Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of February 2014

Commission File Number: 001-33107

CANADIAN SOLAR INC.

**No. 199 Lushan Road
Suzhou New District
Suzhou, Jiangsu 215129
People's Republic of China**
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

CANADIAN SOLAR INC.

Form 6-K

TABLE OF CONTENTS

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANADIAN SOLAR INC.

By: /s/ Shawn (Xiaohua) Qu

Name: Shawn (Xiaohua) Qu
Title: Chairman, President and Chief Executive Officer

Date: February 11, 2014

EXHIBIT INDEX

Exhibit 99.1—Press Release

Exhibit 99.2—About the Registrant, Selected Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations of the Registrant for the Nine Months Ended September 30, 2012 and 2013, Duties and Tariffs and Legal Proceedings

Exhibit 99.3—Unaudited Condensed Consolidated Financial Statements for the Nine Months Ended September 30, 2012 and 2013

Exhibit 99.1

CanadianSolar

Canadian Solar Announces Selective Preliminary Results for the Fourth Quarter 2013, Schedules Earnings Conference Call for March 5

GUELPH, Ontario, February 11, 2014 — Canadian Solar Inc. (the “Company”, or “Canadian Solar”) (NASDAQ: CSIQ), one of the world’s largest solar power companies, today announced selective preliminary results for the fourth quarter ended on December 31, 2013.

For the fourth quarter of 2013, Canadian Solar expects solar module shipments to be in the range of approximately 605 MW to 620 MW, which exceeds the Company’s original guidance of 480 MW to 500 MW provided on November 13, 2013. For the fiscal year 2013 solar module shipments are expected to be in the range of 1,878 MW to 1,893 MW. The Company expects its revenue for the fourth quarter of 2013 to be in the range of $510 million to $520 million. The Company expects its gross margin for the fourth quarter of 2013 including the sale of the Mississippi Mills project in Ontario, Canada, to be in the range of 16% to 18%, compared to its original guidance of 13% to 15% which did not factor in the potential sales of projects from its Ontario, Canada pipeline.

For the three-month period as well as for the twelve-month period ended on December 31, 2013 the Company expects to be profitable at the net-income level on a US-GAAP basis.

Management’s expectations in respect to profitability in the fourth quarter and the fiscal year 2013 are subject to the final ruling by the Suzhou Intermediate Court on a contract dispute between Canadian Solar and LDK as previously disclosed. If the court were to rule against Canadian Solar and order the Company to pay the award to LDK, Canadian Solar may have to make a provision for the fourth quarter of 2013 and the full year of 2013, which would impact the Company’s profitability.

While these estimates represent the most current information available to management, the Company’s financial closing procedures for the quarter ended December 31, 2013 are not yet complete. The estimates above are not a comprehensive statement of the Company’s financial results for the quarter ended December 31, 2013, and the Company’s actual results may differ materially from these estimates as a result of the completion of its financial closing procedures, final adjustments, review by its independent public accountants and other developments arising between now and the time that the financial results for the quarter ended December 31, 2013 are finalized.

March 5, 2014 Earnings Conference Call Details

The Company will hold a conference call on Wednesday, March 5, 2014 at 8:00 a.m. U.S. Eastern Standard Time (9:00 p.m., March 5, 2014 in Hong Kong) to discuss the Company’s fourth quarter of 2013 results and its business outlook. The dial-in phone number for the live audio call is +1-866-318-8615 or +1-617-399-5134, with passcode 60564093. A live webcast of the conference call will also be available on Canadian Solar’s website at www.canadiansolar.com.

A replay of the call will be available 4 hours after the conclusion of the live call until 11:00 p.m. on March 12, 2014, U.S. Eastern Standard Time (11:00 a.m., March 13, 2014 in Hong Kong) and can be accessed by dialing +1-617-801-6888 or +1-888-286-8010 and entering the passcode 72091072. A webcast replay will also be available at www.canadiansolar.com.

About Canadian Solar Inc.

Founded in 2001 in Canada, Canadian Solar Inc. (NASDAQ: CSIQ) is one of the world's largest and foremost solar power companies. As a leading vertically integrated provider of solar modules, specialized solar products and solar power plants with operations in North America, South America, Europe, Africa, the Middle East, Australia and Asia, Canadian Solar has delivered more than 6GW of premium quality solar modules to customers in over 70 countries. Canadian Solar is committed to improve the environment and dedicated to provide advanced solar energy products, solutions and services to enable sustainable development around the world. For more information, please visit www.canadiansolar.com.

Safe Harbor/Forward-Looking Statements

Certain statements in this press release, including but not limited to statements regarding the expected start of construction, date of completion milestone payment terms, period of service, power production and environmental impact are forward-looking statements that involve a number of risks and uncertainties that could cause actual results to differ materially. These statements are made under the "Safe Harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by such terms as "believes," "expects," "anticipates," "intends," "estimates," the negative of these terms, or other comparable terminology. Factors that could cause actual results to differ include the risks regarding general business and economic conditions and the state of the solar industry; governmental support for the deployment of solar power; future available supplies of high-purity silicon; adjustments based upon, among other things, completion of the quarterly financial closing review; demand for end-use products by consumers and inventory levels of such products in the supply chain; changes in demand from significant customers; changes in demand in the Company's project markets, including the Province of Ontario, Canada, the U.S., and Japan, among other markets; changes in customer order patterns; capacity utilization; level of competition; pricing pressure and declines in average selling prices; delays in new product introduction; continued success in technological innovations and delivery of products with the features customers demand; utility-scale project approval process; delays in utility-scale project construction; shortage in supply of materials or capacity requirements; availability of financing; exchange rate fluctuations; litigation and other risks as described in the Company's SEC filings, including its annual report on Form 20-F filed on April 26, 2013 and its registration statement on F-3. Although the Company believes that the expectations reflected in the forward looking statements are reasonable, it cannot guarantee future results, level of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements. All information provided in this press release is as of today's date, unless otherwise stated, and Canadian Solar undertakes no duty to update such information, except as required under applicable law.

Exhibit 99.2

Unless otherwise indicated or unless the context otherwise requires, the "Company" refers to Canadian Solar Inc., a Canadian company, its predecessor entities and its subsidiaries. "China" or "PRC" refers to the People's Republic of China, excluding Taiwan and the special administrative regions of Hong Kong and Macau.

About Canadian Solar Inc.

Canadian Solar Inc. is one of the world's largest solar manufacturing and project development companies. The Company is a leading vertically integrated provider of solar modules, specialized solar products, engineering, procurement and construction, or EPC, services, and solar power projects with operations in North America, South America, Europe, Africa, the Middle East, Australia and Asia.

The Company designs, develops and manufactures solar wafers, cells and solar module products. The Company is incorporated in Canada and conducts most of its manufacturing operations in China. The Company's products include a range of solar modules built to general specifications for use in a wide range of residential, commercial and industrial solar power generation systems. The Company also designs and produces specialty solar modules and products based on its customers' requirements. Specialty solar modules and products consist of customized solar modules that its customers incorporate into their own products, including building integrated solar modules and complete specialty products such as portable solar home systems and solar-powered car battery chargers. The Company sells products under ''Canadian Solar'' brand name and to original equipment manufacturer, or OEM, customers who sell the Company's products under the customers' brand names. In addition, the Company also sells total solar power system kits for residential applications, build-to-order solar systems for commercial applications and build-to-order solar power plants for utility-scale applications.

The Company believes it offers one of the broadest crystalline silicon solar module product lines in the industry. Its product lines range from modules of medium power to high efficiency, high-power output mono-crystalline modules, as well as a range of specialty products. The Company currently sells its products to a diverse customer base in various markets worldwide, including China, Japan, the U.S., Germany, Spain, Italy, France, the Czech Republic, Canada, and India, among other countries. The Company sells its standard solar modules to distributors and system integrators, as well as to solar power project developers. The Company sells its solar power system kits to distributors and installers and its commercial system and utility-scale power plants to independent power producers and investors.

The Company's business model is differentiated from its peers by its established and growing utility-scale project business. In 2013, the Company completed and delivered 20 projects of approximately 131 MW (including also projects in which the Company holds a minority interest), which were predominantly located in the U.S. and Canada. As of January 31, 2014, the Company had late-stage project pipeline, which are projects and contracts expected to be completed within two years, including self-owned and joint venture projects, as well as EPC contracts, in Canada, Japan, the U.S. and China, of approximately 1.3 GW (DC) and early to mid- stage projects, which include projects under assessment for co-development and acquisition as well as projects being self-developed where the land has been identified or secured and an energy off-take agreement is in place or there is a reasonable probability that an energy off-take agreement can be secured, of approximately 3.2 GW (DC).

The Company employs a flexible vertically integrated business model that combines internal manufacturing capacity with direct material purchases for both cells and wafers. The Company believes this approach has benefited it by lowering the cost of materials of its solar module products. The Company also believes that this approach provides it with greater flexibility to respond to short-term demand increases. The Company had:

- total annual solar module manufacturing capacity of 2.4 GW, 330 MW of which is located in Ontario, Canada with the balance located in China, as of December 31, 2013 (and 2.6 GW, 530 MW of which is located in Ontario, Canada with the balance located in China, as of January 31, 2014); the Company is considering targeting 3 GW by the end of 2014 to meet potential increasing demand;

- total annual solar cell manufacturing capacity of 1.5 GW as of December 31, 2013; and

- total annual ingot and wafer manufacturing capacity of 216 MW as of December 31, 2013.

The Company intends to use substantially all of the silicon wafers that it manufactures to supply its own solar cell plant and to use substantially all of the solar cells that it manufacture to produce its own solar module products. The Company also uses its solar module products in its total solutions business, which includes solar power project development and sales, EPC services, operating and maintenance services, or O&M services, and sales of solar system kits. In connection with its vertical integration, the Company has also been able to reduce its manufacturing costs along the production value chain. Its total manufacturing costs in China, including purchased polysilicon, wafers and cells, were reduced from $1.31 per W for the three months ended June 30, 2011, consisting of $0.76 per W, $0.22 per W and $0.33 per W for polysilicon to wafer , cell and module manufacturing, respectively, to $0.55 per W for the three months ended June 30, 2013 and September 30, 2013, consisting of $0.22 per W, $0.15 per W and $0.18 per W for polysilicon to wafer, cell and module manufacturing, respectively. The Company expects to continue to decrease the level of manufacturing costs for its production of wafers, cells and modules.

In 2010, 2011, 2012 and the nine months ended September 30, 2013, the Company sold 803.5 MW, 1,322.5 MW, 1,543.1 MW and 1,272.9 MW, respectively, of solar modules to third parties in its solar module and total solutions businesses. Its net revenues increased from $1,495.5 million in 2010 to $1,898.9 million in 2011, and decreased to $1,294.8 million in 2012, primarily due to a decrease in the average selling price of its standard solar modules because of changes in government subsidies and economic incentives in many markets as well as continued oversupply across the entire PV supply chain. The Company's net revenues increased from $1,000.0 million for the nine months ended September 30, 2012 to $1,134.9 million for the nine months ended September 30, 2013, primarily due to an increase in revenue contribution from its total solutions business, which includes solar power project development and sales EPC services and O&M services and sales of solar system kits. The Company had loss from continuing operations of $142.5 million and net loss of $195.2 million in 2012, compared to income from continuing operations of $6.8 million and net loss of $90.9 million in 2011 and income from continuing operations of $120.3 million and net income of $50.8 million in 2010. The Company had income from continuing operations of $85.5 million and net income of $21.5 million for the nine months ended September 30, 2013, compared to loss from continuing operations of $51.0 million and net loss of $90.3 million for the nine months ended September 30, 2012.

The Company completed and delivered the following projects in Canada and the United States in 2013 and had the following late-stage project pipeline as of January 31, 2014:

Country	Completed and Delivered Projects in 2013[1]		Late-Stage Project Pipeline as of January 31, 2014
	Number of Projects	**MW**	
Canada	4	49.6 MW (DC)	508 MW (DC) (including 169 MW (DC) of outstanding EPC contracts)
United States	16	80.9 MW (DC)	174 MW (DC)
Japan	—	—	330 MW (DC)
China	—	—	290 MW (DC)
Total	20	130.5 MW (DC)	1,302 MW (DC)

(1) Includes also projects in which the Company holds a minority interest.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statement of operations data for the nine months ended September 30, 2012 and 2013 and the selected consolidated balance sheet data as of September 30, 2013 have been derived from the Company's unaudited interim condensed consolidated financial statements included elsewhere in this prospectus supplement. The Company's unaudited interim condensed consolidated financial statements have been prepared on a consistent basis as its audited consolidated financial statements and include all normal and recurring adjustments that it considers necessary for a fair statement of its financial position and operating results for the applicable dates and periods presented.

The selected consolidated financial data should be read in conjunction with those financial statements and the accompanying notes and, ''Item 5. Operating and Financial Review and Prospects'' included in its annual report on Form 20-F for the fiscal year ended December 31, 2012 filed with the Securities Exchange Commission, or SEC, on April 26, 2013, incorporated by reference in this prospectus supplement. The Company's consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The historical results are not necessarily indicative of results to be expected in any future period.

