMB 1,615,559 will expire if unused by December 31, 2014, 2015, 2016, 2017 and 2018, respectively.

The movements of the valuation allowance are as follows:

	Year Ended December 31,			
	2011 RMB	2012 RMB	RMB	2013 US\$
Balance at the beginning of the year		627,295	822,010	135,786
Additions of valuation allowance	627,295	244,809	474,397	78,365
Reduction of valuation allowance		(50,094)	(121,419)	(20,057)
Balance at the end of the year	627,295	822,010	1,174,988	194,094

In assessing the realization of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryforward periods), projected future taxable income, and tax planning strategies in making this assessment.

As of December 31, 2013, the Company recognized net deferred income tax assets of RMB671,824 (US\$110,977), among which RMB280,059 (US\$46,262) primarily relate to the tax benefits of (i) RMB538,670 (US\$88,982) in gross tax loss carryforwards, which expire in varying amounts between 2016 and 2018; (ii) RMB199,781 (US\$33,001) in provision for inventory purchase commitment, which expire in varying amounts upon the settlement of the contingency on the long term purchase commitment provision with the major polysilicon suppliers between 2014 and 2020. The realization of these tax benefits is dependent on the generation of sufficient taxable income prior to expiration of the tax loss carryforwards and at the time the provision for inventory purchase commitment is tax deductible. Management believes it is more likely than not that the Company will realize the benefits of deferred income tax assets, net of the existing valuation allowances as of December 31, 2012 and 2013. 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.

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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, 2013, the Company has not recognized a deferred income tax liability of RMB125,007 (US\$20,650) for the undistributed earnings of RMB1,250,067(US\$206,496) generated by the PRC subsidiaries as of December 31, 2013 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.

For each of the years ended December 31, 2011, 2012 and 2013, 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 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\$ 17). 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 2008 to 2013 are open to examination by the relevant tax authorities.

**(18) 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, 2013, 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.

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, 2011, 2012 and 2013 is as follows:

	Number of Non-vested Shares	Grant date Weighted Average Fair Value
<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>
Vested	(523,316)	US\$5.02
<b>Outstanding as of December 31, 2012 and 2013</b>		

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The total fair value of the non-vested shares vested for the years ended December 31, 2011, 2012 and 2013 is US\$2,639, US\$2,627 and US\$ nil, respectively.

The amount of compensation cost recognized for non-vested shares for the years ended December 31, 2011, 2012 and 2013 is as follows:

	Year ended December 31,		2013	US\$
	2011 RMB	2012 RMB		
Cost of revenues	1,047	50		
Selling expenses	612	29		
General and administrative expenses	14,606	787		
Research and development expenses	192	9		
<b>Total compensation cost recognized for restricted shares</b>	<b>16,457</b>	<b>875</b>		

*Stock options*

A summary of stock options activity for the years ended December 31, 2011, 2012 and 2013 is as follows:

	Number of Stock options	Weighted Average exercise price	Weighted Average remaining contractual term	Aggregate intrinsic Value
<b>Outstanding as of December 31, 2010</b>	<b>4,812,887</b>	<b>US\$ 10.58</b>		
Granted	4,030,306	5.19		
Exercised	(25,250)	(3.66)		US\$ 4
Forfeited or cancelled	(2,993,837)	(14.95)		
<b>Outstanding as of December 31, 2011</b>	<b>5,824,106</b>	<b>US\$ 4.63</b>		
Granted				
Exercised				
Forfeited or cancelled	(474,164)	5.46		
<b>Outstanding as of December 31, 2012</b>	<b>5,349,942</b>	<b>US\$ 4.55</b>		
Granted				
Exercised	(178,750)	(3.65)		US\$ 638
Forfeited or cancelled	(1,625)	(8.31)		
<b>Outstanding as of December 31, 2013</b>	<b>5,169,567</b>	<b>US\$ 4.58</b>	<b>5.21 years</b>	<b>US\$ 8,218</b>
Vested and expected to vest as of December 31, 2013	5,169,567	US\$ 4.58	5.21 years	US\$ 8,218
Exercisable as of December 31, 2013	3,980,812	US\$ 3.33	5.13 years	US\$ 7,200

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 was determined based on the Black-Scholes option pricing model, using the following weighted average assumptions. There



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was no option granted during the years ended December 31, 2012 and 2013.

**Year ended December 31, 2011**

Expected volatility	94%
Expected dividends yield	0%
Expected term	6.07 years
Risk-free interest rate (per annum)	1.74%
Estimated fair value of underlying ordinary shares (per share)	US\$6.72

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The Company's calculation of expected volatility was based on the historical volatility of the Company's stock price.

The total fair value of the stock options vested for the years ended December 31, 2011, 2012 and 2013 is US\$2,586, US\$3,017 and US\$2,589 (RMB 15,673), 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 consolidated statements of comprehensive loss for these share options as such compensation expenses are not deductible for PRC tax purposes. The amount of compensation cost recognized for stock options for the years ended December 31, 2011, 2012 and 2013 is as follows:

	Year ended December 31,			
	2011 RMB	2012 RMB	2013 RMB	US\$
Cost of revenues	5,128	5,417	3,314	547
Selling expenses	9,212	4,551	2,582	427
General and administrative expenses	39,104	20,179	6,949	1,148
Research and development expenses	3,957	4,481	3,040	502
<b>Total compensation cost recognized for stock options</b>	<b>57,401</b>	<b>34,628</b>	<b>15,885</b>	<b>2,624</b>

As of December 31, 2013, US\$ 2,558 (RMB 15,485) of unrecognized compensation expense related to stock options is expected to be recognized over a weighted average period of approximately 0.80 years.

**(19) Loss per share***Basic and diluted loss per share*

Basic and diluted loss per share has been calculated in accordance with ASC Topic 260, *Earnings per Share*, for the years ended December 31, 2011, 2012 and 2013 as follows:

2011	Year ended December 31, 2012
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