Consolidated Statements of Operations Data	Nine Months Ended September 30, 2012	2013
	(in thousands of $, except share and per share data)	
Net revenues	999,991	1,134,888
Cost of revenues	924,499	960,448
Gross profit	75,492	174,440
Selling expenses	66,088	59,969
General and administrative expenses	50,565	20,500
Research and development expenses	9,870	8,452
Total operating expenses	126,523	88,921
Income (loss) from operations	(51,031)	85,519
Interest expenses	(43,410)	(36,296)
Interest income	9,698	9,197
Gain (loss) on change in foreign currency derivatives	(6,636)	1,828
Foreign exchange gain (loss)	91	(32,938)
Investment loss	—	—
Income (loss) before incomes taxes	(91,288)	27,310
Income tax benefit (expenses)	2,142	(3,952)
Equity in earnings (loss) of unconsolidated investees	(1,144)	(1,848)
Net income (loss)	(90,290)	21,510
Less: Net income attributable to non—controlling interest	194	10,798
Net income (loss) attributable to Canadian Solar Inc.	(90,484)	10,712
Earnings (Loss) per share-basic	(2.10)	0.24
Shares used in computation-basic	43,175,046	44,895,360
Earnings (Loss) per share-diluted	(2.10)	0.22
Shares used in computation-diluted	43,175,046	47,699,641
Net Income(loss)	(90,290)	21,510
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	3,013	5,298
Comprehensive income (loss)	(87,277)	26,808
Less: comprehensive income attributable to non-controlling interest	552	10,552
Comprehensive income (loss) attributable to Canadian Solar Inc.	(87,829)	16,256

Consolidated Balance Sheet Data	As of September 30, 2013
	(in thousands of $)
Current assets	
Cash and cash equivalents	273,695
Restricted cash	407,966
Accounts receivable trade, net	271,843
Accounts receivable, unbilled	10,742
Amount due from related parties	17,600
Inventories	220,619
Value added tax recoverable	16,149
Advances to suppliers, net	47,641
Foreign currency derivative assets	1,110
Project assets	289,568

Consolidated Balance Sheet Data	As of September 30, 2013
	(in thousands of $)
Prepaid expenses and other current assets	96,212
Total current assets	1,653,145
Property, plant and equipment, net	426,759
Deferred tax assets	48,279
Advances to suppliers, net	464
Prepaid land use right	18,730
Investments in affiliates	34,651
Intangible assets, net	5,508
Goodwill	—
Project assets	199,052
Other non-current assets	57,728
TOTAL ASSETS	2,444,316
Current liabilities	
Short-term borrowings	801,622
Accounts and notes payable	589,747
Amounts due to related parties	31,161
Other payables	79,657
Advances from customers	75,059
Foreign currency derivative liabilities	1,539
Provisions for firm purchase commitments	—
Other current liabilities	121,021
Total current liabilities	1,699,806
Accrued warranty costs	67,726
Convertible notes	—
Long-term borrowings	190,535
Liability for uncertain tax positions	15,030
Deferred tax liabilities	46,523
Loss contingency accruals	29,030
Total liabilities	2,048,650
Redeemable non-controlling interest	22,636
Common shares	551,473
Additional paid-in capital	(33,010)
Accumulated deficit	(213,450)
Accumulated other comprehensive income	56,338
Total Canadian Solar Inc. shareholders' equity	361,351
Non-controlling interest	11,679
Total equity	373,030
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,444,316

	Nine Months Ended September 30,	
Operating Data	2012	2013
	(in MW)	
Total shipments in solar module business	1,102.2	1,156.1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth a summary, for the periods indicated, of the Company's consolidated results of operations and each item expressed as a percentage of its total net revenues. The Company's historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Unaudited Condensed Consolidated Statement of Operations	Nine Months Ended September 30,			
	2013	%	2012	%
	(in thousands of $, except share and per share data and unless otherwise stated)			
Net revenues	1,134,888	100.0	999,991	100.0
Cost of revenues	960,448	84.6	924,499	92.5
Gross profit	174,440	15.4	75,492	7.5
Selling expenses	59,969	5.3	66,088	6.6

General and administrative expenses	20,500	1.8	50,565	5.1
Research and development expenses	8,452	0.7	9,870	1.0
Total operating expenses	88,921	7.8	126,523	12.7
Income (loss) from operations	85,519	7.5	(51,031)	(5.1)
Interest expenses	(36,296)	(3.2)	(43,410)	(4.3)
Interest income	9,197	0.8	9,698	1.0
Gain (loss) on change in foreign currency derivatives	1,828	0.2	(6,636)	(0.7)
Foreign exchange gain (loss)	(32,938)	(2.9)	91	0.0
Income (loss) before incomes taxes	27,310	2.4	(91,288)	(9.1)
Income tax benefit (expenses)	(3,952)	(0.3)	2,142	0.2
Equity in earnings (loss) of unconsolidated investees	(1,848)	(0.2)	(1,144)	(0.1)
Net income (loss)	21,510	1.9	(90,290)	(9.0)
Less: Net income attributable to non— controlling interest	10,798	1.0	194	0.0
Net income (loss) attributable to Canadian Solar Inc.	10,712	0.9	(90,484)	(9.0)
Earnings (Loss) per share-basic	0.24		(2.10)	
Shares used in computation-basic	44,895,360		43,175,046	
Earnings (Loss) per share-diluted	0.22		(2.10)	
Shares used in computation-diluted	47,699,641		43,175,046	
Net income (loss)	21,510	1.9	(90,290)	(9.0)
Other comprehensive income, net of tax:				

Unaudited Condensed Consolidated Statement of Operations	Nine Months Ended September 30, 2013	%	2012	%
	(in thousands of $, except share and per share data and unless otherwise stated)			
Foreign currency translation adjustments	5,298		3,013	
Comprehensive income (loss)	26,808		(87,277)	
Less: comprehensive income attributable to non-controlling interest	10,552		552	
Comprehensive income (loss) attributable to Canadian Solar Inc.	16,256		(87,829)	

Nine Months Ended September 30, 2013 compared to Nine Months Ended September 30, 2012

Net Revenues. The Company's net revenues increased by $134.9 million, or 13.5%, from $1,000.0 million for the nine months ended September 30, 2012 to $1,134.9 million for the same period in 2013. The increase in the Company's net revenues was primarily due to an increase in revenue contribution from its total solutions business, partially offset by a decrease in revenue contribution from its solar module business.

Revenues generated from the Company's solar module business decreased by $105.3 million, or 11.8%, from $889.2 million for the nine months ended September 30, 2012 to $783.9 million for the same period in 2013. The decrease in the revenues was primarily due to a decline in the Company's average selling price, partially offset by an increase in the shipments of its solar modules. For the nine months ended September 30, 2012 and 2013, the Company had total shipments in its solar module business of 1,102.2 MW and 1,156.1 MW, respectively.

The Company's average selling price declined from $0.80 for the nine months ended September 30, 2012 to $0.67 for the same period in 2013, primarily due to that supply was greater than demand generally for solar power products, especially polysilicon, which adversely affected the prices of solar power products across the entire value chain.

The Company's total solar module shipments were 1,273 MW for the nine months ended September 30, 2013, an increase of 11.7%, from 1,139 MW for the same period in 2012. The Company's shipments to non-European markets increased by 595 MW from 435 MW for the nine months ended September 30, 2012 to 1,030 MW for the same period in 2013. The increase in shipments to non-European markets primarily came from Japan and the United States, among other countries. The Company's shipments to the European markets decreased by 459 MW from 705 MW for the nine months ended September 30, 2012 to 246 MW for the same period in 2013, primarily due to the provisional anti-dumping duties imposed by the EU, the subsequent undertaking agreement that fixed the price of Chinese made modules at a relatively high level, and overall decline in the demand for solar modules in the EU countries.

Revenues generated from the Company's total solutions business increased by $240.1 million, or 216.7%, from $110.8 million for the nine months ended September 30, 2012 to $350.9 million for the same period in 2013. The increase was primarily due to the sales of the Company's solar power projects in Canada, as well as sales of its solar system kits in Japan.

Cost of Revenues. The Company's cost of revenues increased by $35.9 million, or 3.9%, from $924.5 million for the nine months ended September 30, 2012 to $960.4 million for the same period in 2013. The increase in the Company's cost of revenues was in line with the increase in its net revenues for such period. Cost of revenues as a percentage of total net revenues decreased from 92.5% for the nine months ended September 30, 2012 to 84.6% for the same period in 2013.

The Company's inventory write-downs for the nine months ended September 30, 2012 and 2013 were $4.8 million and $0.5 million, respectively. The decrease in inventory write-downs was primarily due to the stabilization of the prices of solar modules and continued lowering of the Company's manufacturing costs, which decreased at a steeper rate than the decline in the market prices during the nine months ended September 30, 2013, as compared with the same period in 2012.

Gross Profit. As a result of the foregoing, the Company's gross profit increased by $98.9 million, or 131.1%, from $75.5 million for the nine months ended September 30, 2012 to $174.4 million for the same period in 2012. The Company's gross profit margin increased from 7.5% for the nine months ended September 30, 2012 to 15.4% for the same period in 2013, primarily due to an increase in revenue contribution from its higher margin total solutions business, as well as lower manufacturing costs, partially offset by a decline in average selling price during the period.

Operating Expenses. The Company's operating expenses decreased by $37.6 million, or 29.7%, from $126.5 million for the nine months ended September 30, 2012 to $88.9 million for the same period in 2013, primarily due to a decrease in general and administrative expenses. Operating expenses as a percentage of the Company's total net revenues decreased from 12.7% for the nine months ended September 30, 2012 to 7.8% for the same period in 2013.

Selling Expenses. The Company's selling expenses decreased by $6.1 million, or 9.3%, from $66.1 million for the nine months ended September 30, 2012 to $60.0 million for the same period in 2013. The decrease in the Company's selling expenses was primarily due to lower marketing expenses, partially offset by salary increases associated with annual salary adjustments and an increase in its sales workforce. Selling expenses as a percentage of the Company's net total revenues decreased from 6.6% for the nine months ended September 30, 2012 to 5.3% for the same period in 2013.

General and Administrative Expenses. The Company's general and administrative expenses decreased by $30.1 million, or 59.5%, from $50.6 million for the nine months ended September 30, 2012 to $20.5 million for the same period in 2013. The decrease in the Company's general and administrative expenses was primarily due to the reversal of $30.0 million non-cash provision related to the Jiangxi LDK Solar Hi-Tech Co., Ltd. arbitration award and $4.3 million decrease in the Company's bad debt expense, partially offset by $4.2 million increase in salary and legal expenses.

Research and Development Expenses. The Company's research and development expenses decreased by $1.4 million, or 14.4%, from $9.9 million for the nine months ended September 30, 2012 to $8.5 million for the same period in 2012. The decrease in research and development expenses was primarily due to increased efficiency in managing the Company's product development activities.

Interest Expenses, Net. The Company's net interest expenses decreased by $6.6 million, or 19.6%, from $33.7 million for the nine months ended September 30, 2012 to $27.1 million for the same period in 2013. Interest expenses decreased from $43.4 million for the nine months ended September 30, 2012 to $36.3 million for the same period in 2013, or 16.4%, primarily due to the change in the mix of project construction loans relative to working capital bank borrowings, with the relative increase in project construction loans leading to an increase in capitalized interest. Interest income decreased from $9.7 million for the nine months ended September 30, 2012 to $9.2 million for the same period in 2013, or 5.2%, mainly due to a lower balance of restricted cash.

Gain/(Loss) On Change in Fair Value of Derivatives. For the nine months ended September 30, 2013, the Company recorded a gain on change in fair value of derivatives of $1.8 million, compared to a loss on change in fair value of derivatives of $6.6 million for the same period in 2012. The gain on change in fair value of derivatives represents a gain on the foreign currency hedges that it employs to hedge against the Company's exposure to the fluctuation of exchange rates of foreign currencies, mainly the Renminbi and Canadian dollar against the U.S. dollar.

Foreign Exchange Loss. The Company recorded a foreign exchange loss of $32.9 million for the nine months ended September 30, 2013, compared to a foreign exchange gain of $0.1 million for the same period in 2012. These foreign exchange losses were mainly due to the appreciation of the Renminbi against the U.S. dollar, and the depreciation of the Japanese yen and Canadian dollar against the U.S. dollar during the period.

Income Tax Benefit (Expenses). The Company's income tax expense was $4.0 million for the nine months ended September 30, 2013, compared to tax benefit of $2.1 million for the same period in 2012. The income tax expense for the nine months ended September 30, 2013 was primarily due to the Company's return to profitability during the period.

Equity in Earnings (Loss) of Unconsolidated Investees. The Company's equity in earnings of unconsolidated investees was a net loss of $1.8 million for the nine months ended September 30, 2013, compared to a net loss of $1.1 million for the same period in 2012.

Net Income Attributable To Non-Controlling Interest. The Company's net income attributable to non-controlling interest increased by $10.6 million from $0.2 million for the nine months ended September 30, 2012 to $10.8 million for the same period in 2013. The $10.8 million is primarily the share of net income by the non-controlling shareholders in the three solar power projects it has sold in Canada. The net income attributable to non-controlling interest related to the share of net income by the non-controlling shareholders in certain of the Company's subsidiaries in Canada, China, Germany, Japan and the U.S.

Net Income (Loss) Attributable To Canadian Solar Inc. As a result of the foregoing, the net income attributable to the Company increased by $101.2 million from negative $90.5 million for the nine months ended September 30, 2012 to $10.7 million for the same period in 2013.

Liquidity and Capital Resources

The Company is generally required to make prepayments to suppliers of silicon wafers and cells and silicon raw materials. Even though the Company requires some customers to make partial prepayments, there is typically a lag between the time it makes its prepayments for silicon wafers and cells and silicon raw materials and the time the its customers make their prepayments. The purchase of solar wafers and cells and silicon raw materials through toll manufacturing arrangements has required, and will continue to require, the Company to make significant commitments of working capital beyond that generated from the Company's cash flows from operations to support its estimated production output.

In addition, the Company's total solutions business requires increased funding and use of working capital for the nine months ended September 30, 2013 and is expected to continue to require significant liquidity in the future. The time cycles of its solar power development projects can vary substantially and can take up to many years to mature. As a result, it may need to make significant up-front investments of resources before the collection of any cash from the sale of these projects. These investments include payment of interconnection and other deposits, posting of letters of credit, and incurring engineering, permitting, legal and other expenses. In addition, the Company may have to use its working capital or its existing bank facilities to finance the construction of these solar power development projects. Depending on the size and number of solar power projects that the Company is developing and self-financing, its liquidity requirements could be significant. Delays in constructing or completing the sale of any of the Company's projects which it is self-financing could also impact its liquidity.

For the nine months ended September 30, 2013, the Company financed its operations primarily through cash flows from operations, and proceeds from offering of common shares. As of September 30, 2013, the Company had $273.7 million in cash and cash equivalents. The Company's cash and cash equivalents consist of cash on hand, and demand deposits, which are unrestricted as to withdrawal and use, and have original maturities of three months or less when acquired.

As of September 30, 2013, the Company had contractual bank credit lines with an aggregate limit of approximately $1,175.7 million, of which $225.7 million had been drawn down with due dates beyond September 30, 2014 and $604.5 million had been drawn down with due dates before September 30, 2014. It had $345.5 million available upon demand. In addition, as of September 30, 2013, it also had non-binding bank credit lines of $304.1 million, of which $199.9 million had been drawn down with the due date before September 30, 2014, and $104.2 million was subject to the banks' discretion upon request for additional drawn down. Non-contractual bank lines represent non-legally binding facility limits granted by banks, which can be changed unilaterally by the banks. As of September 30, 2013, the Company had $190.5 million of long-term borrowings (classified as non-current), of which $102.4 million was secured by project assets. As of the same date, the Company had approximately $87.5 million of long-term borrowings (current classification), of which $40.4 million was secured by charges on property, plant and equipment and project assets, and $645.8 million of short-term borrowings, of which $296.7 million was secured by restricted cash, charges on inventory, land use rights, and property, plant and equipment. The long-term borrowings, non-current portions, mature at various times during the period from the fourth quarter of 2014 to 2028 and bear interest at rates of between 0.90% and 7.05% per annum. The long-term borrowings, current portion, and the short-term borrowings mature at various times during the fourth quarter of 2013 and the nine months ended September 30, 2014 and bear interest at rates of between 0.68% and 18.00% per annum. The Company's bank lines contain no specific extension terms but, historically, it has been able to obtain new short-term loans on terms similar to those of the maturing short-term loans shortly before they mature. As of September 30, 2013, the Company also had short-term borrowings from non-banking financial institutions of $68.3 million.

On September 11, 2013, the Company completed its at-the-market offering of common shares announced on August 15, 2013. In the offering, it sold 3,772,254 common shares at an average price of $13.25 per share, raising approximately $50.0 million in gross proceeds. The proceeds have been and will be used for general corporate purposes, which include solar power project development expenses and working capital.

On January 30, 2013, the Company entered into a loan agreement with an affiliate of Credit Suisse Securities (USA) LLC, pursuant to which the affiliate of Credit Suisse Securities (USA) LLC has agreed to provide up to $40.0 million of one year tenure loan, which was fully repaid in January 2014. The loan was used to finance four projects with a total capacity of approximately 46.5 MW DC in Ontario, Canada.

On May 20, 2013, the Company entered into a RMB270 million ($44.1 million) loan agreement with China Development Bank. The loan facility has a fifteen-year maturity, including a one year grace period and was used to finance the construction of a 30 MW solar power project and its ancillary facility in the western part of China.

On October 16, 2013, the Company entered into a financing agreement with Deutsche Bank AG, Canada Branch, or Deutsche Bank, pursuant to which Deutsche Bank agreed to provide C$104.0 million ($101.1 million) in non-recourse, short-term construction financing to it for the construction of solar power projects in Ontario, Canada. The loans are expected to be repaid with the proceeds of the sale of the financed projects.

On November 28, 2013, the Company entered into a financing agreement with National Bank of Canada, pursuant to which National Bank of Canada agreed to provide C$35.0 million ($34.0 million) in short-term construction financing to it for the construction of solar power projects in Ontario, Canada.

On December 4, 2013, the Company signed a $40 million loan agreement with Harvest North Star Capital. The loan facility will be used to finance the development of several ground-mounted solar power projects in Japan totaling around 145.1 MW, with construction expected to commence for the first 40MW to 50MW of the projects during the first half of 2014.

The Company also considered all steps in case it encounters difficulties in fully executing its total solution business and sales plans, including the ability to renew substantially all of its existing bank borrowings as they become due. Based on the above, the Company believes that adequate sources of liquidity will exist to fund its working capital and capital expenditures requirements and to meet its short term debt obligations and other liabilities and commitments as they become due.

The Company expects that its accounts receivable, inventories and project assets, three of the principal components of its current assets, will increase in line with increases in its net revenues. Due to market competition, in many cases, the Company offers credit terms to its customers ranging from 30 days up to 120 days with small advance payments ranging from 5% to 20% of the sale prices. The prepayments are recorded as current liabilities under advances from customers, and amounted to $11.2 million as of September 30, 2012 and $75.1 million as of September 30, 2013. As the market demand for the Company's products has changed and as the Company has diversified its geographical markets, the Company has increased and may continue to increase credit term sales to creditworthy customers after careful review of their credit standings and acceptance of export credit insurance by China Export & Credit Insurance Corporation, or Sinosure, or other risk mitigation channels such as local credit insurance or factoring.

The Company's inventories decreased from $317.8 million as of September 30, 2012 to $220.6 million as of September 30, 2013 due to better inventory management and a decrease of revenue generated from the module business. The Company's inventory turnover days decreased from 94 days for the nine months ended September 30, 2012 to 84 days for the same period ended September 30, 2013.

Cash Flows and Working Capital

The following table sets forth a summary of the Company's cash flows for the periods indicated:

	For the Nine Months Ended September 30,	
	2013	2012
	(in thousands of $)	
Net cash provided by (used in) operating activities	156,272	(78,999)
Net cash used in investing activities	(2,857)	(246,519)
Net cash provided by financing activities	(14,083)	296,001
Net increase (decrease) in cash and cash equivalents	131,727	(25,023)
Cash and cash equivalents at the beginning of the period	141,968	343,995
Cash and cash equivalents at the end of the period	273,695	318,972

<u>*Operating Activities*</u>

Net cash provided by operating activities was $156.3 million for the nine months ended September 30, 2013 compared to net cash used in operating activities of $79.0 million for the same period in 2012. The increase in operating cash flow in the nine months ended September 30, 2013 was primarily due to a net income in the nine months ended September 30, 2013 compared to a net loss for the same period in 2012, a decrease in cash used for project assets as well as overall improved working capital management.

Investing Activities

Net cash used in investing activities decreased from $246.5 million for the nine months ended September 30, 2012 to $2.9 million for the same period in 2013. The decrease in net cash used in investing activities for the nine months ended September 30, 2013 was primarily due to a decrease in restricted cash provided as collateral to secure the Company's bank acceptances and borrowings as well as decrease in payments to acquire property, plant and equipment, partially offset by increases in cash investment in affiliates.

Financing Activities

Net cash used in financing activities was $14.1 million for the nine months ended September 30, 2013, compared to net cash provided by financing activities of $296.0 million for the same period in 2012. The decrease in net cash provided by financing activities in the nine months ended September 30, 2013 was primarily due to the net decrease of bank borrowings during the period, partially offset by net proceeds of $47.9 million from the Company's at-the-market offering.

The Company believes that its current cash and cash equivalents, anticipated cash flow from operations and existing banking facilities will be sufficient to meet its anticipated cash needs, including its cash needs for working capital and capital expenditures, for the 12 months ending September 30, 2014, under its current market guidance. The Company may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions it may decide to pursue. The availability of commercial loans from Chinese commercial banks may be affected by administrative policies of the PRC government, which in turn may affect the Company's plans for business expansion. If the Company's existing cash or the availability of commercial bank borrowings is insufficient to meet its requirements, it may seek to sell additional equity securities or debt securities or borrow from other sources. The Company cannot assure you that financing will be available in the amounts it needs or on terms acceptable to it, if at all. The issuance of additional equity securities, including convertible debt securities, would dilute the holdings of the Company's shareholders. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict the Company's operations and its ability to pay dividends to its shareholders. If the Company is unable to obtain additional equity or debt financing as required, its business operations and prospects may suffer.

Capital Expenditures

The Company made capital expenditures of $50.1 million and $22.4 million for the nine months ended September 30, 2012 and 2013, respectively. The Company's capital expenditures were used primarily to maintain its manufacturing capacity for ingots, wafers, solar cells and solar modules. As of September 30, 2013, the Company's short-term commitments for the purchase of property, plant and equipment were $6.1 million.

Off-Balance Sheet Arrangements

The Company has not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. The Company has not entered into any derivative contracts that are indexed to its shares and classified as shareholder's equity, or that are not reflected in its consolidated financial statements. Furthermore, the Company does 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. The Company does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to it or that engages in leasing, hedging or research and development services with it.

Contractual Obligations and Commercial Commitments

The following table sets forth the Company's contractual obligations and commercial commitments as of September 30, 2013:

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
			(in thousands of $)		
Short-term borrowings(1)	801,622	801,622	—	—	—
Operating lease obligations	14,992	3,741	4,444	3,410	3,397
Purchase obligations(2)	692,430	292,940	399,490	—	—
Long-term borrowings(3)	190,535	—	81,202	89,326	20,007
Total	1,699,579	1,098,303	485,136	92,736	23,404

(1) Includes accrued interests, ranging from 0.68% to 18.00% per annum.

(2) Includes commitments to purchase production equipment of $6.1 million and commitments to purchase solar wafers of $686.3 million.

(3) Includes accrued interests, ranging from 0.90% to 7.05% per annum.

The table above excludes uncertain tax liabilities of $15.0 million, as the Company is unable to reasonably estimate the timing of future payments due to uncertainties in the timing of the effective settlement of these tax positions.

In April 2012, the Company entered into a purchase agreement with SkyPower to acquire a majority interest in 16 solar projects for a total consideration of approximately C$185.0 million ($179.9 million), of which C$69.8 million ($67.9 million) were paid upon the closing, C$69.8 million ($67.9 million) were paid on May 31, 2012 and the balance will be paid as the solar projects reach certain milestones. As of September 30, 2013, the outstanding balance was $31.2 million.

Other than the contractual obligations and commercial commitments set forth above, the Company did not have any long-term debt obligations, operating lease obligations, purchase obligations or other long-term liabilities as of September 30, 2013.

Depreciation and Amortization

The following table sets forth depreciation and amortization for the periods indicated:

	For the Three Months Ended		
	March 31, 2013	June 30, 2013	September 30, 2013
	(in thousands of $)		
Depreciation of plant, property and equipment	19,436	19,796	20,180
Amortization of land use rights and intangible assets	262	396	419

Duties and Tariffs

The Company is exposed to factors affecting sales of solar power products in international markets, including, among other things, any trade actions initiated by the Chinese or foreign governments and any resulting anti-dumping and countervailing duties or trade tariffs imposed on imports or exports of solar products or materials.

In October 2011, a trade action was filed with the U.S. Department of Commerce, or the USDOC, and the U.S. International Trade Commission, or the USITC, by the U.S. unit of SolarWorld AG and six other U.S. firms, accusing Chinese producers of crystalline silicon photovoltaic cells, or CSPV cells, whether or not incorporated into modules, of selling their products (i.e., CSPV cells or modules incorporating these cells) into the United States at less than fair value, or dumping, and of receiving countervailable subsidies from the Chinese authorities. These firms asked the U.S. government to impose anti-dumping and countervailing duties on CSPV cells imported from China. The USDOC and the USITC investigated the validity of these claims. The Company was identified as one of a number of Chinese exporting producers of the subject goods to the U.S. market. The Company also has affiliated U.S. operations that import the subject goods from China.

On October 9, 2012, the USDOC issued final affirmative determinations in the anti-dumping and countervailing duty investigations. On November 7, 2012, the USITC ruled that imports of CSPV cells had caused material injury to the U.S. CSPV industry. As a result of these rulings, The Company is required to pay cash deposits on CSPV cells imported into the U.S. from China, whether alone or incorporated into modules. The announced cash deposit rates applicable to the Company were 13.94% (anti-dumping duty) and 15.24% (countervailing duty). The Company deposits due as a result of these determinations. The rates at which duties will be assessed and payable is subject to administrative reviews in 2014 pursuant to a request by SolarWorld AG and may differ from the announced deposit rates. These duties could materially and adversely affect its affiliated U.S. import operations and increase its cost of selling into the United States, thus adversely affecting its export sales to the United States, which is one of its growing markets. A number of parties have challenged rulings of the USDOC and the USITC in appeals to the U.S. Court of International Trade. Decisions on those appeals are not expected until late 2014.

On December 31, 2013, the U.S. unit of SolarWorld AG filed a new trade action at the USDOC and the USITC accusing Chinese producers of certain CSPV cells and modules of dumping their products into the United States and of receiving countervailable subsidies from the Chinese authorities. This trade action also accuses Taiwanese producers of certain CSPV cells and modules of dumping their products into the United States. Excluded from these new actions are those Chinese-origin solar products covered by the 2012 rulings detailed in the prior paragraphs. The USDOC and the USITC are investigating the validity of these claims. The Company was identified as one of a number of Chinese exporting producers of subject goods to the U.S. market. The Company also has affiliated U.S. operations that import goods subject to these new investigations.

On September 6, 2012, following a complaint lodged by EU ProSun, an ad-hoc industry association including SolarWorld AG, the European Commission initiated an anti-dumping investigation concerning imports into the European Union, or the EU, of CSPV modules and key components (i.e., cells and wafers) originating in China. On November 8, 2012, following a complaint lodged by the same parties, the European Commission initiated an anti-subsidy investigation on these products. In each investigation, the Company was identified as one of a number of Chinese exporting producers of these products to the EU market. The Company also has affiliated EU operations that import these products from China. Definitive anti-dumping duties and definitive countervailing measures were imposed on December 6, 2013. However, under the terms of an undertaking entered into with the European Commission, duties are not payable on its products sold into the EU, so long as the Company respect a volume ceiling and minimum price arrangement set forth in that undertaking, and until the measures expire or the European Commission withdraws the undertaking.

In November 2012, India initiated an anti-dumping investigation on imported solar products from China, Taiwan, the United States, and Malaysia. The scope of the Indian complaint includes thin-film and CSPV cells and modules, as well as ''glass and other suitable substrates.'' The period of investigation is from January 1, 2011 to June 30, 2012. The Company completed and submitted a ''sampling questionnaire'' and were chosen by the Indian authorities to be a sampled company. The Company submitted the data requested of it and expects that its submitted data will be subject to on-site verification by the Indian authorities during the first half of 2014.

In recent years, the Company successfully diversified its sources of revenue primarily by focusing its sales and marketing efforts on its total business solutions, which consists primarily of solar power project development sales, EPC, O&M, and sales of solar kits. The Company anticipates that as it continues to grow its total business solutions, and as business in many of its targeted markets, including the U.S., Japan, China, Canada, Korea, and India continue to grow, the percentage of total net revenues attributable to European markets will further decrease. Europe contributed to 50.7% and 13.4% of its revenues for the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively. The United States contributed to 19.6% and 12.4% of its revenues for the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively.

Legal Proceedings

In 2010, the Company received two subpoenas from the SEC requesting documents relating to, among other things, certain sales transactions in 2009 and whether those transactions potentially impacted the guidance issued by the Company in advance of its follow-on offering in October 2009. As part of its investigation, the SEC requested that the Company voluntarily provides certain documents and other information. The Company has been fully cooperating with the SEC and is in ongoing, and recent, communications with the SEC regarding its investigation into potential violations of U.S. securities laws, including any potential claims the SEC might bring under Rule 10b-5 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The Company cannot predict the outcome of the SEC's investigation. If the Company is unable to agree to a satisfactory resolution with the SEC, the SEC could issue a Wells notice to the Company and one or more of its officers asking the Company and one or more of its officers to provide a submission detailing why it believes an enforcement action should not be pursued. Furthermore, the SEC could pursue various actions, including enforcement actions alleging violations of a broad array of securities laws against the Company or any of its officers and directors, and seeking remedies, including disgorgements, penalties, fines, injunctive relief, a cease and desist order, limitations or a bar on the service of directors or officers, and other sanctions under U.S. securities laws. The conduct and resolution of the SEC investigation could be time-consuming and expensive and distracting to the Company's business and management. The findings and outcome of the SEC investigation may also affect lawsuits that are pending and any future litigation that the Company may face. In the event that the investigation results in an adversarial action or proceeding being brought against the Company or any of its officers or directors, its business, reputation and the trading price of its common shares may be adversely affected.

On March 29, 2013, the U.S. District Court for the Southern District of New York dismissed with prejudice a class action lawsuit filed against the Company and certain named defendants alleging that the Company's financial disclosures during 2009 and early 2010 were false or misleading and in violation of federal securities law. The court found that the plaintiffs failed to adequately allege a securities law violation and granted the Company's motion to dismiss all claims against all defendants with prejudice. On December 20, 2013, the U.S. Court of Appeals for the Second Circuit affirmed the district court's order dismissing such class action lawsuit.

With respect to the class action law suit filed against the Company and certain of its executive officers in the Ontario Superior Court of Justice on August 10, 2010, the plaintiff's motions for class certification and leave to assert the statutory cause of action under the Ontario Securities Act were served in January 2013 and initially scheduled for argument in the Ontario Superior Court of Justice in June 2013. However, the plaintiff's motions were adjourned in view of the plaintiff's decision to seek an order compelling the Company to file additional evidence on the motions. On July 29, 2013, the Court dismissed the plaintiff's motion to compel evidence. On September 24, 2013, the plaintiff's application for leave to appeal from the July 29 order was dismissed. The plaintiff has yet to apply for new court dates for the argument of its motions. The Company expects the plaintiff's motions to be heard in 2014.

On November 29, 2013, Jiangsu Suzhou Intermediate Court, or the Suzhou Intermediate Court, vacated its decision of May 2013, or the May Decision, to dismiss a request by LDK to enforce an arbitration award against the Company made by the former Shanghai branch of the China International Economic and Trade Arbitration Commission in favor of LDK in the amount of RMB248.9 million ($40.7 million) relating to certain wafer supply contracts entered into between the Company and LDK in October 2007 and June 2008, and ruled that the case be re-adjudicated. This decision followed a request for re-adjudication issued by the Jiangsu Provincial High Court, which reviewed the May Decision and ordered the Suzhou Intermediate Court to retry the case on the grounds that its May Decision was based on insufficient legal grounds. The Company expects the Suzhou Intermediate Court to retry this case no earlier than February 20, 2014. If the Suzhou Intermediate Court reverses the May Decision, the Company may be liable for a payment of RMB191.2 million ($31.2 million) to LDK. The Company has not made a provision for this amount. Xinyu Intermediate People's Court, Jiangxi Province, or the Xinyu Intermediate Court, on October 18, 2013, postponed a related proceeding demanding the Company forfeits deposits of RMB25 million and RMB35 million paid to LDK in conjunction with the 2007 and 2008 supply contracts. The Xinyu Intermediate Court suspended its proceedings pending the outcome of the Suzhou Intermediate Court's re-examination of the May Decision. The Company disputes the merits of the arbitration award and will take all legal means to overturn or resist the implementation of the award.

Use these links to rapidly review the document
CANADIAN SOLAR INC. INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Exhibit 99.3

CANADIAN SOLAR INC.

INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2012	September 30, 2013
	(In U.S. dollars, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	141,968,182	273,695,045
Restricted cash	422,356,794	407,965,730
Accounts receivable, trade, net of allowance of $47,582,217 and $41,986,994 as of December 31, 2012 and September 30, 2013, respectively	254,906,498	271,842,845
Accounts receivable, unbilled	5,229,760	10,741,845
Amount due from a related party	9,977,177	17,599,798
Inventories	274,455,798	220,619,487
Value added tax recoverable	14,483,487	16,149,239
Advances to suppliers, net of allowance of $9,639,629 and $9,947,459 as of December 31, 2012 and September 30, 2013, respectively	28,997,522	47,641,009
Foreign currency derivative assets	1,350,657	1,109,977
Project assets	180,436,619	289,568,257
Prepaid expenses and other current assets	108,041,633	96,211,584
Total current assets	1,442,204,127	1,653,144,816
Property, plant and equipment, net	469,642,822	426,759,301
Deferred tax assets	39,082,498	48,278,681
Advances to suppliers, net of allowance of $28,905,858 and $29,180,518 as of December 31, 2012 and September 30, 2013, respectively	478,359	463,644
Prepaid land use right	18,628,710	18,729,703
Investments in affiliates	26,727,589	34,651,432
Intangible assets, net	4,327,604	5,508,419
Project assets	218,710,405	199,051,620
Other non-current assets	39,510,967	57,728,188
TOTAL ASSETS	2,259,313,081	2,444,315,804

See notes to unaudited condensed consolidated financial statements.

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	December 31, 2012	September 30, 2013
	(In U.S. dollars, except share and per share data)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	858,926,732	801,621,683
Accounts payable	230,495,398	342,458,943
Short-term notes payable	231,135,928	247,288,127
Amounts due to related parties	5,036,642	31,160,747
Other payables	104,782,551	79,656,725
Advances from customers	18,659,296	75,058,632
Foreign currency derivative liabilities	365,226	1,539,161
Other current liabilities	90,847,957	121,021,107
Total current liabilities	1,540,249,730	1,699,805,125
Accrued warranty costs	58,334,424	67,726,329
Long-term borrowings	214,562,973	190,534,884
Liability for uncertain tax positions	14,803,732	15,030,377
Deferred tax liabilities	56,151,575	46,522,887
Loss contingency accruals	28,461,085	29,030,102
TOTAL LIABILITIES	1,912,563,519	2,048,649,704
Commitments and contingencies (Note 16)		
Redeemable non-controlling interest	45,166,131	22,635,609
Equity:		
Common shares—no par value: unlimited authorized shares, 43,242,426 and 50,068,722 shares issued and outstanding at December 31, 2012 and September 30, 2013, respectively	502,561,705	551,473,178
Additional paid-in capital	(38,296,275)	(33,009,965)
Accumulated deficit	(224,162,124)	(213,450,572)
Accumulated other comprehensive income	50,795,529	56,338,781
Total Canadian Solar Inc. shareholders' equity	290,898,835	361,351,422
Non-controlling interest	10,684,596	11,679,069
Total equity	301,583,431	373,030,491
TOTAL LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND SHAREHOLDERS' EQUITY	2,259,313,081	2,444,315,804

See notes to unaudited condensed consolidated financial statements.

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended September 30,	
	2012	2013
	(In U.S. dollars, except share and per share data)	
Net revenues:		
—Non-related parties	990,626,058	1,130,857,383
—Related parties	9,364,554	4,030,115
Total net revenues	999,990,612	1,134,887,498
Cost of revenues		
—Non-related parties	914,812,537	956,226,734
—Related parties	9,686,489	4,221,285
Total cost of revenues	924,499,026	960,448,019
Gross profit	75,491,586	174,439,479
Operating expenses:		
Selling expenses	66,087,854	59,969,352
General and administrative expenses	50,566,036	20,499,877
Research and development expenses	9,869,964	8,450,525
Total operating expenses	126,523,854	88,919,754
Income (loss) from operations	(51,032,268)	85,519,725
Other income (expenses):		
Interest expense	(43,410,344)	(36,296,438)
Interest income	9,698,597	9,196,213
Gain (loss) on change in foreign currency derivatives	(6,635,891)	1,828,229
Foreign exchange gain (loss)	91,524	(32,937,467)
Income (loss) before income taxes	(91,288,382)	27,310,262
Income tax (expense) benefit	2,141,902	(3,952,793)
Equity in loss of unconsolidated investees	(1,144,143)	(1,847,830)
Net income (loss)	(90,290,623)	21,509,639
Less: net income attributable to non-controlling interest	193,600	10,798,087
Net income (loss) attributable to Canadian Solar Inc.	(90,484,223)	10,711,552
Earnings (loss) per share-basic	$ (2.10)	$ 0.24
Shares used in computation—basic	43,175,046	44,895,360
Earnings (loss) per share-diluted	$ (2.10)	$ 0.22
Shares used in computation-diluted	43,175,046	47,699,641

See notes to unaudited condensed consolidated financial statements.

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Nine Months Ended September 30,	
	2012	2013
	(In U.S. dollars, except share and per share data)	
Net income (loss)	(90,290,623)	21,509,639
Other comprehensive income:		
Foreign currency translation adjustment	3,013,619	5,297,559
Comprehensive income (loss)	(87,277,004)	26,807,198
Less: comprehensive income attributable to non-controlling interest	551,745	10,552,394
Comprehensive income (loss) attributable to Canadian Solar Inc.	(87,828,749)	16,254,804

See notes to unaudited condensed consolidated financial statements.

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Common Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Equity (Deficits) Attribute to Canadian Solar Inc.	Non-Accumulated Interest	Total Equity
	Number	$	$	$	$	$	$	$
	(In U.S. dollars, except share and per share data)							
Balance at January 1, 2012	43,155,767	502,402,939	(53,331,445)	(28,693,433)	45,555,710	465,933,771	1,043,921	466,977,692
Net loss	—	—	—	(90,484,223)	—	(90,484,223)	193,600	(90,290,623)
Foreign currency translation adjustment	—	—	—	—	2,655,474	2,655,474	358,145	3,013,619
Acquisition of subsidiaries	—	—	—	—	—	—	4,635,298	4,635,298
Issuance of warrant	—	—	9,849,928	—	—	9,849,928	—	9,849,928
Share-based compensation	—	—	3,988,007	—	—	3,988,007	—	3,988,007
Exercise of share options	79,436	158,766	—	—	—	158,766	—	158,766
Paid-in capital from non-controlling interest	—	—	—	—	—	—	4,285,535	4,285,535
Balance at September 30, 2012	43,235,203	502,561,705	(39,493,510)	(119,177,656)	48,211,184	392,101,723	10,516,499	402,618,222
Balance at January 1, 2013	43,242,426	502,561,705	(38,296,275)	(224,162,124)	50,795,529	290,898,835	10,684,596	301,583,431
Net income	—	—	—	10,711,552		10,711,552	10,798,087	21,509,639
Foreign currency translation adjustment	—	—	—	—	5,543,252	5,543,252	(245,693)	5,297,559
Allocate dividend to non-controlling interest	—	—	—	—	—	—	(219,464)	(219,464)
Disposal of subsidiaries	—	—	—	—	—	—	(9,338,457)	(9,338,457)
Issuance of ordinary shares, net of issuance cost	3,772,254	47,887,377	—	—	—	47,887,377	—	47,887,377
Share-based compensation	—	—	5,286,310	—	—	5,286,310	—	5,286,310
Exercise of share options	3,054,042	1,024,096	—	—	—	1,024,096	—	1,024,096
Balance at September 30, 2013	50,068,722	551,473,178	(33,009,965)	(213,450,572)	56,338,781	361,351,422	11,679,069	373,030,491

See notes to unaudited condensed consolidated financial statements.

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2012	2013
	(In U.S. dollars)	
Operating activities:		
Net income (loss)	(90,290,623)	21,509,639
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	61,139,450	60,196,987
Loss on disposal of property, plant and equipment	4,921,529	2,584,281
Loss (gain) on change in fair value of derivatives	6,635,891	(1,828,229)
Equity in loss of unconsolidated investees	1,144,143	1,847,830
Allowance for doubtful accounts	3,376,860	(1,337,999)
Write-down of inventories	4,828,191	479,950
Amortization of discount on debt	36,930	—
Share-based compensation	3,988,007	5,286,310
Changes in operating assets and liabilities:		
Inventories	(25,461,104)	59,502,442
Accounts receivable	23,307,233	(10,595,020)
Amount due from related parties	14,001,835	662,345
Value added tax recoverable	7,523,266	(6,341,749)
Advances to suppliers	(502,613)	(19,198,410)
Other non-current assets	(22,107,593)	(18,182,765)
Accounts receivable, unbilled	42,053,291	(39,786,519)
Project assets	(267,844,948)	(117,566,236)
Prepaid expenses and other current assets	(19,896,704)	12,707,741
Accounts payable	115,619,646	105,544,363
Short-term notes payable	45,065,027	9,952,537
Other payables	11,223,152	(17,575,537)
Advances from customers	(53,797,956)	39,385,381
Amounts due to related parties	(1,301,500)	25,476,475
Accrued warranty costs	8,860,467	10,081,873
Other current liabilities	365,235	38,991,261
Prepaid land use right	(4,943,573)	291,661
Liability for uncertain tax positions	1,372,001	226,645
Deferred taxes	53,432,049	(9,299,256)
Net settlement of foreign currency derivatives	(1,746,961)	3,256,174
Net cash provided by (used in) operating activities	(78,999,372)	156,272,175

See notes to unaudited condensed consolidated financial statements.

CANADIAN SOLAR INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For the Nine Months Ended September 30,	
	2012	2013
	(In U.S. dollars)	
Investing activities:		
Decrease (increase) in restricted cash	(196,194,561)	23,947,695
Investments in affiliates	(782,862)	(4,428,736)
Purchase of property, plant and equipment	(50,097,025)	(22,375,577)
Proceeds from disposal of investment	555,475	—
Net cash used in investing activities	(246,518,973)	(2,856,618)
Financing activities:		
Proceeds from short-term borrowings	902,114,472	940,126,043
Repayment of short-term borrowings	(755,312,983)	(1,099,570,120)
Proceeds from long-term borrowings	144,755,386	100,771,263
Allocate dividend to non-controlling interest	—	(219,464)
Payment to non-controlling interest for sales of subsidiaries	—	(4,101,853)
Gross proceeds from offering shares	—	50,000,000
Offering expenses	—	(2,112,623)
Cash contributed by non-controlling interest	4,285,535	—
Proceeds from exercise of stock options	158,766	1,024,096
Net cash provided by (used in) financing activities	296,001,176	(14,082,658)
Effect of exchange rate changes	4,494,712	(7,606,036)
Net increase (decrease) in cash and cash equivalents	(25,022,457)	131,726,863
Cash and cash equivalents at the beginning of the year	343,994,679	141,968,182
Cash and cash equivalents at the end of the year	318,972,222	273,695,045
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	48,884,124	44,513,805
Income taxes paid	9,393,220	5,364,335
Supplemental schedule of non-cash activities:		
Amounts due from disposal of subsidiaries or affiliates included in prepaid expenses and other current assets	715,934	136,917
Amounts due to non-controlling interest for sales of subsidiaries included in payables	—	5,236,604
Property, plant and equipment cost included in other payables	19,379,146	12,272,755
Module contribution in exchange for non-controlling interest in affiliates	990,144	5,791,202

See notes to unaudited condensed consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Canadian Solar Inc. ("CSI") was incorporated pursuant to the laws of the Province of Ontario in October 2001, and changed its jurisdiction by continuing under the Canadian federal corporate statute, the Canada Business Corporations Act, or CBCA, effective June 1, 2006.

CSI and its subsidiaries (collectively, the "Company") are principally engaged in the design, development, manufacturing and marketing of solar power products, and the total solution business in global markets. As of September 30, 2013, major subsidiaries of CSI are included in Appendix 1.

2. BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

The condensed consolidated balance sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. GAAP. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 20-F for the year ended December 31, 2012, previously filed with the Security and Exchange Commission ("SEC").

In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the interim periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The Company bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant accounting estimates reflected in the Company's condensed consolidated financial statements include allowance for doubtful accounts and advances to suppliers, valuation of inventories, derivative and other financial instruments, useful lives of long-lived assets, assumptions used to measure impairment of long-lived assets and equity method investment, determination of fair value of identifiable assets and liabilities acquired through business combination, accrual for warranty and other liabilities, provision for uncertain tax positions and deferred tax valuation allowances and assumptions used in the computation of share-based compensation, including the associated forfeiture rates.

As of September 30, 2013, the Company had cash and cash equivalents of $273,695,045, restricted cash of $407,965,730 and bank borrowings due within one year of $801,621,683. The Company's current liabilities exceed current assets by $46,660,309. For nine months ended September 30, 2013, the

2. BASIS OF PRESENTATION AND CONSOLIDATION (Continued)

Company experienced positive operating cash flow of $156 million. The Company has carried out a review of its cash flow forecast of the twelve months ending September 30, 2014. The Company also considered the steps it might take should it encounter difficulties in fully executing its total solution business and sales plans, including the ability to renew substantially all its existing bank borrowings as they become due. Based on the above factors, management believes that adequate sources of liquidity will 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.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued ASU 2013-11 which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The ASU requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should 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, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of this guidance is not expected to have a significant effect on the Company's consolidated financial statements.

4. ACQUISITION

Acquisition of Projects16

On April 17, 2012, the Company entered into a purchase agreement with a group of sellers ("Seller") under which the Company acquired 97% of the common shares and non-voting tracking shares in 16 solar power projects ("Projects 16") representing approximately 190-200MW from Seller. Each of these projects was awarded a 20-year power purchase contract by the Ontario Power Authority. Fifteen of these contracts were issued under Ontario's FIT program, and one was issued as part of

(In U.S. dollars)

4. ACQUISITION (Continued)

Ontario's Renewable Energy Standard Offer Program (or "RESOP"). The following table summarized the total consideration the Company paid as at the closing date.

Total consideration paid	
Cash consideration	$ 186,716,547
Fair value of the issuance of warrant, net of cash received	7,774,990
	194,491,537

The Company has allocated the total consideration between the tangible assets and project assets on the balance sheets.

As a part of the consideration, CSI issued a warrant (the "Warrant") which entitled the Seller to acquire 9.90% of CSI's outstanding common shares. The Warrant will not be exercisable until the expiry of one (1) year from the Closing Date (June 15, 2012), and will expire on the fifth (5th) anniversary of the Closing Date. The exercise price of the warrant is $5.00. The exercise price is subject to standard anti-dilution adjustments.

The fair market value of warrants was determined on the grant date through the binomial option pricing model using the following assumptions:

	As at June 15 ,2012
Risk free rate	1.76%
Volatility ratio	93.50%
Dividend yield	—

In June 2013, the Seller exercised the Warrant in accordance with the terms contained therein.

As the non-voting tracking shares issued by the solar power projects were still held by the Seller on the Closing Date, and 97% of them are redeemable by the Company upon satisfaction of certain conditions, the non-voting tracking shares are considered puttable equity instruments with a redemption feature that is not solely within the Company's control, and accordingly presented as redeemable non-controlling interest on the consolidated balance sheet.

Acquisition of SunEdison Projects

On February 8, 2013, the Company acquired 100% interest in a utility-scale solar power project in Ontario, Canada with a total capacity of approximately 10.5MW DC from SunEdison with consideration of $8.8 million. On June 28, 2013, the Company acquired 100% interest in another utility-scale solar power project in Ontario, Canada with a total capacity of approximately 12MW DC from SunEdison for consideration of $9.1million. The Company recorded them as project assets on the consolidated balance sheet.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts are comprised of allowances for accounts receivable, trade and advances to suppliers.

(In U.S. dollars)

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)

An analysis of allowances for accounts receivable, trade is as follows:

	At December 31, 2012	At September 30, 2013
	$	$
Beginning of the year/period	9,505,481	47,582,217
Allowances made (reversed) during the year/period	43,240,595	(1,573,804)
Accounts written-off against allowances	(5,325,908)	(4,500,883)
Foreign exchange effect	162,049	479,464
Closing balance	47,582,217	41,986,994

An analysis of allowances for advances to suppliers is as follows:

	At December 31, 2012	At September 30, 2013
	$	$
Beginning of the year/period	38,123,721	38,545,487
Allowances made during the year/period	370,622	115,205
Foreign exchange effect	51,144	467,285
Closing balance	38,545,487	39,127,977

6. INVENTORIES

Inventories consist of the following:

	At December 31, 2012	At September 30, 2013
	$	$
Raw materials	40,197,952	40,326,169
Work-in-process	16,739,907	32,725,431
Finished goods	217,517,939	147,567,887
	274,455,798	220,619,487

In the nine months ended September 30, 2012 and 2013, inventory was written down by $4,828,191 and $479,950 respectively, to reflect the lower of cost or market.

(In U.S. dollars)

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

	At December 31, 2012	At September 30, 2013
	$	$
Buildings	166,300,361	171,094,805
Leasehold improvements	4,873,232	5,537,527
Machinery	422,895,433	456,529,420
Furniture, fixtures and equipment	34,611,247	36,597,558
Motor vehicles	3,023,309	2,966,509
	631,703,582	672,725,819
Less: Accumulated depreciation	(202,390,860)	(265,488,880)
	429,312,722	407,236,939
Construction in process	40,330,100	19,522,362
Property, plant and equipment, net	469,642,822	426,759,301

Depreciation expense of property, plant and equipment was $60,345,291 and $59,411,710 for the nine months ended September 30, 2012 and 2013, respectively. Construction in process represents production facilities under construction. There was no impairment provision recorded in the nine months ended September 30, 2012 and 2013.

8. INTANGIBLE ASSETS, NET

The following summarizes the Company's intangible assets:

As of September 30, 2013	Gross Carrying Amount	Accumulated Amortization	Net
	$	$	$
Technical know-how	1,048,804	(428,262)	620,542
Computer software	7,611,168	(2,723,291)	4,887,877
Total intangible assets, net	8,659,972	(3,151,553)	5,508,419

As of December 31, 2012	Gross Carrying Amount	Accumulated Amortization	Net
	$	$	$
Technical know-how	1,025,861	(341,954)	683,907
Computer software	5,634,986	(1,991,289)	3,643,697
Total intangible assets, net	6,660,847	(2,333,243)	4,327,604

Amortization expenses for the nine months ended September 30, 2012 and 2013 were $794,159 and $785,277, respectively.

(In U.S. dollars)

8. INTANGIBLE ASSETS, NET (Continued)

Amortization expense of the above intangible assets is expected to be approximately $0.3 million, $1.1 million, $1.1 million, $0.8million and $0.6 million for the remainder of 2013, 2014, 2015, 2016 and 2017, respectively.

9. FAIR VALUE MEASUREMENT

As of December 31, 2012 and September 30, 2013, information about inputs into the fair value measurements of the Company's assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to their initial recognition is as follows:

	Fair Value Measurements at Reporting Date Using			
As of September 30, 2013	Total Fair Value and Carrying Value on the Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange forward contracts	$ 1,109,977	$ —	$ 1,109,977	$ —
Total Assets	$ 1,109,977	$ —	$ 1,109,977	$ —
Liabilities:				
Foreign exchange forward contracts	$ 1,539,161	$ —	$ 1,539,161	$ —
Total Liabilities	$ 1,539,161	$ —	$ 1,539,161	$ —

	Fair Value Measurements at Reporting Date Using			
As of December 31, 2012	Total Fair Value and Carrying Value on the Balance Sheet	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange option contracts	$ 100,837	$ —	$ 100,837	$ —
Foreign exchange forward contracts	$ 1,249,820	$ —	$ 1,249,820	$ —
Total Assets	$ 1,350,657	$ —	$ 1,350,657	$ —
Liabilities:				
Foreign exchange forward contracts	$ 365,226	$ —	$ 365,226	$ —
Total Liabilities	$ 365,226	$ —	$ 365,226	$ —

The Company's foreign currency derivative instruments relate to foreign exchange option or forward contracts involving major currencies such as Euro and Renminbi. Since its derivative instruments are not traded on an exchange, the Company values them using valuation models. Interest rate yield curves and foreign exchange rates are the significant inputs into these valuation models. These inputs are observable in active markets over the terms of the instruments the Company holds, and accordingly, the fair value measurements are classified as Level 2 in the hierarchy. The Company

9. FAIR VALUE MEASUREMENT (Continued)

considers the effect of its own credit standing and that of its counterparties in valuations of its derivative financial instruments.

The Company measures certain long term investments at fair value on a non-recurring basis in periods after initial measurement in circumstances when the fair value of such asset is impaired below its recorded cost. The fair value of such investments was classified as level 3 measurements as the valuation based on cash flow model involved significant unobservable inputs. The fair value of investments was classified as level 3 measurements as the valuation based on cash flow model involved significant unobservable inputs. The Company did not have any other assets or liabilities that were measured at fair value on a non-recurring basis subsequent to initial recognition for the nine months ended September 30, 2012 and 2013.

The Company also holds financial instruments that are not recorded at fair value in the condensed consolidated balance sheets, but whose fair value is required to be disclosed under US GAAP. The carrying value of cash and cash equivalents, trade receivables, billed and unbilled, amount due from a related party, accounts and short-term notes payable, other payables, other current liabilities, amounts due to related parties, and short-term borrowings approximate their fair values due to the short-term maturity of these instruments. Long-term bank borrowings of $190,534,884 as of September 30, 2013 approximate their fair value since these borrowings contain variable interest rates.

Depending on the terms of the specific derivative instruments and market conditions, some of the Company's derivative instruments may be assets and others liabilities at any particular point in time.

The Company's primary objective for holding derivative financial instruments is to manage currency risk. The recognition of gains or losses resulting from changes in fair values of those derivative instruments is based on the use of each derivative instrument and whether it qualifies for hedge accounting.

The Company entered into certain foreign currency derivative contracts to protect against volatility of future cash flows caused by the changes in foreign exchange rates. The foreign currency derivative contracts do not qualify for hedge accounting and, as a result, the changes in fair value of the foreign currency derivative contracts are recognized in the condensed consolidated statements of operations. The Company recorded a gain (loss) on foreign currency derivative contracts of $(6,635,891) and $1,828,229 for the nine months ended September 30, 2012 and 2013, respectively.

The effect of fair values of derivative instruments on the condensed consolidated balance sheets as of December 31, 2012 and September 30, 2013 and the effect of derivative instruments on the

(In U.S. dollars)

9. FAIR VALUE MEASUREMENT (Continued)

condensed consolidated statements of operations for the nine months ended September 30, 2012 and 2013 are as follows:

	Fair Values of Derivatives Asset			
	At December 31, 2012		At September 30, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange option contracts	Foreign currency derivative assets	$ 100,837	Foreign currency derivative assets	$ —
Foreign exchange forward contracts	Foreign currency derivative assets	$ 1,249,820	Foreign currency derivative assets	$ 1,109,977
Total derivatives		$ 1,350,657		$ 1,109,977

	Fair Values of Derivatives Liability			
	At December 31, 2012		At September 30, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange forward contracts	Foreign currency derivative liabilities	$ 365,226	Foreign currency derivative liabilities	$ 1,539,161
Total derivatives		$ 365,226		$ 1,539,161

		Amount of Gain (Loss) Recognized in Income on Derivatives For the Nine Months Ended September 30,	
	Location of Gain (Loss) Recognized in Income on Derivatives	2012	2013
Foreign exchange option contracts	Gain on foreign currency derivatives	$ 104,553	$ 304,582
Foreign exchange forward contracts	Gain (Loss) on foreign currency derivatives	$ (6,740,444)	$ 1,523,647
Total		$ (6,635,891)	$ 1,828,229

10. INVESTMENTS IN AFFILIATES

Investments in affiliates consist of the following:

	At December 31, 2012		At September 30, 2013	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
	$	(%)	$	(%)
Suzhou Gaochuangte New Energy Co., Ltd.	6,453,371	40	6,842,142	40
CSI SkyPower	2,565,075	50	4,994,296	50
GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd.	1,834,296	10	2,119,340	10
Nernst New Energy (Suzhou) Co., Ltd.	—	50	—	50
Others	15,874,847	21 - 30	20,695,654	21 - 30

Others	15,874,847	21 - 30	20,693,654	21 - 30
	26,727,589		34,651,432	

10. INVESTMENTS IN AFFILIATES (Continued)

On December 17, 2009, CSI Cells Co., Ltd. ("SZCC") established a joint venture, Suzhou Gaochuangte New Energy Co., Ltd., for total cash consideration of $2,929,020. SZCC holds a 40% voting interest and one of the three board members is designated by SZCC and, as such, SZCC is considered to have significant influence over the investee. On July 4, 2011, Suzhou Gaochuangte New Energy Co., Ltd. increased its share capital, and SZCC paid $3,118,800 in proportion to its ownership percentage.

On November 30, 2010, SZCC acquired a 50% interest in a joint venture, Nernst New Energy (Suzhou) Co., Ltd., for cash consideration of $1,503,531. The chairman of the board, who is designated by the other investor, has veto rights over all the operating and financial proposals from SZCC and, as such SZCC is not considered to have control, but does exercise significant influence, over the investee. As at December 31, 2012, due to the deterioration of the investee's financial position, the Company concluded that the investment was fully impaired.

On July 4, 2011, CSI Solar Power (China) Inc. ("SZSP") acquired a 10% interest in a joint venture, GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd, for cash consideration of $2,548,827. SZSP is able to exercise significant influence over the investee through its representative in the board.

On May 23, 2012, CSI established a joint venture, CSI SkyPower, for cash consideration of $3,428,751. In August 2013, CSI SkyPower increased its share capital, and CSI paid $4,428,736 in proportion to its ownership percentage. CSI holds a 50% voting interest and two of four board members are designated by CSI and, as such, CSI is considered to have significant influence over the investee.

On September 25, 2012, CSI Project Holdco, LLC ("USPH") acquired 21% equity interests in 9 separate utility-scale solar power projects from a third party by contribution of solar modules with an aggregate book value of $2,122,225. These equity interests were recorded at the carrying value of the modules contributed.

On September 27, 2012, USPH acquired equity interests of 30.3% and 28.3% in 2 separate utility-scale solar power projects, respectively, from a third party, by contribution of solar modules with an aggregate book value of $2,204,008. These equity interests were recorded at the carrying value of the modules contributed.

In September, 2012, USPH also acquired 21% equity interests in 12 separate utility-scale solar power projects and 30% equity interests in 3 separate utility-scale solar power projects from a third party by contribution of solar modules with an aggregate book value of $11,548,614. In the second quarter of 2013, 5 solar power projects increased their share capital, and USPH contributed solar modules with an aggregate book value of $5,791,202 in proportion to its ownership percentage. These equity interests were recorded at the carrying value of the modules contributed.

Equity in loss of unconsolidated investees was $1,144,143 and $1,847,830 for the nine months ended September 30 2012 and 2013, respectively.

(In U.S. dollars)

11. BORROWINGS

	At December 31, 2012	At September 30, 2013
	$	$
Bank borrowings	1,073,489,705	992,156,567
Analysis as:		
Short-term	800,808,595	645,806,268
Long-term, current portion	17,481,257	87,508,519
Subtotal for short-term	818,289,852	733,314,787
Long-term, non-current portion	214,562,973	190,534,884
Borrowings from non-banking financial institutions	40,636,880	68,306,896
Analysis as:		
Short-term	40,636,880	68,306,896
Total	1,073,489,705	992,156,567

As of September 30, 2013, the Company had contractual bank credit facilities of $1,175,748,572, of which $225,651,083 has been drawn down with the due dates beyond September 30, 2014 and $604,516,057 has been drawn down with the due dates before September 30, 2014; and $345,581,432 was available for draw down upon demand. In addition, as of September 30, 2013, the Company also had non-binding bank credit facilities of $304,079,375, of which $199,864,139 has been drawn down with the due dates before September 30,2014 and $104,215,236 was subject to banks' discretion upon request for additional drawn down.

As of December 31, 2012, the Company had contractual bank credit facilities of $1,388,843,703, of which $214,562,973 has been drawn down with the due dates beyond December 31, 2013 and $706,602,827 has been drawn down with the due dates before December 31, 2013; and $467,677,902 was available for draw down upon demand. In addition, as of December 31, 2012, the Company also had non-binding bank credit facilities of $189,324,636, of which $134,720,502 has been drawn down with the due dates before December 31, 2013 and $54,604,134 was subject to banks' discretion upon request for additional drawn down.

As of September 30, 2013, short-term borrowings of $195,179,526 and long-term borrowings of $102,433,383 were secured by property, plant and equipment with carrying amounts of $127,119,184, inventory of $62,844,828, a prepaid land use right of $12,803,528 and project assets of $262,760,245.

As of December 31, 2012, short-term borrowings of $324,748,289 and long-term borrowings of $71,593,182 were secured by property, plant and equipment with carrying amounts of $43,279,771, inventory of $31,819,267 and a prepaid land use right of $7,864,132.

(In U.S. dollars)

11. BORROWINGS (Continued)

a) ***Short-term***

The Company's short-term borrowings consisted of the following:

	At December 31, 2012	At September 30, 2013
	$	$
Bank borrowings		
Short-term borrowings secured by restricted cash	175,289,355	141,999,634
Short-term borrowings secured by inventory	79,548,166	32,530,904
Short-term borrowings guaranteed by Dr. Shawn Qu	66,349,563	50,974,611
Short-term borrowings secured by land use right and property, plant and equipment	231,676,935	122,199,177
Bank notes	21,825,595	40,507,144
Unsecured short-term borrowings	226,118,981	257,594,798
Long-term Loans due within one year		
Secured by property, plant and equipment	13,523,188	38,863,564
Secured by project assets	—	1,585,881
Unsecured	3,958,069	47,059,074
Subtotal	818,289,852	733,314,787
Borrowings from non-banking financial institutions		
Short-term borrowings secured by related parties	4,781,410	—
Short-term borrowings secured by Dr. Shawn Qu	—	4,066,362
Bank notes	35,855,470	64,240,534
Subtotal	40,636,880	68,306,896
Total	858,926,732	801,621,683

The average interest rate on short-term borrowings was 4.74% and 4.85% per annum for the nine months ended September 30, 2012 and 2013, respectively. The borrowings are repayable within one year.

b) ***Long-term***

The Company's long-term bank borrowings consisted of the following:

	At December 31, 2012	At September 30, 2013
	$	$
Unsecured	142,969,791	88,101,501
Long-term borrowings secured by land use right and property, plant and equipment	71,593,182	—
Long-term borrowings secured by project assets	—	102,433,383
Total	214,562,973	190,534,884

(In U.S. dollars)

11. BORROWINGS (Continued)

The average interest rate on long-term borrowings was 6.50% and 6.05% per annum for the nine months ended September 30, 2012 and 2013, respectively.

Future principal repayment on the long-term bank loans are as follows:

Remainder of 2013	25,618,727
2014	107,647,676
2015	26,860,757
2016	18,606,051
2017 and after	99,310,192
Total	278,043,403
Less: future principal repayment related to long-term loan, current portion	(87,508,519)
Total long-term portion	$ 190,534,884

On May 20, 2013, CSI Solar Manufacture Inc. and Tumushuke CSI New Energy Development Co., Ltd., the Company's 100% owned subsidiary, entered into a loan agreement with a local Chinese bank for construction of a solar power project in China. The total credit facility under this agreement is $43,916,721, or an equivalent RMB amount, which requires repayment of $3,171,763, $3,171,763, $3,090,436 and $34,482,759 in 2014 2015, 2016, 2017 and after, respectively. Interest is due quarterly in arrears. The outstanding balance as ofSeptember 30, 2013 was $34,157,450, which was guaranteed by CSI Solar Power (China) Inc. and secured by the project assets of Tumushuke CSI New Energy Development Co., Ltd. The borrowing bears a floating rate equal to the base interest rate published by People's Bank of China with the same maturities, and the prevailing rate as of September 30, 2013 for loans of more than 5 years is 6.55%. The borrowing also contains financial covenants which require that the ratio of liabilities to assets of the financial statements of CSI Solar Manufacture Inc. and Tumushuke CSI New Energy Development Co., Ltd. shall not exceed 75%. As at September 30, 2013, the Company met all the requirements of the financial covenants.

c) Interest expense

The Company capitalized interest costs incurred into the Company's property, plant and equipment or the Company's project assets as follows during the nine months ended September 30, 2012 and 2013:

	For the Nine Months Ended September 30,	
	2012	2013
	$	$
Interest capitalized—project assets	1,015,732	13,704,620
Interest capitalized—property, plant and equipment	530,321	282,896
Interest expense	43,410,344	36,296,438
Total interest incurred	44,956,397	50,283,954

(In U.S. dollars)

12. ACCRUED WARRANTY COSTS

The Company's warranty activity is summarized below:

	At December 31, 2012	At September 30, 2013
	$	$
Beginning balance	47,021,352	58,334,424
Warranty provision	12,516,349	10,062,763
Warranty costs incurred	(1,203,277)	(670,858)
Ending balance	58,334,424	67,726,329

13. INCOME TAXES

The Company adopted an estimated annual effective tax rate approach for calculating the tax provision for interim periods in accordance with ASC 740-270 "Income tax—Interimeporting". The estimated effective tax rate is based on expected income (loss), statutory tax rates and incentives available in the various jurisdictions in which the Company operates. The interim tax provision is determined by applying the estimated annual effective tax rate to the year-to-date ordinary income and discrete recognition of other tax effects. For a given quarter, the income tax provision equals the difference between the provision recorded cumulatively for the year less the amount recorded cumulatively as of the end of the prior interim period. As the year progresses, the Company refines the estimates of the year's taxable income as new information becomes available. This continual estimation process often results in a change to the estimated effective tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the estimated annual effective tax rate.

The Company considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will not be realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry-forward periods, the Company's experience with tax attributes expiring unused and tax planning alternatives. Valuation allowances have been established for deferred tax assets based on a more-likely-than-not threshold. The Company's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the statutory carry-forward periods provided for in the tax law of the various jurisdictions in which the Company operates.

The income tax expenses for the nine months ended September 30, 2013 were $3,952,793, and the income tax benefits for the nine months ended September 30, 2012 were $2,141,902. The Company's effective tax rates for the nine months ended September 30, 2012 and 2013 was 2% and 16%, respectively.

(In U.S. dollars)

14. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted gain (loss) per share for the periods indicated:

	For the Nine Months Ended September 30,	
	2012	2013
Net income (loss) attributable to Canadian Solar Inc.—basic and diluted	$ (90,484,223)	$ 10,711,552
Weighted average number of common shares—basic	43,175,046	44,895,360
Diluted share number from share options, restricted shares units and warrants	—	2,804,281
Weighted average number of common shares—diluted	43,175,046	47,699,641
Basic earnings (loss) per share	$ (2.10)	$ 0.24
Diluted earnings (loss) per share	$ (2.10)	$ 0.22

The following table sets forth anti-dilutive shares excluded from the computation of diluted earnings (loss) per share for the periods indicated.

	For the Nine Months Ended September 30,	
	2012	2013
Share options and restricted share units	4,352,516	1,548,256
Warrant	4,273,102	—
	8,625,618	1,548,256

15. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances:

The amount due from a related party of $17,599,798 as of September 30, 2013 is a trade receivable from the affiliate Suzhou Gaochuangte New Energy Co. Ltd ("Gaochuangte"), the Company's 40% owned affiliate, for module products sold.

The amount due from a related party of $9,977,177 as of December 31, 2012 is a trade receivable from the affiliate Gaochuangte, for module products sold.

The amount due to related party of $31,160,747 as of September 30, 2013 consists of (i) loan of $13,000,000, payable to Dr. Shawn Qu, Chairman, President, Chief Executive Officer, and major stockholder of the Company, which was initially paid to the Company, and (ii) a trade payable of $18,160,747 to Gaochuangte for the solar project construction service fees.

The amount due to related party of $5,036,642 as of December 31, 2012 consists of (i) a government award of $283,191, payable to Dr. Shawn Qu, Chairman, President, Chief Executive

(In U.S. dollars)

15. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Officer, and major stockholder of the Company, which was initially paid to the Company, and (ii) a trade payable of $4,753,450 to Gaochuangte for the solar project construction service fees.

Related party transactions:

Guarantees and Share Pledges

Dr. Qu fully guaranteed a one-year RMB1,001 million and RMB1,489 million loan facilities from Chinese Commercial Banks in 2012 and 2013, respectively. Amounts drawn down from the facilities as at December 31, 2012 and at September 30, 2013 were $66,349,563 and $50,974,611 respectively. As at September 30, 2013, Dr. Qu also full guaranteed a short-term loan from financial institutions with a total amount of $4,066,362.

Sales and purchase contracts with affiliates

In the nine months ended September 30, 2012 and 2013, the Company sold solar modules to Gaochuangte in the amount of RMB59,302,738 ($9,364,554) and RMB 25,120,647 ($4,030,115), respectively.

In the nine months ended September 30, 2012 and 2013, the Company paid nil and RMB444,965,142($71,635,699) to Gaochuangte for solar project construction services, respectively. These amounts were recorded in project assets.

16. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments

The Company has operating lease agreements principally for its office properties in the PRC, Canada, Japan and USA. Such leases have remaining terms ranging from one to 84 months and are renewable upon negotiation. Rental expenses were $6,444,658 and $6,852,359 for the nine months ended September 30, 2012 and 2013, respectively.

Future minimum lease payments under non-cancelable operating lease agreements at September 30, 2013 were as follows:

Year Ending December 31:	$
Remainder of 2013	1,040,737
2014	3,454,739
2015	2,357,647
2016	1,757,894
Thereafter	6,381,031
Total	14,992,048

b) Property, plant and equipment purchase commitments

As of September 30, 2013, short-term commitments for the purchase of property, plant and equipment were $6,113,229.

(In U.S. dollars)

16. COMMITMENTS AND CONTINGENCIES (Continued)

c) Supply purchase commitments

In order to secure future solar wafers supply, the Company has entered into long-term supply agreements with suppliers over the past several years. Under such agreements, the suppliers agreed to provide the Company with specified quantities of solar wafers, and the Company has made prepayments to the suppliers in accordance with the supply contracts. The prices of the supply contracts are generally subject to adjustment to reflect the prevailing market price at the transactions date.

The following is a schedule, by year, of future minimum obligation, using market prices as of September 30, 2013, under all supply agreements as of December 31, 2013:

Year Ending December 31:	$
Remainder of 2013	102,651,562
2014	245,566,622
2015	338,098,972
Total	686,317,156

d) Contingencies

<u>Deutsche Solar AG</u>

In 2007, the Company entered into a twelve-year wafer supply agreement with Deutsche Solar AG, under which the Company is required to purchase a contracted minimum volume of wafers at pre-determined fixed prices and in accordance with a pre-determined schedule, commencing January 1, 2009. The fixed prices may be adjusted annually at the beginning of each calendar year by Deutsche Solar AG to reflect certain changes in their material costs. The agreement also contains a take-or-pay provision, which requires the Company to pay the contracted amount regardless of whether the Company acquires the contracted annual minimum volumes. In 2009, the Company did not meet the minimum volume requirements under the agreement. Deutsche Solar AG agreed that the Company could fulfill its fiscal 2009 purchase obligation in fiscal 2010. In 2010, the Company fulfilled its 2009 purchase commitment under the agreement but did not meet the minimum purchase obligation for 2010. In 2011, the Company did not meet its purchase commitment for the year. The Company believes that the take-or-pay provisions of the agreement are void under German law and, accordingly, as of December 31, 2010 had not accrued for the full $21,143,853 that would otherwise be due under the take-or-pay provision of the agreement. Rather, the Company assumed that it would be permitted to purchase its 2010 contracted quantity, in addition to its 2011 contracted quantity, in fiscal 2011 and had included the purchase obligation for both years in its evaluation of the loss on the long-term purchase commitments. The Company recorded a loss on firm purchase commitments of nil for the nine months ended September 30, 2012 and 2013.

In December 2011, Deutsche Solar AG gave notice to the Company to terminate the twelve-year wafer supply agreement with immediate effect. Deutsche Solar AG justified the termination with alleged breach of the agreement by the Company. In the notice, Deutsche Solar AG also reserved its right to claim damage of Euro148.6 million in court. The agreement was terminated in 2011. As a result, the Company reclassified the accrued loss on firm purchase commitments reserve of $27,862,017

16. COMMITMENTS AND CONTINGENCIES (Continued)

as of December 31, 2011 to loss contingency accruals. In addition, the Company made a full bad debt allowance of $17,408,593 against the balance of its advance payments to Deutsche Solar as a result of the termination of the long-term supply contract. The accrued amount of $27,862,017 represents the Company's best estimate for its loss contingency. Deutsche Solar did not specify the basis for its claimed damage of Euro 148.6 million in the notice.

LDK

In June 2008, the Company entered into two long-term supply purchase agreements with Jiangxi LDK Solar Hi-Tech Co., Ltd., or LDK, in which the Company was required to purchase a contracted minimum volume of wafers at pre-determined fixed prices and in accordance with a pre-determined schedule. In April 2010, the Company sent notice to LDK and announced termination of these two contracts. In July 2010, the Company filed a request for arbitration against LDK with the Shanghai Branch of the China Economic & Trade Arbitration Commission. In its arbitration request, the Company asked LDK to refund the advance of $9,517,110. The first hearing was held in October 2010, during which the Company and LDK exchangedand reviewed the evidence. In October 2010, LDK counterclaimed against the Company, seeking (1) forfeiture of the $9,517,110 advance, (2) compensation of approximately RMB377,000,000 ($61,601,307) for losses due to the alleged breach of the agreements, (3) a penalty of approximately RMB15,200,000 ($2,483,660) and (4) arbitration expenses up to RMB4,700,000 ($767,974). The second hearing was held on March 9, 2011, during which the parties presented arguments to the arbitration commission. The arbitration commission hosted a settlement discussion between the parties on May 13, 2011. As of December 31, 2012 and September 30, 2013, the Company had provided a full allowance against the advance to LDK of $9,538,172 and $9,751,493, respectively due to the uncertainty of recovery. In December 2012, the Company made a non-cash provision totaling $30.0 million following an arbitration award made against the Company by the Shanghai Branch of China International Economic and Trade Arbitration Commission in favor of LDK.

In May 2013, the Suzhou Intermediate Court dismissed a request by LDK to enforce this arbitration award, after which LDK initiated additional proceedings against the Company in the Xinyu Intermediate Court claiming that the Company's rights to the initial deposits had been forfeited. Accordingly, the Company reversed the provision of $30.0 million as of March 31, 2013.On November 29, 2013, the Suzhou Intermediate Court vacated its decision made in May 2013, which dismissed a request by LDK to enforce the arbitration award against the Company and ruled that the case be re-adjudicated. This decision was issued following a request for re-adjudication issued by the Jiangsu Provincial High Court, which reviewed the May Decision and indicated the decision made by the Suzhou Intermediate Court in May lacked sufficient legal grounds and should be retired. On October 18, 2013, the Xinyu Intermediate Court postponed its proceeding pending the new decision made by the Suzhou Intermediate Court, which the Company expects will retry the case no earlier than February 20, 2014. The Company disputes merits of the proceedings brought against it by LDK and will defend itself vigorously against these claims. No decision has been made by the Suzhou Intermediate Court by the date of this report, and no provision has been provided as of September 30, 2013.

16. COMMITMENTS AND CONTINGENCIES (Continued)

Class Action Lawsuits

On June 1, 2010, the Company announced that it would postpone the release of its financial results for the first quarter ended March 31, 2010 and its quarterly earnings call pending the outcome of an investigation by the Audit Committee of its Board of Directors that had been launched after the Company received a subpoena from the SEC requesting documents relating to, among other things, certain sales transactions in 2009. Thereafter six class action lawsuits were filed in the United States District Court for the Southern District of New York, or the New York cases, and another class action lawsuit was filed in the United States District Court for the Northern District of California, or the California case. The New York cases were consolidated into a single action in December 2010. On January 5, 2011, the California case was dismissed by the plaintiff, who became a member of the lead plaintiff group in the New York action. On March 11, 2011, a Consolidated Complaint was filed with respect to the New York action. The Consolidated Complaint alleges generally that its financial disclosures during 2009 and early 2010 were false or misleading; asserts claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder; and names the Company, its chief executive officer and its former chief financial officer as defendants. The Company filed its motion to dismiss in May 2011, which was taken under submission by the Court in July 2011. On March 30, 2012, the Court dismissed the Consolidated Complaint with leave to amend, and the plaintiffs filed an Amended Consolidated Complaint against the same defendants on April 19, 2012. On March 28, 2013, the Court entered an order granting the Company's motion to dismiss and dismissing the Amended Consolidated Complaint with prejudice. On March 29, 2013, the Court entered judgment in the matter. On December 20, 2013, the United States Court of Appeals for the Second Circuit affirmed the district court's order dismissing such class action lawsuit.

In addition, a similar class action lawsuit was filed against the Company and certain of its executive officers in the Ontario Superior Court of Justice on August 10, 2010. The lawsuit alleges generally that its financial disclosures during 2009 and 2010 were false or misleading and brings claims under the shareholders' relief provisions of the Canada Business Corporations Act, Part XXIII.1 of the Ontario Securities Act as well as claims based on negligent misrepresentation. In December 2010, the Company filed a motion to dismiss the Ontario action on the basis that the Ontario Court has no jurisdiction over the claims and potential claims advanced by the plaintiff. The court dismissed the Company's motion on August 29, 2011. On March 30, 2012, the Ontario Court of Appeal denied the Company's appeal with regard to its jurisdictional motion. On November 29, 2012, the Supreme Court of Canada denied the Company's application for leave to appeal the order of the Ontario Court of Appeal. The Company's jurisdiction motion is therefore at an end. To proceed with the case, the plaintiff must obtain orders granting class certification and leave to assert the statutory cause of action under the Ontario Securities Act ("the "Plaintiff's Motions"). The Plaintiff's Motions were served in January 2013, and were initially scheduled for argument in the Ontario Superior Court of Justice in June 2013. However, the Plaintiff's Motions were adjourned in view of the plaintiff's decision to seek an order compelling the Company to file additional evidence on the Motions. On July 29, 2013 the Court dismissed the plaintiff's motion to compel evidence. On September 24, 2013 the plaintiff's application for leave to appeal from the July 29 Order was dismissed. The Plaintiff has yet to obtain new dates for the argument of the Plaintiff's Motions, but the Plaintiff's Motions are expected to be heard in 2014. The Company believes the Ontario action is without merit and is defending against the claim vigorously.

16. COMMITMENTS AND CONTINGENCIES (Continued)

Countervailing and anti-dumping duties

In October 2011, a trade action was filed with the U.S. Department of Commerce, or USDOC, and the U.S. International Trade Commission, or USITC, by the U.S. unit of SolarWorld AG and six other U.S. firms, accusing Chinese producers of crystalline silicon photovoltaic cells, or CSPV cells, whether or not incorporated into modules, of selling their products (i.e., CSPV cells or modules incorporating these cells) into the United States at less than fair value, or dumping, and of receiving countervailable subsidies from the Chinese authorities. These firms asked the U.S. government to impose anti-dumping and countervailing duties on CSPV cells imported from China. The USDOC and the USITC investigated the validity of these claims. The company was identified as one of a number of Chinese exporting producers of the subject goods to the U.S. market. The Company also has affiliated U.S. operations that import the subject goods from China.

On October 9, 2012, the USDOC issued final affirmative determinations in the anti-dumping and countervailing duty investigations. On November 7, 2012, the USITC ruled that imports of CSPV cells had caused material injury to the U.S. CSPV industry. As a result of these rulings, the Company is required to pay cash deposits on CSPV cells imported into the U.S. from China, whether alone or incorporated into modules. The announced cash deposit rates applicable to the Company were 13.94% (anti-dumping duty) and 15.24% (countervailing duty). The Company paid all cash deposits due as a result of these determinations. The rates at which duties will be assessed and payable is subject to administrative reviews in 2014 pursuant to a request by SolarWorld and may differ from the announced deposit rates. A number of parties have challenged rulings of the USDOC and USITC in appeals to the U.S. Court of International Trade. Decisions on those appeals are not expected until later 2014.

On December 31, 2013, the U.S. unit of SolarWorld AG filed a new trade action at the USDOC and USITC accusing Chinese producers of certain CSPV cells and modules of dumping their products into the United States and of receiving countervailable subsidies from the Chinese authorities. This trade action also accuses Taiwanese producers of certain CSPV cells and modules of dumping their products into the United States. Excluded from these new actions are those Chinese-origin solar products covered by the 2012 rulings detailed in the prior paragraphs. The USDOC and the USITC are investigating the validity of these claims. The Company was identified as one of a number of Chinese exporting producers of subject goods to the U.S. market. The Company also has affiliated U.S. operations that import goods subject to these new investigations.

On September 6, 2012, following a complaint lodged by EU ProSun, an ad-hoc industry association including SolarWorld AG, the European Commission initiated an anti-dumping investigation concerning imports into the European Union of CSPV modules and key components (i.e., cells and wafers) originating in China. On November 8, 2012, following a complaint lodged by the same parties, the European Commission initiated an anti-subsidy investigation on these products. In each investigation, the Company was identified as one of a number of Chinese exporting producers of these products to the EU market. The Company also has affiliated EU operations that import these products from China.

(In U.S. dollars)

16. COMMITMENTS AND CONTINGENCIES (Continued)

Definitive anti-dumping duties and definitive countervailing measures were imposed on December 6, 2013. However, under the terms of an undertaking entered into with the European Commission, duties are not payable on products sold into the EU, so long as the Company respects a volume ceiling and minimum price arrangement set forth in that undertaking, and until the measures expire or the European Commission withdraws the undertaking.

In November 2012, India initiated an anti-dumping investigation on imported solar products from China, Taiwan, the United States and Malaysia. The scope of the Indian complaint includes thin-film and CSPV cells and modules, as well as "glass and other suitable substrates." The period of investigation is from January 1, 2011 to June 30, 2012. The Company has completed and submitted a "sampling questionnaire" and was chosen by the Indian authorities to be a sampled company. The Company submitted the data requested of it and expect that its submitted data will be subject to on-site verification by the Indian authorities during the first half of 2014.

17. SEGMENT INFORMATION

The Company primarily operates in a single reportable business segment that includes the design, development and manufacture of solar power products.

The following table summarizes the Company's net revenues generated from different geographic locations. The information presented below is based on the location of customer's headquarters:

	For the Nine Months Ended September 30,	
	2012	2013
	$	$
Europe:		
—Germany	349,548,460	56,560,692
—Spain	63,215,206	15,368,709
—Czech	5,427,773	1,559,640
—Italy	23,664,907	2,347,425
—Others	94,859,100	75,791,881
Europe Total	536,715,446	151,628,347
America:		
—United States	209,762,291	141,132,945
—Canada	71,829,754	279,224,207
—Others	1,818,023	934,712
America Total	283,410,068	421,291,864
Asia and other regions:		
—China	63,992,176	32,730,174
—India	314,152	55,142,169
—Japan	61,712,952	367,746,115
—Others	53,845,818	106,348,829
Asia Total	179,865,098	561,967,287
Total net revenues	999,990,612	1,134,887,498

(In U.S. dollars)

17. SEGMENT INFORMATION (Continued)

Substantially all of the Company's long-lived assets are located in the PRC.

The following table summarizes the Company's revenues generated from each product:

	For the Nine Months Ended September 30,	
	2012	2013
	$	$
Modules	878,883,728	766,508,687
Solar system kits	61,701,662	120,018,452
EPC service	—	25,911,363
Solar power projects	48,899,445	204,192,227
Others	10,505,777	18,256,769
Total net revenues	999,990,612	1,134,887,498

18. SHARE OPTIONS

On May 30, 2006, the Board of Directors approved the adoption of a share incentive plan to provide additional incentives to employees, directors or external consultants. The maximum aggregate number of shares which may be issued pursuant to all awards (including options) is 2,330,000 shares, plus for awards other than incentive option shares, an annual increase to be added on the first business day of each calendar year beginning in 2007 equal to the lesser of one percent (1%) of the number of common shares outstanding as of such date, or a lesser number of common shares determined by the Board of Directors or a committee designated by the Board. In September 2010, the shareholders approved an amendment to the Plan to increase the maximum number of common shares which may be issued pursuant to all awards of options and restricted shares under the Plan to the sum of (i) 2,330,000 plus (ii) the sum of 1% of the number of outstanding common shares of the Company on the first day of each of 2007, 2008 and 2009 and 2.5% of the number of outstanding common shares of the Company outstanding on the first day of each calendar year after 2009. The share incentive plan will expire on, and no awards may be granted after, March 15, 2016. Under the terms of the share incentive plan, options are generally granted with an exercise price equal to the fair market value of the Company's ordinary shares and expire ten years from the date of grant.

Options to Employees

As of September 30, 2013, there was $2,429,146 in total unrecognized compensation expense related to unvested options awards, which is expected to be recognized over a weighted-average period of 1.5 years. During the nine months ended September 30, 2012 and 2013, $2,714,511 and $1,777,347 was recognized as compensation expense, respectively. There is no income tax benefit recognized in the income statement for the share-based compensation arrangements in 2012 and 2013.

The Company utilizes the Binomial option-pricing model to estimate the fair value of stock options.

(In U.S. dollars)

18. SHARE OPTIONS (Continued)

The following assumptions were used to estimate the fair value of stock options granted in 2012 and 2013:

	2012	2013
Risk free rate	3.15%	2.47%
Volatility ratio	78.79%	89.60%
Dividend yield	—	—
Annual exit rate	3.49%	3.58%
Exercise multiple	4.40	4.10

The Company used the market yield of USD dominated Chinese International government bonds with maturity periods that can cover the contractual life of the shares option for the risk-free rates. The Company estimated the expected volatility based on the average of historical daily annualized volatility of its own and comparable companies' stock prices. The Company's dividend policy is to retain earnings for reinvestment purpose and the Company does not intend to distribute dividends, thus the dividend yield is assumed to be zero. The Company estimated the annual exit rates based on the historical general exit rate of staff at different levels. The Company estimated the exercise multiple based on the historical exercise pattern of prior employee stock options granted by the Company.

A summary of the option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Terms	Aggregate Intrinsic Value
		$		$
Options outstanding at January 1, 2013	2,605,827	10. 25		
Granted	69,900	8.29		
Exercised	(247,945)	4.69		
Forfeited	(277,628)	10.80		
Options outstanding at September 30, 2013	2,150,154	10.76	6 years	15,821,700
Options vested or expected to vest at September 30, 2013	2,089,431	10.74	6 years	15,474,871
Options exercisable at September 30, 2013	1,752,851	10.74	6 years	13,388,928

The weighted average grant-date fair value of options granted in 2012 and 2013 was $2.22 and $6.07, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2012 and 2013 was $38,958 and $1,364,474, respectively.

Restricted shares to Employees

The Company granted 333,190 and 116,500 restricted shares to employees in May 2006 and July 2006 respectively. The restricted shares were granted at nominal value and generally vest over periods from one to four years based on the specific terms of the grants. The difference between the exercise price of the restricted shares and the fair market value of the Company's ordinary shares at the date of

(In U.S. dollars)

18. SHARE OPTIONS (Continued)

grant resulted in total compensation cost of approximately $7.1 million that will be recognized ratably over the vesting period.

As of September 30, 2013, there was no unrecognized share-based compensation related to unvested restricted share awards.

Restricted shares units to Employees

The Company granted 518,181, 1,400,237 and 1,334,959 restricted shares units ("RSU") to employees in 2011, 2012 and the nine months ended September 30, 2013, respectively. The RSUs entitle the holders to receive the Company's common shares upon vesting. The RSUs were granted for free and generally vest over periods from one to four years based on the specific terms of the grants. The fair market value of the Company's ordinary shares at the date of grant resulted in total compensation cost of approximately $3.7 million, $3.9 million and $4.6 million that will be recognized ratably over the vesting period for the RSU granted in 2011, 2012 and 2013, respectively. During the ninemonths ended September 30, 2012 and 2013, the Company recognized $1,329,250 and $1,883,405 in compensation expense associated with these awards respectively.

As of September 30, 2013, there was $7,898,238 of total unrecognized share-based compensation related to unvested restricted share units, which is expected to be recognized over a weighted-average period of 2.9 years.

A summary of the RSU activity is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
		$
Unvested at January 1, 2013	1,670,531	4.40
Granted	1,334,959	4.89
Vested	(542,420)	6.58
Forfeited	(297,370)	4.16
Unvested at September 30, 2013	2,165,700	4.18

The total fair value of restricted shares units vested during the nine months ended September 30, 2013 was $1,944,485.

19. SUBSEQUENT EVENTS

Between October 1, 2013 to January 31, 2014, the Company obtained new bank borrowings of $460 million, of which $286 million has due dates before September 30, 2014, and $174 million has due dates beyond September 30, 2014.

Between October 1, 2013 to January 31, 2014, the Company renewed $670 million bank facilities with due dates beyond September 30, 2014.

Appendix 1

Major Subsidiaries of CSI

The following table sets forth information concerning CSI's major subsidiaries:

Subsidiary	Place and date of Incorporation	Attributable Equity Interest Held	Principal Activity
CSI Solartronics (Changshu) Co., Ltd.	PRC November 23, 2001	100%	Developing solar power project
CSI Solar Technologies Inc.	PRC August 8, 2003	100%	Research and developing solar modules
CSI Solar Manufacture Inc.	PRC January 7, 2005	100%	Production of solar modules
Canadian Solar Manufacturing (Luoyang) Inc.	PRC February 24, 2006	100%	Manufacture of solar modules, ingots and wafers
Canadian Solar Manufacturing (Changshu) Inc.	PRC August 1, 2006	100%	Production of solar modules
CSI Cells Co., Ltd.	PRC August 23, 2006	100%	Manufacture of solar cells
Canadian Solar (USA) Inc.	USA June 8, 2007	100%	Sales and marketing of modules
CSI Project Consulting GmbH	Germany May 26, 2009	70%	Developing solar power project
Canadian Solar Japan K.K.	Japan June 21, 2009	90.67%	Sales and marketing of modules
Canadian Solar Solutions Inc.	Canada June 22, 2009	100%	Developing solar power project
CSI Solar Power (China) Inc.	PRC July 7, 2009	100%	Investment holding
Canadian Solar EMEA GmbH	Germany August 21, 2009	100%	Sales and marketing of modules
Canadian Solar Manufacturing (Ontario) Inc.	Canada June 30, 2010	100%	Production of solar modules
Canadian Solar (Australia) Pty., Ltd.	Australia February 3, 2011	100%	Sales and marketing of modules
Canadian Solar International Ltd.	Hong Kong March 25, 2011	100%	Sales and marketing of modules
Canadian Solar O&M (Ontario) Inc.	Canada May 10, 2011	100%	Developing solar power project
CSI-Cenergy Holdings, LLC	USA July 27, 2011	62.5%	Developing solar power project
Suzhou Sanysolar Materials Technology Co., Ltd.	PRC August 17, 2011	80%	Production of solar module materials

Subsidiary	Place and date of Incorporation	Attributable Equity Interest Held	Principal Activity
Canadian Solar South East Asia Pte., Ltd.	Singapore September 19, 2011	100%	Sales and marketing of modules
CSI Project Holdco, LLC	USA November 23, 2011	100%	Developing solar power project
Canadian Solar Manufacturing (Suzhou) Inc.	PRC February 13, 2012	61%	Manufacture of solar modules, cells
Canadian Solar South Africa Pty., Ltd.	South Africa June 22, 2012	100%	Sales and marketing of modules
Canadian Solar Brasil Servicos De Consultoria EM Energia Solar Ltda.	Brazil November 14, 2012	100%	Consulting services in energy solutions, certification and importation of photovoltaic modules
Canadian Solar Middle East Limited	United Arab Emirates December 10, 2012	100%	Energy generation and distribution
Canadian Solar International Project Holding Limited	Hong Kong January 3, 2013	100%	Developing solar power project
Canadian Solartronics (Suzhou) Co., Ltd.	PRC March 14, 2013	100%	Developing solar power project
Canadian Solar (Thailand) Ltd.	Thailand March 29, 2013	100%	Developing solar power project
Canadian Solar Component Corporation	Canada August 2, 2013	100%	Manufacture of solar modules, cells, and components